

2016 Explanatory Notes
Rural Utilities Service

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RURAL UTILITIES SERVICE

Purpose Statement

Rural Utilities Service (RUS) programs enhance the quality of life and improve economic opportunity in rural communities by providing financing for the basic infrastructure of modern life. Electricity and telecommunications are essential services for individuals and businesses alike. Adequate water and wastewater treatment capacity are significant quality of life, environmental and economic development issues.

Authorization and Program Descriptions

RUS delivers electric and telecommunications programs authorized by the Rural Electrification Act of 1936, as amended, 7 U.S.C. 901 et seq. (RE Act) and related legislation. RUS also delivers water and wastewater programs authorized by Section 306 of the Consolidated Farm and Rural Development Act (CONACT), 7 U.S.C. 1926 et seq.

Electric Programs:

The electric programs offer direct loans, guaranteed loans, and bond and note guarantees. The primary differences among the various electric loan programs are the statutory authority, qualifying criteria and the interest rate. The high energy cost grant program, which is appropriated under the water and waste program account, is also administered through the electric programs.

Direct loans under section 4 of the RE Act (7 U.S.C. 904) may be used to finance electric distribution, transmission, and generation systems, and for demand side management, energy efficiency and conservation programs, and renewable energy systems to serve rural areas.

Hardship rate direct loans are available to finance electric system improvements for qualified borrowers that meet thresholds for retail rate disparity and for customer per capita and household incomes, or that has suffered a severe, unavoidable hardship, such as a natural disaster. No private financing is required. Hardship rates loans at a fixed rate of 5 percent are also offered under section 305 of the RE Act (7 U.S.C. 935).

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

Guaranteed loans are provided under section 306 of the RE Act (7 U.S.C. 936) for financing of electric distribution, transmission and generation systems (including renewable energy), headquarters facilities, and for energy efficiency, conservation and demand side management programs. No private financing is required. The Federal Financing Bank (FFB) is the primary source of guaranteed loans. FFB interest rates are fixed to the prevailing cost of money to the Treasury, plus an administrative fee of one-eighth of 1 percent. USDA-guaranteed private loans issued through National Rural Utilities Cooperative Financing Corporation, Co Bank or other private lenders carry an interest rate negotiated between the lender and the borrower. Section 6101 of the 2014 Farm Bill authorizes borrowers to request and the Secretary to charge an upfront fee to cover the costs of a loan guarantee for loans for electrification baseload generation (7 U.S.C. 905).

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

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

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

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

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

Telecommunications Program:

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

Hardship (direct loans) loans bear interest at a fixed rate of 5 percent per year. These loans are intended only for borrowers with extremely high investment costs in terms of per subscriber service. These borrowers also have a very low number of subscribers for each mile of telecommunications line constructed. This low subscriber “density” inherently increases the cost to serve the most sparsely populated rural areas. Because of the high cost of the investment needed, these borrowers cannot typically afford higher interest rate loans.

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

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

All loans are based on extensive feasibility studies that determine a borrower’s ability to repay the loan. RD staffs monitor loan repayments that are secured through covenants in loan contracts, and mortgage documents with RD. The government holds a first lien position on all of the assets of the borrower.

Broadband loans were first authorized in the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) which established a new direct loan and loan guarantee program, “Access to Broadband Telecommunications Services in Rural Areas”, which was reauthorized and modified in the 2008 Farm Bill and the 2014 Farm Bill. This program provides funding for the cost of constructing, improving, and acquiring facilities and equipment for broadband service in rural communities of 20,000 inhabitants or less. Direct loans are made at the cost of money to the Treasury for the life of the facilities financed. Loans may be made at 4 percent to rural communities where broad-band 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. Changes required by the 2008 Farm Bill; revised regulations were published in the Federal Register on February 6, 2013. The 2014 Farm Bill made several changes to the program that will require revisions to the program regulations. The Farm Bill created a rural gigabit network pilot program, which authorizes the agency to establish a pilot program to provide grants, loans or loan guarantees to extend ultra-high speed service to rural areas where ultra-high speed service is not currently available, The legislation also requires changes to the

program eligibility requirements for applicants, establishes at least two evaluation periods each year, creates new priority criteria for reviewing applications, significantly increasing the reporting requirements on borrowers, requires additional reporting by the agency, sets standards regarding defaults and deobligations and mandates that a study be conducted regarding information to be provided for the national Broadband Map. These changes will require that the agency amend the current program regulation and legal documents, make major enhancements to its IT systems and initiate a study on providing effective data for the National Broadband Map. Regulations are under development and will be implemented prior to 2016.

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

Water and Waste Disposal Loans and Grants:

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

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

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

Water and waste facility loans and grants to alleviate health risks - Section 306C CONACT and 7 U.S.C. 1926. Section 306C loans and grants are available to low-income rural communities whose residents face significant health risks because they do not have access to water supply systems or waste disposal facilities. The grants are available to provide water or waste services to designated colonias in Arizona, California, New Mexico, and Texas. They are also available to Native American tribes with the funds specifically intended to be used for eligible projects benefiting members of federally recognized Native American tribes. Grants may be made in conjunction with loans and up to 100 percent of the eligible project cost.

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

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

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

Solid waste management grants - Section 310B CONACT and 7 U.S.C. 1932. Grants are made available to eligible

organizations to address solid waste management issues and threats to water resources from solid waste in rural communities. Assistance may be provided to enhance operator skills in operations and maintenance, identify threats to water resources, reduce or eliminate pollution of water resources, improve planning and management of solid waste disposal facilities in rural areas, and reduce the solid waste stream.

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

Geographic dispersion of offices and employees:

Rural Development programs are administered by the three programs representing RD: Housing and Community Facilities, Utilities, Business and Cooperative Development. RD headquarters is located in Washington, D.C. As of September 30, 2014, there were 4,606 permanent full-time employees, including 1,372 in the headquarters and 3,174 in the field offices.

OIG Reports – In Progress

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

GAO Reports - Completed

- | | | |
|----------------|-----------|--|
| #GAO-12-937 | 12/14/12 | Broadband Programs are Ongoing, and Agencies' Efforts Would Benefit from Improved Data Quality. The Government Accounting Office (GAO) reviewed the Broadband Initiatives Program (BIP) under ARRA, focusing on the progress of 10 broadband projects and their effect on expanding access to and adoption of broadband. GAO found that data limitations make it difficult to fully measure the effect of BIP on expanding access to broadband and made recommendations to improve the data, which RUS was already in the process of implementing. GAO also noted some of the challenges facing awardees in completing projects. |
| # GAO-13-279SP | Jan 2013 | GAO Annual Report on Duplication in Federal Programs. This is a follow-up to GAO Report No. GAO-13-111. In January 2013, RUS responded to a GAO regarding GAO's 2013 Annual Report on Rural Water Infrastructure. |
| #GAO-13-136 | 4-16-2013 | Wind Energy: Additional actions could help insure effective use of Federal financial support. GAO examined Federal wind-related initiatives across Federal agencies using surveys and follow up interviews. GAO |

recommended “That to the extent possible within their statutory authority Department of Energy (DOE) and USDA formally assess and document whether the Federal financial support of their initiatives is needed for applicants’ wind projects to be built.” RD in its consolidated response noted that disclosure of other funds used to support the project is included in application review and approval, but that USDA is constrained by statute in its consideration of need for funding.

GAO Reports – In Progress

#GAO-12-938R

The Distribution of Federal Economic Development Grants to Communities with High Rates of Poverty and Unemployment. GAO’s objectives are to determine the amount of funding provided by Federal programs for economic development and describe the mechanisms for targeting these funds to communities. WEP responded to opening questions regarding Federal Economic Development Grants to Poverty Communities on March 29, 2012.

#Unnumbered

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

RURAL UTILITIES SERVICE

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

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

For the cost of direct loans[, loan guarantees,] and grants for the rural water, waste water, waste disposal, and solid waste management programs authorized by sections 306, 306A, 306C, 306D, [306E,]and 310B and described in sections 306C(a)(2), 306D, [306E,]and 381E(d)(2) of the Consolidated Farm and Rural Development Act, [\$464,857,000]\$483,320,000, to remain available until expended[, of which not to exceed \$1,000,000 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 not to exceed \$10,000,000 of the amount appropriated under this heading shall be for grants authorized by 306A(i)(2) in addition to funding authorized by 306A(i)(1): *Provided further*, That

1 [\$66,500,000] not to exceed 12 percent of the amount appropriated under this heading shall be for loans and grants including water and waste disposal systems grants authorized by 306C(a)(2)(B) and 306D of the Consolidated Farm and Rural Development Act, Federally Recognized Native American Tribes authorized by 306C(a)(1), and the Department of Hawaiian Home Lands (of the State of Hawaii): *Provided further*, That funding provided for section 306D of the Consolidated Farm and Rural Development Act may be provided to a consortium formed pursuant to section 325 of Public Law 105-83: *Provided further*, That not more than 2 percent of the funding provided for section 306D of the Consolidated Farm and Rural Development Act may be used by the State of Alaska for training and technical assistance programs and not more than 2 percent of the funding provided for section 306D of the Consolidated Farm and Rural Development Act may be used by a consortium formed pursuant to section 325 of Public Law 105-83 for training and technical assistance programs:

2 *Provided 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,

3 unless the Secretary makes a determination of extreme need, of which [~~\$6,000,000~~]not more than 30 percent

4 shall be made available for a grant to a qualified nonprofit [multi-State]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,

5 and of which not [less than \$800,000]more than 4 percent shall be for a qualified national Native American organization to provide technical assistance for rural water systems for tribal communities: *Provided further*,

6 That not to exceed [~~\$15,919,000~~]4 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 \$4,000,000 shall be for solid waste management grants: [*Provided further*, That \$10,000,000 of the amount appropriated under this heading shall be transferred to, and merged with, the Rural Utilities Service, High energy Cost Grants Account to provide grants authorized under section 19 of the Rural Electrification Act of 1936 (7 U.S.C.918a): *Provided further*, That any prior year balances for high-energy cost grants authorized by section 19 of the Rural Electrification Act of 1936 (7 U.S.C. 918a) shall be transferred to and merged with the Rural Utilities Service, High Energy Cost Grants Account:] *Provided further*, That sections 381E-H and 381N of the Consolidated Farm and Rural Development Act are not applicable to the funds made available under this heading.

The first change adds language to provide appropriated funds for the emergency and imminent community water assistance grant program in addition to the set-aside.

The second, third, fourth, sixth, and seventh changes revises the language for the set-asides from a dollar amount to a percentage of the overall budget authority.

The fifth change revises the wording to be multi-state instead of multi-State.

The eighth change eliminates the language for high energy cost grants which is not proposed for funding in 2016.

RURAL UTILITIES SERVICE

RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT

Lead-Off Tabular Statement

	<u>Loan Level</u>	<u>Subsidy</u>	<u>Grants</u>
Budget Estimate, 2016.....	\$1,200,000,000	\$31,320,000	\$452,000,000
2015 Enacted.....	1,250,000,000	295,000	464,562,000
Change in Appropriation.....	<u>-50,000,000</u>	<u>31,025,000</u>	<u>-12,562,000</u>

Summary of Increases and Decreases
(Dollars in thousands)

<u>Program</u>	<u>2013</u> <u>Actual</u>	<u>2014</u> <u>Change</u>	<u>2015</u> <u>Change</u>	<u>2016</u> <u>Change</u>	<u>2016</u> <u>Estimate</u>
Discretionary Appropriations:					
Direct rural water and waste disposal loans.....	\$74,542	-\$74,542	-	+\$31,320	\$31,320
Guaranteed rural water and waste disposal loans.....	600	-245	-\$60	-295	-
Rural water and waste disposal grants.....	292,251	+42,272	+1,627	+22,750	358,900
Technical assistance grants for rural waste systems.....	17,550	+1,450	-	-5,440	13,560
Circuit rider - technical assistance grants for rural water systems.....	13,855	+1,145	+919	-4,619	11,300
WWD grants, Alaskan villages.....	21,499	+1,501	-	-4,016	18,984
WWD grants, native American tribes.....	14,040	+5,460	-3,500	-2,440	13,560
Water and waste disposal grants, Colonias.....	21,499	+1,501	+3,500	-7,516	18,984
WWD grants, Hawaiian Homelands.....	4,388	-3,388	-	+1,712	2,712
Water well system grants.....	917	+76	-	-993	-
Water and wastewater revolving funds.....	924	+76	-	-1,000	-
Solid waste management grants.....	3,141	+859	-	-	4,000
Emergency community water assistance grants.....	10,000	+1,000	-	-11,000	-
Emergency community water assistance grants, appropriated.....	-	-	-	+10,000	10,000
Subtotal, Discretionary.....	<u>475,206</u>	<u>-22,835</u>	<u>+2,486</u>	<u>+28,463</u>	<u>483,320</u>
Mandatory Appropriations:					
Rural water and waste disposal grants.....	-	+150,000	-150,000	-	-
Subtotal, Mandatory.....	<u>-</u>	<u>+150,000</u>	<u>-150,000</u>	<u>-</u>	<u>-</u>
Total Appropriations	<u>475,206</u>	<u>+127,165</u>	<u>-147,514</u>	<u>+28,463</u>	<u>483,320</u>

RURAL UTILITIES SERVICE

RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT

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

Program	2013 Actual			2014 Actual			2015 Enacted			Inc. or Dec.			2016 Estimate		
	Program Level	Budget Authority	SYs												
Discretionary Appropriations:															
Direct rural water and waste disposal loans..... g/	\$879,340	\$74,542	372	\$1,200,000	-	348	\$1,200,000	-	394	- (1)	\$31,320 (6)	+9	\$1,200,000	\$31,320	403
Direct rural water and waste disposal loans PL 83-566.....	40,000	-	-	40,000	-	-	-	-	-	-	-	-	-	-	-
Guaranteed rural water and waste disposal loans.....	56,641	600	-	50,000	\$355	-	50,000	\$295	-	-\$50,000 (2)	-295 (6)	-	-	-	-
Rural water and waste disposal grants.....	292,251	292,251	94	334,523	334,523	88	336,150	336,150	100	+22,750 (3)	+22,750	+2	358,900	358,900	102
Technical assistance grants for rural waste systems.....	17,550	17,550	-	19,000	19,000	-	19,000	19,000	-	-5,440 (3)	-5,440	-	13,560	13,560	-
Circuit rider - technical assistance grants for rural water systems.....	13,855	13,855	-	15,000	15,000	-	15,919	15,919	-	-4,619 (3)	-4,619	-	11,300	11,300	-
WWD grants, Alaskan villages.....	21,499	21,499	-	23,000	23,000	-	23,000	23,000	-	-4,016 (3)	-4,016	-	18,984	18,984	-
WWD grants, native American tribes.....	14,040	14,040	-	19,500	19,500	-	16,000	16,000	-	-2,440 (3)	-2,440	-	13,560	13,560	-
Water and waste disposal grants, Colonias.....	21,499	21,499	-	23,000	23,000	-	26,500	26,500	-	-7,516 (3)	-7,516	-	18,984	18,984	-
WWD grants, Hawaiian Homelands.....	4,388	4,388	-	1,000	1,000	-	1,000	1,000	-	+1,712 (3)	+1,712	-	2,712	2,712	-
Water well system grants.....	917	917	-	993	993	-	993	993	-	-993 (3)	-993	-	-	-	-
Water and wastewater revolving funds.....	924	924	-	1,000	1,000	-	1,000	1,000	-	-1,000 (3)	-1,000	-	-	-	-
Solid waste management grants.....	3,141	3,141	-	4,000	4,000	-	4,000	4,000	-	- (4)	-	-	4,000	4,000	-
Emergency community water assistance grants.....	10,000	10,000	-	11,000	11,000	-	11,000	11,000	-	-11,000 (5)	-11,000	-	-	-	-
Emergency community water assistance grants, appropriated.....	-	-	-	-	-	-	-	-	-	+10,000 (5)	+10,000	-	10,000	10,000	-
Subtotal, Discretionary.....	1,376,044	475,206	466	1,742,016	452,371	436	1,704,562	454,857	494	-52,562	+28,463	+11	1,652,000	483,320	505
Mandatory Appropriations:															
Rural water and waste disposal grants.....	-	-	-	150,000	150,000	-	-	-	-	-	-	-	-	-	-
Subtotal, Mandatory.....	-	-	-	150,000	150,000	-	-	-	-	-	-	-	-	-	-
Total Adjusted Approp.....	1,376,044	475,206	466	1,892,016	602,371	436	1,704,562	454,857	494	-52,562	+28,463	+11	1,652,000	483,320	505
Rescissions, Transfers, and Seq. (Net).....	124,046	49,261	-	-140,000	-140,000	-	10,000	10,000	-	-	-	-	-	-	-
Total Appropriation.....	1,500,090	524,466	466	1,752,016	462,371	436	1,714,562	464,857	494	-52,562	+28,463	+11	1,652,000	483,320	505
Transfers In:															
Commodity Credit Corporation.....	-	-	-	150,000	150,000	-	-	-	-	-	-	-	-	-	-
Subtotal.....	-	-	-	150,000	150,000	-	-	-	-	-	-	-	-	-	-
Transfers Out:															
High energy cost grants..... b/	-9,729	-9,729	-	-10,000	-10,000	-	-10,000	-10,000	-	-	-	-	-	-	-
Subtotal.....	-9,729	-9,729	-	-10,000	-10,000	-	-10,000	-10,000	-	-	-	-	-	-	-
Rescission..... g/	-40,740	-14,202	-	-	-	-	-	-	-	-	-	-	-	-	-
Sequestration..... d/	-73,577	-25,329	-	-	-	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY.....	240,258	87,271	-	304,202	130,237	-	374,703	108,084	-	-274,874	-6,469	-	99,829	101,615	-
Recoveries, Other (Net).....	175,733	75,056	-	52,929	52,929	-	43,393	43,393	-	280,739	+5,551	-	324,132	48,943	-
Total Available.....	1,792,035	637,532	466	2,249,147	785,537	436	2,122,657	606,334	494	-46,696	+27,544	+11	2,075,961	633,878	505
Bal. Available, EOY.....	-460,867	-130,237	-	-740,134	-108,084	-	-402,774	-101,615	-	-256,484	-25,732	-	-659,258	-127,347	-
Total Obligations.....	1,331,167	507,295	466	1,509,014	677,453	436	1,719,883	504,719	494	-303,180	+1,812	+11	1,416,703	506,531	505

RURAL UTILITIES SERVICE

RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2013 Actual			2014 Actual			2015 Estimate			Inc. or Dec.			2016 Estimate				
	Program	Budget	SYs	Program	Budget	SYs	Program	Budget	SYs	Program	Budget	SYs	Program	Budget	SYs		
	Level	Authority		Level	Authority		Level	Authority		Level	Authority		Level	Authority			
Discretionary Obligations:																	
Direct rural water and waste disposal loans.....	a/	\$876,812	\$70,759	372	\$824,365	-	348	\$1,200,000	-	394	-\$282,145	(1)	\$23,956	(6)	\$917,855	\$23,956	403
Guaranteed rural water and waste disposal loans.....		18,010	191	-	7,249	\$51	-	15,254	\$90	-	+1,109	(2)	-	-	16,364	90	-
Rural water and waste disposal grants.....		333,701	333,701	94	406,305	406,305	88	379,048	379,048	100	-6,386	(3)	-6,386	(6)	372,662	372,662	102
Technical assistance grants for rural waste systems.....		17,550	17,550	-	19,065	19,065	-	19,000	19,000	-	-5,141	(3)	-5,141	-	13,859	13,859	-
Circuit rider - technical assistance grants for rural water system		13,814	13,814	-	17,495	17,495	-	15,520	15,520	-	-3,220	(3)	-3,220	-	12,300	12,300	-
WWD grants, Alaskan villages.....		27,785	27,785	-	21,493	21,493	-	38,265	38,265	-	-12,907	(3)	-12,907	-	25,358	25,358	-
WWD grants, native American tribes.....		11,093	11,093	-	13,476	13,476	-	14,765	14,765	-	+12,538	(3)	+12,538	-	27,303	27,303	-
Water and waste disposal grants, colonias.....		21,617	21,617	-	28,837	28,837	-	25,319	25,319	-	-4,353	(3)	-4,353	-	20,966	20,966	-
WWD grants, Hawaiian homelands.....		-	-	-	-	-	-	500	500	-	-	(3)	-	-	500	500	-
Water well system grants.....		917	917	-	1,019	1,019	-	954	954	-	-954	(3)	-954	-	-	-	-
Water and wastewater revolving funds.....		924	924	-	1,000	1,000	-	683	683	-	-683	(3)	-683	-	-	-	-
Solid waste management grants.....		3,141	3,141	-	4,000	4,000	-	4,000	4,000	-	-	(4)	-	-	4,000	4,000	-
Emergency community water assistance grants.....		5,805	5,805	-	14,711	14,711	-	6,575	6,575	-	-1,038	(5)	-1,038	-	5,537	5,537	-
Subtotal, Discretionary.....		1,331,167	507,295	466	1,359,014	527,453	436	1,719,882	504,719	494	-303,180		+1,812		1,416,703	506,531	505
Mandatory Obligations:																	
Rural water and waste disposal grants.....		-	-	-	150,000	150,000	-	-	-	-	-	-	-	-	-	-	-
Subtotal, Mandatory.....		-	-	-	150,000	150,000	-	-	-	-	-	-	-	-	-	-	-
Total Obligations.....		1,331,167	507,295	466	1,509,014	677,453	436	1,719,882	504,719	494	-303,180		+1,812		1,416,703	506,531	505
Bal. Available, EOY.....		460,867	130,237	-	740,134	108,084	-	402,774	101,615	-	+256,484		+25,732		659,258	127,347	-
Total Available.....		1,792,035	637,532	466	2,249,147	785,537	436	2,122,656	606,334	494	-46,696		+27,544		2,075,961	633,878	505
Transfers In.....		-	-	-	-150,000	-150,000	-	-	-	-	-	-	-	-	-	-	-
Transfers Out.....	b/	9,729	9,729	-	10,000	10,000	-	10,000	10,000	-	-10,000		-10,000		-	-	-
Rescission.....	c/	40,740	14,202	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sequestration.....	d/	73,577	25,329	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY.....		-240,258	-87,271	-	-304,202	-130,237	-	-374,703	-108,084	-	+274,874		+6,469		-99,829	-101,615	-
Other Adjustments (Net).....		-175,733	-75,056	-	-52,929	-52,929	-	-43,393	-43,393	-	-280,739		-5,551		-324,132	-48,943	-
Total Appropriation.....		1,500,090	524,466	466	1,752,016	462,371	436	1,714,562	464,857	494	-62,562		+18,463		1,652,000	483,320	505

Justification of Increases and Decreases

(1) No change in funding for direct water and waste disposal loans (\$1,200,000,000 available in 2015).

Base funds for direct water and waste disposal loans 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 residences, rural businesses, and other rural users. Continuing the base funding is crucial to ensure the continued success of the program in delivering clean water and sanitary conditions. Adequate water and wastewater treatment capacity are significant for supporting quality of life issues, environmental sustainability, and economic development.

Continuation of the program is critical because:

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

Base funding supports the USDA Strategic Goal of assisting rural communities to create prosperity so that they are self-sustaining, repopulating and economically thriving and also supports Rural Development's (RD) Strategic Goal of improving the quality of life in rural America by developing community infrastructure. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Funding in 2015 can support 763 loans that assist approximately 1,437,890 rural residents to obtain decent, safe, and sanitary water and wastewater services.

Funding in 2016 is expected to support 767 loans that will assist approximately 1,447,589 rural residents in obtaining decent, safe, and sanitary water and wastewater services. Funding in 2016 is being targeted to the smaller rural, underserved communities that are severe poverty and can afford less loan amounts. This will enable more loans but to a smaller population served.

(2) A decrease of \$50,000,000 for guaranteed water and waste disposal loans (\$50,000,000 available in 2015).

The funding in 2014 for the guaranteed water and waste disposal loan program supported 5 loans that assisted approximately 23,862 rural residents in obtaining decent, safe, and sanitary water and wastewater services. Because of minimal demand and expected carryover funding, no new funding is proposed in 2016.

<u>FY</u>	<u>Number of loans made</u>	<u>Total Guaranteed Loans Obligation</u>
2010	7	\$10,720,630
2011	9	31,923,200
2012	5	6,659,910
2013	6	18,010,350
2014	5	7,248,840

Funding in 2015 for the guaranteed water and waste disposal loan program will support 21 loans to assist approximately 32,235 rural residents in obtaining decent, safe and sanitary water and wastewater services. The anticipated carryover amount from 2014 into 2015 for the guaranteed water and waste disposal loan program could support about 115 loans and assist approximately 176,525 rural residents. The Water and Environmental

Program has plans in 2015 to streamline the guaranteed water and waste loan program. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

(3) A decrease of \$12,562,000 for water and waste disposal grants (\$450,562,000 available in 2015).

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

Continuation of the program is critical because:

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

Base funding supports the USDA Strategic Goal of assisting rural communities to create prosperity so that they are self-sustaining, repopulating and economically thriving and also supports RD's Strategic Goal of improving the quality of life in rural America by developing community infrastructure. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Language is included to revise the set-asides for Native American, Colonias, Alaskan Villages, Hawaiian Homelands, technical assistance grants, and 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 a percentage of the amount appropriated under this heading, it will allow program funds to be more equitably distributed amongst the programs. 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.

Funding in 2015 can support 372 grants that assist approximately 729,875 rural residents to obtain decent, safe, and sanitary water and wastewater services. Funding can support 7 technical assistance (TA) grants that assist rural residents in 50 states to obtain technical assistance for developing decent, safe, and sanitary water and waste water facilities.

Funding in 2016 is expected to support 399 grants in the water and waste disposal grant program to assist approximately 752,411 rural residents in obtaining decent, safe, and sanitary water and waste water services. Funding in 2016 can support 7 TA grants. Funding in 2016 is targeting severe poverty areas which are less populated and may be part of promise zones and strike force areas. The water and environment programs will accomplish this through the regular grant program and through set asides.

The anticipated carryover amount of \$37,160,000 for 2016 can support 31 grants in the water and waste disposal grant program to assist approximately 52,047 rural residents in obtaining decent, safe, and sanitary water and wastewater services.

(4) No change in funding for solid waste management grants (\$4,000,000 available in 2015).

Base funds for solid waste management grants will continue to provide funds to both public and private non-profit organizations to help communities identify threats to water resources and reduce the solid waste stream.

Continuation of the program is critical because 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.

Base funding supports the USDA Strategic Goal of assisting rural communities to create prosperity so that they are self-sustaining, repopulating and economically thriving and also supports RD's Strategic Goal of improving the quality of life in rural America by developing community infrastructure. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Funding for 2015 will support 35 grants to eligible organizations. Funding in 2016 will support 35 grants that will help communities address water pollution issues and develop solid waste management strategies.

(5) An increase of \$10,000,000 for emergency and imminent community water assistance grants (\$0 available in 2015).

The emergency community water assistance grant (ECWAG) program provides grants to public bodies and private nonprofit corporations serving rural areas to alleviate a significant decline in quantity or quality of water available from the water supplies of rural residents. USDA is authorized in Section 306A(i)(2) of the Consolidated Farm and Rural Development Act (ConAct), P.L. 111-10, to set aside not less than 3 percent and not more than 5 percent of the funding for the water and waste disposal grant program to fund the ECWAG program. Funds can be set aside until June 30th of each fiscal year, after which unobligated ECWAG funds are returned to the grant account and used to fund water and waste infrastructure construction projects across rural America. ECWAG grants are limited to \$500,000 for water source issues and \$150,000 for emergency repairs. Although the ECWAG funding authorized through the ConAct exceeded demand in prior years, in 2014 USDA experienced increased demand resulting from the severe drought conditions and other natural disasters (such as the freeze conditions in the northern States). In addition, RD/RUS implemented streamlined processes to improve delivery to communities facing emergency situations, further increasing participation in the program. In 2015, authority was provided to allow an additional period of time not to exceed 120 days beyond the established period in a general provision. The budget proposes to provide additional funding through the appropriation language that will make funds available through the end of the fiscal year to improve and enhance access for areas impacted by drought conditions.

The 2015 budget provided that up to \$11,000,000 may be set aside based on a percentage of funding for the water and waste disposal grant program.

At this time, we anticipate continued demand for emergency grant funds, particularly in drought impacted areas. In 2016, funding of \$10 million in appropriated grant funding would support an additional 34 projects, in addition to the amount set aside based on a percentage of funding for the water and waste disposal grant program. As authorized, the agency will set aside funds of 3 percent to 5 percent for the ECWAG program. However, having additional appropriated funds will allow RUS to meet the expected demand and have ECWAG funds available throughout the fiscal year.

(6) An increase of \$31,025,000 for water and waste disposal loan subsidy (\$295,000 available in 2015).

An increase of \$31,320,000 in subsidy for the direct water and waste disposal loan program is necessary to support the requested \$1.2 billion loan level associated with this loan program. The subsidy rate changed from -0.61 percent in 2015 to 2.61 percent in 2016. Specifically, this change resulted from the following technical assumptions: a decrease in the weighted average borrower's interest rate; a decrease in the single effective rate; and an increase to the undiscounted prepayments assumption curve.

A decrease of \$295,000 for the guaranteed water and waste disposal loan program results from the fact that this loan program is not requested in 2016.

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

State/Territory	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
	Amount	Amount	Amount	Amount
Alabama.....	\$10,659	\$18,798	-	-
Arizona.....	4,812	9,700	-	-
Arkansas.....	15,954	16,539	-	-
California.....	29,299	10,628	-	-
Colorado.....	7,507	1,253	-	-
Connecticut.....	8,719	11,915	-	-
Delaware.....	4,897	7,481	-	-
Florida.....	4,878	9,784	-	-
Georgia.....	5,854	10,365	-	-
Hawaii.....	6,663	1,037	-	-
Idaho.....	8,963	3,742	-	-
Illinois.....	27,845	25,104	-	-
Indiana.....	12,621	38,120	-	-
Iowa.....	21,715	12,175	-	-
Kansas.....	38,331	32,494	-	-
Kentucky.....	43,178	49,307	-	-
Louisiana.....	20,557	18,239	-	-
Maine.....	13,651	21,645	-	-
Maryland.....	14,598	16,761	-	-
Massachusetts.....	7,540	11,343	-	-
Michigan.....	55,021	49,466	-	-
Minnesota.....	21,495	28,384	-	-
Mississippi.....	14,655	10,224	-	-
Missouri.....	39,076	20,519	-	-
Montana.....	22,160	11,862	-	-
Nebraska.....	9,816	4,315	-	-
Nevada.....	13,972	-	-	-
New Hampshire.....	13,275	3,650	-	-
New Jersey.....	7,659	8,550	-	-
New Mexico.....	360	5,496	-	-
New York.....	30,196	46,855	-	-
North Carolina.....	9,011	28,743	-	-
North Dakota.....	13,268	8,198	-	-
Ohio.....	16,512	15,956	-	-
Oklahoma.....	18,310	14,923	-	-
Oregon.....	4,375	17,784	-	-
Pennsylvania.....	28,047	28,934	-	-
Rhode Island.....	1,928	8,135	-	-
South Carolina.....	45,642	55,498	-	-
South Dakota.....	10,044	11,661	-	-
Tennessee.....	36,509	14,508	-	-
Texas.....	42,395	7,788	-	-
Utah.....	5,523	6,258	-	-
Vermont.....	9,408	3,951	-	-
Virginia.....	26,481	7,858	-	-
Washington.....	10,821	15,590	-	-
West Virginia.....	18,078	23,366	-	-
Wisconsin.....	34,907	26,454	-	-
Wyoming.....	728	1,295	-	-
Puerto Rico.....	8,901	11,714	-	-
Undistributed.....	-	-	\$1,200,000 ^{a/}	\$917,855 ^{a/}
Obligations.....	876,812	824,365	1,200,000	917,855

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

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

State/Territory	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
	Amount	Amount	Amount	Amount
Illinois.....	\$757	-	-	-
Missouri.....	350	-	-	-
Montana.....	-	\$2,500	-	-
North Carolina.....	12,580	1,760	-	-
North Dakota.....	-	500	-	-
South Carolina.....	1,324	-	-	-
Tennessee.....	-	2,489	-	-
Washington.....	3,000	-	-	-
Undistributed.....	-	-	\$15,254 <u>a/</u>	\$16,364 <u>a/</u>
Obligations.....	18,010	7,249	15,254	16,364

a/ Totals cannot be distributed at this time.

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

State/Territory	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
	Amount	Amount	Amount	Amount
Alabama.....	\$10,183	\$11,166	-	-
Alaska.....	1,634	1,448	-	-
Arkansas.....	6,294	8,848	-	-
California.....	7,705	2,243	-	-
Colorado.....	2,031	2,809	-	-
Connecticut.....	3,182	7,987	-	-
Delaware.....	2,249	3,977	-	-
Florida.....	3,261	4,462	-	-
Georgia.....	5,800	5,377	-	-
Hawaii.....	7,919	6,292	-	-
Idaho.....	4,020	2,923	-	-
Illinois.....	6,292	9,392	-	-
Indiana.....	5,630	31,411	-	-
Iowa.....	6,043	10,235	-	-
Kansas.....	8,287	20,815	-	-
Kentucky.....	13,632	11,290	-	-
Louisiana.....	5,985	6,632	-	-
Maine.....	8,219	7,161	-	-
Maryland.....	6,760	14,014	-	-
Massachusetts.....	3,001	4,875	-	-
Michigan.....	13,146	16,340	-	-
Minnesota.....	12,894	14,349	-	-
Mississippi.....	2,963	5,319	-	-
Missouri.....	10,129	10,596	-	-
Montana.....	13,878	11,274	-	-
Nebraska.....	3,042	4,548	-	-
Nevada.....	7,935	48	-	-
New Hampshire.....	3,371	1,765	-	-
New Jersey.....	2,605	2,981	-	-
New Mexico.....	-	4,153	-	-
New York.....	13,885	26,696	-	-
North Carolina.....	3,604	17,233	-	-
North Dakota.....	7,403	8,138	-	-
Ohio.....	9,360	8,253	-	-
Oklahoma.....	7,663	792	-	-
Oregon.....	5,205	6,475	-	-
Pennsylvania.....	9,738	15,312	-	-
Rhode Island.....	1,602	6,144	-	-
South Carolina.....	13,331	11,257	-	-
South Dakota.....	5,079	5,446	-	-
Tennessee.....	9,736	6,100	-	-
Texas.....	14,704	3,886	-	-
Utah.....	2,101	8,694	-	-
Vermont.....	4,646	4,593	-	-
Virginia.....	9,322	3,939	-	-
Washington.....	2,928	4,547	-	-
West Virginia.....	7,629	6,947	-	-
Wisconsin.....	13,025	8,243	-	-
Wyoming.....	1,827	5,612	-	-
Puerto Rico.....	2,824	3,270	-	-
Undistributed.....	-	-	\$379,048 <u>a/</u>	\$372,662 <u>a/</u>
Obligations.....	333,701	406,305	379,048	372,662

a/ Totals cannot be distributed at this time.

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

State/Territory	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
	Amount	Amount	Amount	Amount
Alaska.....	\$957	\$750	-	-
Arizona.....	500	500	-	-
Arkansas.....	35	175	-	-
California.....	248	110	-	-
Kentucky.....	-	95	-	-
Maine.....	78	-	-	-
Maryland.....	5,250	6,500	-	-
Nevada.....	200	300	-	-
New York.....	198	195	-	-
Oklahoma.....	9,100	9,700	-	-
South Dakota.....	-	90	-	-
Washington.....	157	-	-	-
West Virginia.....	645	650	-	-
Virgin Islands.....	182	-	-	-
Undistributed.....	-	-	\$19,000 a/	\$13,859 a/
Obligations.....	17,550	19,065	19,000	13,859

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

State/Territory	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
	Amount	Amount	Amount	Amount
Oklahoma.....	\$13,814	\$17,495	\$15,520	\$12,300
Obligations.....	13,814	17,495	15,520	12,300

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

State/Territory	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
	Amount	Amount	Amount	Amount
Alaska.....	\$27,743	\$21,456	\$38,148	\$24,758
District of Columbia.....	42	37	117	600
Obligations.....	27,785	21,493	38,265	25,358

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

State/Territory	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
	Amount	Amount	Amount	Amount
Arizona.....	\$1,000	-	-	-
Michigan.....	998	\$300	-	-
Minnesota.....	1,000	5,131	-	-
Mississippi.....	-	3,985	-	-
Montana.....	297	-	-	-
New Mexico.....	2,000	1,000	-	-
North Dakota.....	2,000	771	-	-
South Dakota.....	2,659	2,289	-	-
Utah.....	250	-	-	-
Wyoming.....	889	-	-	-
Undistributed.....	-	-	\$14,765 a/	\$27,303 a/
Obligations.....	11,093	13,476	14,765	27,303

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

State/Territory	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
	Amount	Amount	Amount	Amount
Arizona.....	\$17,207	\$5,499	-	-
California.....	-	7,486	-	-
New Mexico.....	4,410	14,401	-	-
Texas.....	-	1,450	-	-
Undistributed.....	-	-	\$25,319 a/	\$20,966 a/
Obligations.....	21,617	28,837	25,319	20,966

a/ Totals cannot be distributed at this time.

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

State/Territory	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
	Amount	Amount	Amount	Amount
Hawaii.....	-	-	\$500	\$500
Obligations.....	-	-	500	500

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

State/Territory	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
	Amount	Amount	Amount	Amount
Colorado.....	-	\$354	-	-
Georgia.....	\$175	175	-	-
Illinois.....	50	50	-	-
Michigan.....	150	-	-	-
Minnesota.....	50	-	-	-
Missouri.....	242	-	-	-
North Carolina.....	-	140	-	-
Virginia.....	250	300	-	-
Undistributed.....	-	-	\$954 <u>a/</u>	-
Obligations.....	917	1,019	954	-

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

State/Territory	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
	Amount	Amount	Amount	Amount
Arkansas.....	\$185	\$250	-	-
California.....	277	250	-	-
Oklahoma.....	462	500	-	-
Undistributed.....	-	-	\$683 <u>a/</u>	-
Obligations.....	924	1,000	683	-

a/ Totals cannot be distributed at this time.

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

State/Territory	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
	Amount	Amount	Amount	Amount
Alaska.....	\$715	\$828	-	-
Arizona.....	-	175	-	-
California.....	287	296	-	-
Colorado.....	136	136	-	-
Georgia.....	-	74	-	-
Idaho.....	-	123	-	-
Iowa.....	72	77	-	-
Kansas.....	40	53	-	-
Kentucky.....	90	-	-	-
Maine.....	227	225	-	-
Maryland.....	-	853	-	-
Massachusetts.....	180	88	-	-
Michigan.....	85	96	-	-
Missouri.....	22	-	-	-
New Hampshire.....	-	301	-	-
New Jersey.....	91	-	-	-
New Mexico.....	162	-	-	-
New York.....	185	260	-	-
North Carolina.....	110	117	-	-
Ohio.....	23	27	-	-
Oklahoma.....	135	86	-	-
Texas.....	170	-	-	-
Utah.....	80	-	-	-
Vermont.....	-	50	-	-
Virginia.....	128	-	-	-
West Virginia.....	115	-	-	-
Wisconsin.....	-	137	-	-
Virgin Islands.....	90	-	-	-
Undistributed.....	-	-	\$4,000 ^{a/}	\$4,000 ^{a/}
Obligations.....	3,141	4,000	4,000	4,000

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

State/Territory	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
	Amount	Amount	Amount	Amount
Alabama.....	\$18	-	-	-
California.....	-	\$9,731	-	-
Idaho.....	457	100	-	-
Indiana.....	147	694	-	-
Iowa.....	1,500	70	-	-
Kansas.....	290	-	-	-
Minnesota.....	359	60	-	-
Missouri.....	624	-	-	-
Nebraska.....	-	270	-	-
New Hampshire.....	-	150	-	-
New Jersey.....	-	1,500	-	-
New York.....	500	-	-	-
Oklahoma.....	-	243	-	-
South Carolina.....	800	-	-	-
Tennessee.....	610	950	-	-
Texas.....	500	195	-	-
Vermont.....	-	251	-	-
Wisconsin.....	-	498	-	-
Undistributed.....	-	-	\$6,575 ^{a/}	\$5,537 ^{a/}
Obligations.....	5,805	14,711	6,575	5,537

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

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

State/Territory	2013 Actual		2014 Actual		2015 Estimate		2016 Estimate	
	Amount		Amount		Amount		Amount	
Alabama.....	-	-	\$2,641					-
Arizona.....	-	-	2,143					-
California.....	-	-	1,944					-
Connecticut.....	-	-	4,793					-
Florida.....	-	-	1,767					-
Georgia.....	-	-	1,047					-
Idaho.....	-	-	2,643					-
Illinois.....	-	-	1,433					-
Iowa.....	-	-	1,599					-
Kansas.....	-	-	3,656					-
Kentucky.....	-	-	15,695					-
Maine.....	-	-	11,675					-
Maryland.....	-	-	5,226					-
Massachusetts.....	-	-	4,461					-
Michigan.....	-	-	2,884					-
Minnesota.....	-	-	18,312					-
Mississippi.....	-	-	1,415					-
Montana.....	-	-	3,436					-
New Hampshire.....	-	-	410					-
New York.....	-	-	6,477					-
North Carolina.....	-	-	3,779					-
North Dakota.....	-	-	3,268					-
Ohio.....	-	-	2,912					-
Oklahoma.....	-	-	5,816					-
Oregon.....	-	-	2,813					-
Pennsylvania.....	-	-	7,395					-
Rhode Island.....	-	-	440					-
South Carolina.....	-	-	18,574					-
Tennessee.....	-	-	2,784					-
Texas.....	-	-	241					-
Utah.....	-	-	125					-
Vermont.....	-	-	701					-
West Virginia.....	-	-	4,662					-
Wisconsin.....	-	-	626					-
Puerto Rico.....	-	-	2,208					-
Undistributed.....	-	-	-		-		-	-
Obligations.....	-	-	150,000					-

Classification by Objects
(Dollars in thousands)

	2013	2014	2015	2016
	Actual	Actual	Estimate	Estimate
41.0 Grants, subsidies, and contributions.....	\$507,295	\$677,453	\$504,719	\$506,531
99.9 Total, new obligations.....	507,295	677,453	504,719	506,531

RURAL UTILITIES SERVICE

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

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

- 1 The principal amount of direct and guaranteed loans as authorized by sections 305 and 306 of the Rural
2 Electrification Act of 1936 (7 U.S.C. 935 and 936) shall be made as follows: loans made pursuant to
3 section 306 of that Act, rural electric, [~~\$5,000,000,000~~]; guaranteed underwriting loans pursuant to section
4 313A, \$500,000,000; 5 percent rural telecommunications loans, [~~\$6,000,000,000~~]; cost of money rural
telecommunications loans, [~~\$345,000,000~~]; and for loans made pursuant to section 306 of that Act, rural
telecommunications loans, [~~\$690,000,000~~]\$345,000,000: *Provided*, That [up to \$2,000,000,000]
not less than \$3,000,000,000 shall be used for the construction, acquisition, or improvement of
renewable energy plants or for construction, acquisition, or improvement of fossil-fueled electric
generating plants (whether new or existing) that utilize carbon sequestration systems; *Provided further,*
That funding may be made available for fossil-fuel electric generating peaking units (new or existing) to
the extent that the peaking unit operates in conjunction with an electric generating plant that produces
electricity from solar, wind, or other intermittent sources of energy; *Provided further,* That not more than
\$3,000,000,000 shall be available for environmental improvements to fossil-fuel electric generating plants
that would reduce emission of air pollution including greenhouse gases, provided that this action is
consistent with any applicable state-level clean power plan.
- 5 For the cost of direct loans as authorized by section 305 of the Rural Electrification Act of 1936 (7 U.S.C.
935), including the cost of modifying loans, as defined in section 502 of the Congressional Budget Act of
1974, cost of money rural telecommunications loans, \$103,500.

- 6 In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs,
[~~\$34,478,000~~]\$34,864,000, which shall be [transferred to and merged with]paid to the appropriation for
“Rural Development, Salaries and Expenses”.

The first change removes language concerning the guaranteed underwriting and the 5 percent rural telecommunications programs for which no funding is requested in 2016.

The second change revises the language requiring the set-aside of specific funding for Federal Financing Bank (FFB) loans.

The third change adds language concerning renewable energy plants being available for the set-aside funding from Federal Financing Bank loans.

The fourth change adds language making available the set-aside of Federal Financing Bank loans to fossil-fuel electric generating peaking units that operates in conjunction with intermittent sources of energy electric generating plans. In addition, adds language to make the funding consistent with EPA state plan for clean power.

The fifth change adds language to provide budget authority to support the rural telecommunications loan level, which has a positive subsidy rate in 2016.

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

RURAL UTILITIES SERVICE

RURAL ELECTRIFICATION AND TELECOMMUNICATION PROGRAM ACCOUNT

Lead-Off Tabular Statement

	Loan Level	Subsidy	Administrative Expenses
Budget Estimate, 2016.....	\$6,690,000,000	\$103,500	\$34,864,000
2015 Enacted.....	6,190,000,000	-	34,478,000
Change in Appropriation.....	+500,000,000	+103,500	+386,000

Summary of Increases and Decreases

(Dollars in thousands)

Program	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Discretionary Appropriations:					
Telecommunications Direct, Treasury Rate.....	-	-	-	+\$104	\$104
Administrative Expenses.....	\$33,482	+\$996	-	+386	34,864
Total.....	33,482	+996	-	+490	34,968

RURAL UTILITIES SERVICE

RURAL ELECTRIFICATION AND TELECOMMUNICATION PROGRAM ACCOUNT

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

Program	2013 Actual			2014 Actual			2015 Enacted			Inc. or Dec			2016 Estimate				
	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Amount	Budget Authority	SYs	Program Level	Budget Authority	SYs		
Discretionary Appropriations:																	
Electric Direct, 5%..... a/	\$100,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Electric Direct, FFB..... b/	6,500,000	-	155	\$5,000,000	-	151	\$5,000,000	-	167	+\$1,000,000	(1)	-	+1	\$6,000,000	-	168	
Electric Underwriting Loans..... c/	500,000	-	-	500,000	-	-	500,000	-	-	-500,000	(2)	-	-	-	-		
Telecommunications Direct, 5%..... d/	-	-	-	20,000	-	-	-	-	-	-	-	-	-	-	-		
Telecommunications Direct, Treasury Rate..... e/	690,000	-	69	270,000	-	67	345,000	-	74	-	(3)	+\$104	(4)	-37	345,000	\$104	37
Telecommunications Direct, FFB..... f/	-	-	-	400,000	-	-	345,000	-	-	-	(3)	-	+38	345,000	-	38	
Administrative Expenses..... g/	-	\$33,482	-	-	\$34,478	-	-	\$34,478	-	-	-	+386	-	-	34,864	-	
Subtotal.....	7,790,000	33,482	224	6,190,000	34,478	218	6,190,000	34,478	241	+500,000	+490	+2	6,690,000	34,968	243		
Total Adjusted Approp.....	7,790,000	33,482	224	6,190,000	34,478	218	6,190,000	34,478	241	+500,000	+490	+2	6,690,000	34,968	243		
Rescissions, Transfers, and Seq. (Net)..... h/ i/	-	985	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Appropriation.....	7,790,000	34,467	224	6,190,000	34,478	218	6,190,000	34,478	241	+500,000	+490	+2	6,690,000	34,968	243		
Rescission..... h/	-	-933	-	-	-	-	-	-	-	-	-	-	-	-	-		
Sequestration..... i/	-	-52	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Available.....	7,790,000	33,482	224	6,190,000	34,478	218	6,190,000	34,478	241	+500,000	+490	+2	6,690,000	34,968	243		
Lapsing Balances.....	-2,683,533	-	-	-3,236,039	-	-	-3,027,000	-	-	+3,027,000	-	-	-	-	-		
Total Obligations.....	5,106,467	33,482	224	2,953,961	34,478	218	3,163,000	34,478	241	+3,527,000	+490	+2	6,690,000	34,968	243		

RURAL UTILITIES SERVICE

RURAL ELECTRIFICATION AND TELECOMMUNICATION PROGRAM ACCOUNT

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

Program	2013 Actual			2014 Actual			2015 Estimate			Inc. or Dec			2016 Estimate					
	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Amount	Budget Authority	SYs	Program Level	Budget Authority	SYs			
Discretionary Obligations:																		
Electric Direct, FFB	b/	\$4,410,308	-	155	\$2,239,968	-	151	\$2,900,000	-	167	+\$3,100,000	(1)	-	+1	\$6,000,000	-	168	
Electric Underwriting Loans.....	c/	500,000	-	-	500,000	-	-	-	-	-	-	(2)	-	-	-	-	-	
Telecommunications Direct, Treasury Rate	e/	196,159	-	69	165,317	-	67	165,000	-	74	+180,000	(3)	+\$104	(4)	-37	345,000	\$104	37
Telecommunications Direct, FFB.....	f/	-	-	-	48,676	-	-	98,000	-	-	+247,000	(3)	-	+38	345,000	-	38	
Administrative Expenses.....	g/	-	\$33,482	-	-	\$34,478	-	-	\$34,478	-	-	-	+386	-	-	34,864	-	
		5,106,467	33,482	224	2,953,961	34,478	218	3,163,000	34,478	241	+3,527,000		+490	+2	6,690,000	34,968	243	
Total Obligations.....		5,106,467	33,482	224	2,953,961	34,478	218	3,163,000	34,478	241	+3,527,000		+490	+2	6,690,000	34,968	243	
Lapsing Balances.....		2,683,533	-	-	3,236,039	-	-	3,027,000	-	-	-3,027,000		-	-	-	-	-	
Total Available.....		7,790,000	33,482	224	6,190,000	34,478	218	6,190,000	34,478	241	+500,000		+490	+2	6,690,000	34,968	243	
Rescission.....	h/	-	933	-	-	-	-	-	-	-	-		-	-	-	-	-	
Sequestration.....	i/	-	52	-	-	-	-	-	-	-	-		-	-	-	-	-	
Total Appropriation.....		7,790,000	34,467	224	6,190,000	34,478	218	6,190,000	34,478	241	+500,000		+490	+2	6,690,000	34,968	243	

Project Statement Footnotes

- a/ Negative subsidy rate of 16.41% was calculated for 2013. Therefore, corresponding budget authority is not required to support the program levels.
- b/ Negative subsidy rates of 6.29% was calculated for 2013, 3.31% was calculated for 2014, 5.64% was calculated for 2015, and 4.97% was calculated for 2016. Therefore, corresponding budget authority is not required to support the program levels.
- c/ Negative subsidy rates of 8.00% was calculated for 2013, 4.32% was calculated for 2014, and 3.97% was calculated for 2015. Therefore, corresponding budget authority is not required to support the program levels.
- d/ Negative subsidy rates of 23.30% was calculated for 2014. Therefore, corresponding budget authority is not required to support the program levels.
- e/
Negative subsidy rates of 1.14% was calculated for 2013, 1.19% was calculated for 2014, and 1.17% was calculated for 2015. Therefore, corresponding budget authority is not required to support the program levels.
- f/
Negative subsidy rates of 2.99% was calculated for 2014, 3.49% was calculated for 2015, and 2.74% was calculated for 2016. Therefore, corresponding budget authority is not required to support the program levels.
- g/ In 2013 funding of \$33,482,063 and in 2014 and 2015 funding of \$34,478,000 was appropriated and transferred to the Rural Development Salaries and Expenses account. In 2016 \$34,864,000, is requested and will be paid to the Rural Development Salaries and Expenses account.
- h/ The amounts are rescinded pursuant to the Consolidated and Further Continuing Appropriations Act, 2013, Public Law 113-6, signed March 26, 2013, including 2.513 percent rescission in accordance with section 3001(b)(1)(A) and 0.2 percent rescission in accordance with section 3004(c)(1).
- i/ The amounts are reduced pursuant to the sequestration order signed by the President on March 1, 2013, in accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

Justification of Increases and Decreases

- (1) An increase of \$1,000,000,000 in funding for electric Federal Financing Bank loans (\$5,000,000,000 available in 2015).

The Rural Electrification Act has as one of its fundamental purposes “assisting electric borrowers to implement demand side management, energy efficiency and conservation programs, and on-grid and off-grid renewable energy systems (7 U.S.C. 902). Since 2009 RUS has approved over \$1.1 billion in loans for new renewable electric generation to meet the needs of rural consumers. In addition, RUS has adopted policies that enable borrowers to secure renewable electricity through long-term power purchase agreements from other providers and self-financed renewable generation systems. RUS is continuing outreach to our borrowers and to potential new borrowers to make them aware of the availability of long-term low interest financing through USDA.

Base funds for electric Federal Financing Bank (FFB) loan guarantees provided under section 306 of the Rural Electrification Act support improvements and additions to rural electric distribution, transmission, and generating facilities (including renewable energy systems, fossil generating plants with carbon sequestration systems, and investments in environmental improvements to reduce emissions of pollutants), and the implementation of demand side management, energy efficiency and conservation programs. The long-term, low interest rate financing helps non-profit electric borrowers provide reliable, affordable electric service for rural homes and businesses. With \$5 billion in base funding in 2015, the program will benefit 4.6 million rural consumers. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

The 2016 base funding of \$6 billion is projected to provide improved electric facilities benefitting 6 million rural consumers and to continue to advance the USDA Strategic Goal of assisting rural communities to create prosperity so that they are self-sustaining, repopulating and economically thriving. This also supports Rural Development’s (RD) Strategic Goal of improving the quality of life in rural America by developing community infrastructure. The rural electrification loan programs have exceeded their overall performance targets in each of the last four fiscal years. The funding also will support the efforts of developing clean power plan as the States comply with EPA requirements.

Continuation of the program is critical to the continued success of the rural electrification program. FFB loan guarantees will be the sole source of USDA financing in 2016 for the more than 630 electric systems serving rural customers in 46 States.

Funding at a 2016 program level of \$6 billion will be adequate to cover existing and anticipated loan requests.

- (2) A decrease of \$500,000,000 for guaranteed electric underwriting for bonds and notes (\$500,000,000 available in 2015).

Base funds for bond and note guarantees for private, non-profit cooperative lenders are authorized under section 313A of the Rural Electrification Act as extended under Section 6103 of the 2014 Farm Bill, Public Law 113-79. The bond or note proceeds must be used for eligible rural electrification or telephone purposes (excluding electric generation). The non-profit lender must maintain investment grade ratings as a condition of the loan guaranteed. All guarantees issued under this authority have been for loans made by the Federal Financing Bank (FFB) at an interest rate equal to the Treasury rate for notes of similar maturities plus an annual fee of 30 basis points on any unpaid principal balance. The fee is deposited to the rural economic development subaccount and is available to fund the rural economic development loan and grant programs. In addition to the activities and functions specifically described in the budget request, current year and budget year bas funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

The funding change requested will not affect the overall availability of financing for rural electrification purposes as eligible electric and telephone borrowers will still be able to secure financing directly from Rural Development or from non-profit lenders. Elimination of support for private non-profit lenders is offset by the increase in funds available under the FFB electric loans.

(3) No increase for telecommunications loans (\$690,000,000 available in 2015).

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

Both Treasury rate and FFB loans are available. In today's interest rate environment, FFB rates (short-term, even with the fee) are substantially lower than the Treasury direct program rates. Borrowers are requesting FFB financing to keep their borrowing costs as low as possible. FFB financing also includes important features like the ability to refinance borrowers' existing debt with outside lenders. In some cases, the loan application may not be financially feasible without refinancing of debt. The FFB loan program provides flexibility for rural service providers and is an essential tool for capital investment in broadband infrastructure.

Continuation of the program is critical because:

- The development of the internet-based economy provides unique opportunities for rural America.
- Broadband infrastructure greatly helps to mitigate the limitations on business development in rural areas caused by geographical distance and a limited customer base.

Base funds for telecommunications loans will continue to provide residents in rural America with access to modern telecommunications. Continuing the base funding is crucial to ensure the continued success of the program. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

The 2015 and 2016 base funding can support each year about 20 loans and assist over 100,000 rural households and businesses in rural America to obtain modern broadband capable telecommunications services.

(4) An increase of \$103,500 for the Treasury telecommunications loan program subsidy (\$0 available in 2015).

An increase of \$103,500 in subsidy for the Treasury telecommunications loan program is necessary to support the requested loan level associated with this loan program. The subsidy rate changed from -1.17 percent in 2015 to 0.03 percent in 2016. Specifically, this change resulted from the following technical assumptions: the application of the new economic assumptions and a decrease in the interest rate.

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

State/Territory	2013	2014	2015	2016
	Actual Amount	Actual Amount	Estimate Amount	Estimate Amount
Lapsing Balances.....	\$100,000	-	-	-
Total, Available.....	100,000	-	-	-

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

State/Territory	2013	2014	2015	2016
	Actual Amount	Actual Amount	Estimate Amount	Estimate Amount
Alabama.....	\$77,900	-	-	-
Alaska.....	206,423	-	-	-
Arizona.....	167,779	-	-	-
Arkansas.....	32,437	\$72,270	-	-
California.....	-	8,000	-	-
Colorado.....	542,238	10,346	-	-
Connecticut.....	-	-	-	-
Delaware.....	-	36,000	-	-
Florida.....	164,484	110,000	-	-
Georgia.....	537,973	434,752	-	-
Hawaii.....	-	-	-	-
Idaho.....	-	-	-	-
Illinois.....	7,750	27,305	-	-
Indiana.....	128,340	20,056	-	-
Iowa.....	58,800	11,500	-	-
Kansas.....	89,095	17,900	-	-
Kentucky.....	81,011	114,940	-	-
Louisiana.....	-	200,698	-	-
Maine.....	5,900	593	-	-
Maryland.....	-	-	-	-
Michigan.....	106,759	7,000	-	-
Minnesota.....	143,239	62,998	-	-
Mississippi.....	181,751	54,269	-	-
Missouri.....	145,006	37,209	-	-
Montana.....	-	24,856	-	-
New Mexico.....	61,922	14,117	-	-
North Carolina.....	161,696	181,000	-	-
North Dakota.....	324,036	115,514	-	-
Ohio.....	76,202	27,096	-	-
Oklahoma.....	164,935	101,781	-	-
Pennsylvania.....	34,300	-	-	-
South Carolina.....	36,779	93,926	-	-
South Dakota.....	104,451	219,458	-	-
Tennessee.....	20,000	10,000	-	-
Texas.....	509,540	63,159	-	-
Virginia.....	28,100	154,315	-	-
Washington.....	9,293	-	-	-
Wisconsin.....	136,862	4,800	-	-
Wyoming.....	52,307	4,110	-	-
Virgin Islands.....	13,000	-	-	-
Undistributed.....	-	-	\$2,900,000 <u>a/</u>	\$6,000,000 <u>a/</u>
Obligations.....	4,410,308	2,239,968	2,900,000	6,000,000
Lapsing Balances.....	2,089,692	2,760,032	2,100,000	-
Total, Available.....	6,500,000	5,000,000	5,000,000	6,000,000

a/ Totals cannot be distributed at this time.

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

State/Territory	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
	Amount	Amount	Amount	Amount
Colorado.....	-	\$250,000	-	-
Virginia.....	\$500,000	250,000	-	-
Undistributed.....	-	-	-	-
Obligations.....	<u>500,000</u>	<u>500,000</u>	-	-
Total, Available.....	<u>500,000</u>	<u>500,000</u>	-	-

Rural Telecommunication Direct 5 Percent Loans
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
	Amount	Amount	Amount	Amount
Lapsing Balances.....	-	\$20,000	-	-
Total, Available.....	<u>-</u>	<u>20,000</u>	-	-

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

State/Territory	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
	Amount	Amount	Amount	Amount
Georgia.....	-	\$16,498	-	-
Utah.....	-	7,695	-	-
Washington.....	-	24,483	-	-
Undistributed.....	-	-	\$98,000 <u>a/</u>	\$345,000 <u>a/</u>
Obligations.....	<u>-</u>	<u>48,676</u>	<u>98,000</u>	<u>345,000</u>
Lapsing Balances.....	-	351,324	247,000	-
Total, Available.....	<u>-</u>	<u>400,000</u>	<u>345,000</u>	<u>345,000</u>

a/ Totals cannot be distributed at this time.

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

State/Territory	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
	Amount	Amount	Amount	Amount
Arkansas.....	\$11,631	\$24,015	-	-
Iowa.....	7,648	14,690	-	-
Kentucky.....	24,020	9,595	-	-
Michigan.....	-	8,510	-	-
Mississippi.....	-	8,425	-	-
Montana.....	20,839	-	-	-
Nebraska.....	5,265	-	-	-
North Dakota.....	16,283	4,668	-	-
Oklahoma.....	-	5,064	-	-
Oregon.....	7,330	-	-	-
South Carolina.....	43,095	23,898	-	-
South Dakota.....	24,909	-	-	-
Tennessee.....	-	29,753	-	-
Texas.....	6,575	36,699	-	-
Wisconsin.....	28,564	-	-	-
Undistributed.....	-	-	\$165,000 <u>a/</u>	\$345,000 <u>a/</u>
Obligations.....	196,159	165,317	165,000	345,000
Lapsing Balances.....	493,841	104,683	180,000	-
Total, Available.....	690,000	270,000	345,000	345,000

a/ Totals cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
25.0 Administrative Expenses.....	\$33,482	\$34,478	\$34,478	\$34,864
41.0 Grants, subsidies, and contributions.....	-	-	-	104
99.9 Total, new obligations.....	33,482	34,478	34,478	34,968

RURAL UTILITIES SERVICE

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

Distance Learning, Telemedicine and Broadband Program:

For the principal amount of broadband telecommunication loans, [\$24,077,000]\$44,239,000.

- 1 For grants for telemedicine and distance learning services in rural areas, as authorized by 7 U.S.C. 950aaa et seq., [\$22,000,000]\$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].

For the cost of broadband loans, as authorized by section 601 of the Rural Electrification Act, [\$4,500,000] \$9,675,000, to remain available until expended: *Provided*, That the cost of direct loans shall be as defined in section 502 of the Congressional Budget Act of 1974.

In addition, [\$10,372,000]\$20,372,000, to remain available until expended, for a grant program to finance broadband transmission in rural areas eligible for Distance Learning and Telemedicine Program benefits authorized by 7 U.S.C. 950aaa.

The first change eliminates the language for Delta healthcare grants as this program will not be funded in 2016.

RURAL UTILITIES SERVICE

DISTANCE LEARNING, TELEMEDICINE AND BROADBAND PROGRAM ACCOUNT

Lead-Off Tabular Statement

	<u>Loan Level</u>	<u>Subsidy</u>	<u>Grants</u>
Budget Estimate, 2016.....	\$44,239,000	\$9,675,000	\$45,322,000
2015 Enacted.....	24,077,000	4,500,000	32,372,000
Change in Appropriation.....	<u>+20,162,000</u>	<u>+5,175,000</u>	<u>+12,950,000</u>

Summary of Increases and Decreases

(Dollars in thousands)

<u>Program</u>	<u>2013 Actual</u>	<u>2014 Change</u>	<u>2015 Change</u>	<u>2016 Change</u>	<u>2016 Estimate</u>
<u>Discretionary Appropriations:</u>					
Distance learning and telemedicine (DLT) grants.....	\$17,531	+\$1,792	-\$323	+\$5,950	\$24,950
DLT Delta healthcare services grants.....	2,775	+225	-	-3,000	-
DLT public broadcasting systems grants.....	2,775	-775	-2,000	-	-
Broadband direct treasury rate loans.....	3,700	+800	-	+5,175	9,675
Broadband grants.....	9,595	+777	-	+10,000	20,372
Total.....	<u>36,377</u>	<u>+2,818</u>	<u>-2,323</u>	<u>+18,125</u>	<u>54,997</u>

RURAL UTILITIES SERVICE

DISTANCE LEARNING, TELEMEDICINE AND BROADBAND PROGRAM ACCOUNT

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

Program	2013 Actual			2014 Actual			2015 Enacted			Inc. or Dec.			2016 Estimate		
	Program Level	Budget Authority	SYs												
Discretionary Appropriations:															
Distance learning and telemedicine (DLT) grants.....	\$17,531	\$17,531	15	\$19,323	\$19,323	14	\$19,000	\$19,000	16	+\$5,950 (1)	+\$5,950	-	\$24,950	\$24,950	16
DLT Delta healthcare services grants.....	2,775	2,775	-	3,000	3,000	-	3,000	3,000	-	-3,000 (2)	-3,000	-	-	-	-
DLT public broadcasting systems grants.....	2,775	2,775	-	2,000	2,000	-	-	-	-	-	-	-	-	-	-
Broadband direct treasury rate loans.....	39,075	3,700	41	34,430	4,500	40	24,077	4,500	44	+20,162 (3)	+5,175 (5)	+1	44,239	9,675	45
Broadband grants.....	9,595	9,595	19	10,372	10,372	18	10,372	10,372	20	+10,000 (4)	+10,000	-	20,372	20,372	20
Subtotal.....	71,752	36,377	75	69,125	39,195	72	56,449	36,872	80	+33,112	+18,125	+1	89,561	54,997	81
Total Adjusted Approp.....	71,752	36,377	75	69,125	39,195	72	56,449	36,872	80	+33,112	+18,125	+1	89,561	54,997	81
Rescissions, Transfers, and Seq. (Net)..... a/b/	5,809	2,945	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Appropriation.....	77,561	39,322	75	69,125	39,195	72	56,449	36,872	80	+33,112	+18,125	+1	89,561	54,997	81
Rescission..... a/	-2,100	-1,065	-	-	-	-	-	-	-	-	-	-	-	-	-
Sequestration..... b/	-3,708	-1,880	-	-	-	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY.....	276,678	45,325	-	47,683	38,696	-	39,712	13,793	-	-26,387	-2,658	-	13,325	11,135	-
Recoveries, Other (Net).....	6,895	6,895	-	24,577	7,522	-	6,879	6,879	-	-1,009	-1,009	-	5,870	5,870	-
Total Available.....	355,325	88,597	75	141,385	85,413	72	103,040	57,544	80	+5,716	+14,458	+1	108,756	72,002	81
Unobligated balances rescinded..... c/	-191,426	-18,128	-	-	-	-	-	-	-	-	-	-	-	-	-
Bal. Available, EOY.....	-51,613	-38,696	-	-69,765	-13,793	-	-13,649	-11,135	-	-2,253	-2,577	-	-15,902	-13,712	-
Total Obligations.....	112,286	31,773	75	71,620	71,620	72	89,391	46,409	80	+3,463	+11,881	+1	92,854	58,290	81

a/ The amounts are rescinded pursuant to the Consolidated and Further Continuing Appropriations Act, 2013, Public Law 113-6, signed March 26, 2013, including 2.513 percent rescission in accordance

with section 3001(b)(1)(A) and .2 percent rescission in accordance with section 3004(c)(1).

b/ The amounts are reduced pursuant to the sequestration order signed by the President on March 1, 2013, in accordance with section 251A of the Balanced Budget and Emergency Deficit Control

Act of 1985, as amended.

c/ The amounts are rescinded pursuant to General Provision 737 of the Consolidated and Further Continuing Appropriations Act, 2013, Public Law 113-6, signed March 26, 2013.

RURAL UTILITIES SERVICE

DISTANCE LEARNING, TELEMEDICINE AND BROADBAND PROGRAM ACCOUNT

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

Program	2013 Actual			2014 Actual			2015 Estimate			Inc. or Dec.			2016 Estimate		
	Program Level	Budget Authority	SYs												
Discretionary Obligations:															
Distance learning and telemedicine (DLT) grants.....	\$92	\$92	15	\$49,268	\$49,268	14	\$22,500	\$22,500	16	+\$3,515 (1)	+\$3,515	-	\$26,015	\$26,015	16
DLT Delta healthcare services grants.....	3,000	3,000	-	3,232	3,232	-	3,000	3,000	-	-3,000 (2)	-3,000	-	-	-	-
DLT public broadcasting systems grants.....	-	-	-	5,434	5,434	-	-	-	-	-	-	-	-	-	-
Broadband direct treasury rate loans.....	88,935	8,422	41	-	-	40	52,862	9,880	44	-8,623 (3)	-205 (5)	+1	44,239	9,675	45
Broadband grants.....	20,259	20,259	19	13,686	13,686	18	11,029	11,029	20	+11,571 (4)	+11,571	-	22,600	22,600	20
Subtotal.....	112,286	31,773	75	71,620	71,620	72	89,391	46,409	80	+3,463	+11,881	+1	92,854	58,290	81
Total Obligations.....	112,286	31,773	75	71,620	71,620	72	89,391	46,409	80	+3,463	+11,881	+1	92,854	58,290	81
Unobligated balances rescinded.....	c/ 191,426	18,128	-	-	-	-	-	-	-	-	-	-	-	-	-
Bal. Available, EOY.....	51,613	38,696	-	69,765	13,793	-	13,649	11,135	-	+2,253	+2,577	-	15,902	13,712	-
Total Available.....	355,325	88,597	75	141,385	85,413	72	103,040	57,544	80	+5,716	+14,458	+1	108,756	72,002	81
Rescission.....	a/ 2,100	1,065	-	-	-	-	-	-	-	-	-	-	-	-	-
Sequestration.....	b/ 3,708	1,880	-	-	-	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY.....	-276,678	-45,325	-	-47,683	-38,696	-	-39,712	-13,793	-	+26,387	+2,658	-	-13,325	-11,135	-
Other Adjustments (Net).....	-6,895	-6,895	-	-24,577	-7,522	-	-6,879	-6,879	-	+1,009	+1,009	-	-5,870	-5,870	-
Total Appropriation.....	77,561	39,322	75	69,125	39,195	72	56,449	36,872	80	+33,112	+18,125	+1	89,561	54,997	81

a/ The amounts are rescinded pursuant to the Consolidated and Further Continuing Appropriations Act, 2013, Public Law 113-6, signed March 26, 2013, including 2.513 percent rescission in accordance

with section 3001(b)(1)(A) and .2 percent rescission in accordance with section 3004(c)(1).

b/ The amounts are reduced pursuant to the sequestration order signed by the President on March 1, 2013, in accordance with section 251A of the Balanced Budget and Emergency Deficit Control

Act of 1985, as amended.

c/ The amounts are rescinded pursuant to General Provision 737 of the Consolidated and Further Continuing Appropriations Act, 2013, Public Law 113-6, signed March 26, 2013.

Justification of Increases and Decreases

- (1) An increase of \$5,950,000 for distance learning and telemedicine grants (\$19,000,000 available in 2015).

Base funds for distance learning and telemedicine grants will continue to support the educational and health care needs of rural America by funding advanced telecommunications technologies to provide enhanced learning and health care opportunities for rural residents. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

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

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

The 2015 funding will be used to support approximately 65 grants. By the end of 2015, RUS projects that 975 rural educational or healthcare facilities in 230 rural counties will have received access to distance learning or telemedicine services.

Funding in 2016 will be used to support approximately 88 grants that will provide funding for critical telemedicine and distance learning services. The funding increase will provide about 23 additional grants and provide services in rural areas nationwide. Each year the demand for grants is well beyond the available funding. The funding increase will help address the demand and improve rural living conditions. The increase will assist rural Americans by improving health and learning needs with telemedicine and distance learning services that are already available in urban areas. The increase directly supports USDA and RD goals for rural America by providing access to modern telecommunications.

- (2) A decrease of \$3,000,000 for Delta healthcare grants (\$3,000,000 available in 2015).

This program provides grant funds for developing health care services, health care cooperatives, health education programs, and public health-related facilities in the Delta Region. This program supports RD's Strategic Goal of improving the quality of life in rural America by enhancing the ability of rural businesses to succeed by providing access to enhanced healthcare. These grants are targeted to a consortia of regional institutions of higher education, academic health and research institutes, and economic development entities in the region that have experience in addressing the health care issues. The 2016 budget is not requesting funding for this program as these grants will be funded with other RD grant programs. Funding for this program is also provided by the Department of Health and Human Services.

- (3) An increase of \$20,162,000 for direct broadband telecommunications treasury rate loans program level (\$24,077,000 available in 2015).

Base funds for direct broadband telecommunications treasury rate loans will continue to provide loans 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 addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

- Projects provide residents of rural America with access to high-speed internet services.
- Internet service is essential for the economic and social development of rural communities; and
- Provide rural communities the opportunity to compete in the global economy with Web-based information and services.

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

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

The 2015 funding will be used to support approximately 4 broadband loans for the deployment of broadband infrastructure. The funding in 2016 will provide for approximately 8 loans for the deployment of broadband infrastructure.

(4) An increase of \$10,000,000 for broadband telecommunications grants (\$10,372,000 available in 2015).

Base funds for broadband telecommunications grants will continue to support rural communities where broadband service is least likely to be available, but where it can make a tremendous difference in the quality of life for citizens. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical because:

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

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

The 2015 funding is expected to award approximately 8 broadband grants providing broadband access to unserved rural communities. The 2016 funding will support approximately 16 broadband grants providing broadband access to unserved rural communities. The funding increase of \$10,000,000 will directly fund about eight grants in this program. The increase directly supports USDA and RD goals for rural America.

- (5) An increase of \$5,175,000 for broadband telecommunications treasury rate loan subsidy (\$4,500,000 available in 2015).

The increase of \$5,175,000 in subsidy for this program is necessary to support the requested loan level associated with this loan program. The subsidy rate changed from 18.69 percent in 2015 to 21.87 percent in 2016. Specifically, this change resulted from the following: an update to the model; an increase of delinquencies and defaults; a shift in the disbursement schedule; updated economic assumptions; and a lower interest rate.

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

State/Territory	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
	Amount	Amount	Amount	Amount
Alabama.....	-	\$854	-	-
Alaska.....	-	2,530	-	-
Arizona.....	-	637	-	-
Arkansas.....	-	500	-	-
California.....	-	1,502	-	-
Colorado.....	-	965	-	-
Hawaii.....	-	1,166	-	-
Idaho.....	-	1,458	-	-
Illinois.....	-	814	-	-
Iowa.....	-	790	-	-
Kansas.....	-	1,274	-	-
Kentucky.....	-	260	-	-
Maine.....	-	2,693	-	-
Maryland.....	-	841	-	-
Michigan.....	-	625	-	-
Minnesota.....	-	1,852	-	-
Mississippi.....	-	1,725	-	-
Missouri.....	-	1,768	-	-
Montana.....	-	363	-	-
Nebraska.....	-	2,108	-	-
Nevada.....	-	50	-	-
New Hampshire.....	-	1,115	-	-
New Mexico.....	-	809	-	-
New York.....	-	4,130	-	-
North Carolina.....	-	1,471	-	-
North Dakota.....	-	196	-	-
Ohio.....	-	622	-	-
Oklahoma.....	-	3,938	-	-
Oregon.....	-	631	-	-
Pennsylvania.....	-	915	-	-
South Carolina.....	-	1,183	-	-
South Dakota.....	-	295	-	-
Tennessee.....	-	718	-	-
Texas.....	-	1,300	-	-
Utah.....	-	469	-	-
Vermont.....	-	499	-	-
Virginia.....	-	753	-	-
Washington.....	-	2,375	-	-
West Virginia.....	-	1,770	-	-
Wisconsin.....	\$92	806	-	-
Undistributed.....	-	-	\$22,500 a/	\$26,015 a/
Obligations.....	<u>92</u>	<u>49,268</u>	<u>22,500</u>	<u>26,015</u>

a/ Total cannot be distributed at this time.

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

State/Territory	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
	Amount	Amount	Amount	Amount
Alabama.....	\$900	-	-	-
Arkansas.....	-	\$636	-	-
Illinois.....	-	488	-	-
Kentucky.....	-	368	-	-
Louisiana.....	352	264	-	-
Mississippi.....	1,562	1,476	-	-
Missouri.....	186	-	-	-
Undistributed.....	-	-	\$3,000 <u>a/</u>	-
Obligations.....	<u>3,000</u>	<u>3,232</u>	<u>3,000</u>	<u>-</u>

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

State/Territory	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
	Amount	Amount	Amount	Amount
Alaska.....	-	\$719	-	-
Idaho.....	-	60	-	-
Kentucky.....	-	657	-	-
New Mexico.....	-	178	-	-
South Dakota.....	-	85	-	-
West Virginia.....	-	1,500	-	-
Puerto Rico.....	-	1,486	-	-
Virgin Islands.....	-	750	-	-
Undistributed.....	-	-	-	-
Obligations.....	<u>-</u>	<u>5,434</u>	<u>-</u>	<u>-</u>

a/ Total cannot be distributed at this time.

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

State/Territory	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
	Amount	Amount	Amount	Amount
Oklahoma.....	\$88,935	-	-	-
Undistributed.....	-	-	\$52,862 <u>a/</u>	\$44,239 <u>a/</u>
Obligations.....	<u>88,935</u>	<u>-</u>	<u>52,862</u>	<u>44,239</u>

Broadband Grants
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
	Amount	Amount	Amount	Amount
Alaska.....	\$2,941	-	-	-
Illinois.....	1,185	\$702	-	-
Indiana.....	-	715	-	-
Kentucky.....	-	-	-	-
Louisiana.....	-	2,521	-	-
Nevada.....	442	-	-	-
North Dakota.....	6,000	4,506	-	-
Oklahoma.....	6,074	470	-	-
Pennsylvania.....	-	-	-	-
South Carolina.....	1,010	-	-	-
Tennessee.....	-	1,771	-	-
Virginia.....	2,607	3,000	-	-
Undistributed.....	-	-	\$11,029 <u>a/</u>	\$22,600 <u>a/</u>
Obligations.....	<u>20,259</u>	<u>13,686</u>	<u>11,029</u>	<u>22,600</u>

a/ Total cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
	Amount	Amount	Amount	Amount
41.0 Grants, subsidies, and contributions.....	\$31,773	\$71,620	\$46,409	\$58,290
99.9 Total, new obligations.....	<u>31,773</u>	<u>71,620</u>	<u>46,409</u>	<u>58,290</u>

RURAL UTILITIES SERVICE

HIGH ENERGY COST GRANTS

Summary of Increases and Decreases

(Dollars in thousands)

Program	2013 Actual	2014 Change	2015 Change	2016 Change	2016 Estimate
Discretionary Appropriations:					
High energy cost grants.....	\$9,251	+\$749	-	-\$10,000	-
Total.....	<u>9,251</u>	<u>+749</u>	<u>-</u>	<u>-10,000</u>	<u>-</u>

RURAL UTILITIES SERVICE

HIGH ENERGY COST GRANTS

Project Statement

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

Program	<u>2013 Actual</u>	<u>2014 Actual</u>	<u>2015 Enacted</u>	<u>Inc. or Dec.</u>	<u>2016 Estimate</u>
	Amount	Amount	Amount	Amount	Amount
Discretionary Appropriations:					
High Energy Cost grants.....	a/	-	-	-	-
Total Adjusted Approp.....		-	-	-	-
Rescissions, Transfers, and Seq. (Net).....	b/	-\$9,251	-\$10,000	+\$10,000	-
Total Appropriation.....		-9,251	-10,000	+10,000	-
Transfers In:					
Rural Water and Waste Disposal Program.....		9,729	10,000	-10,000 (1)	-
Total.....		9,729	10,000	-10,000	-
Sequestration.....	b/	-478	-	-	-
Bal. Available, SOY.....		19,391	16,497	+642	\$18,136
Recovery of prior year obligations.....		4,188	869	-564	2,849
Total Available.....		32,830	27,366	-9,922	20,985
Bal. Available, EOY.....		-16,497	-17,494	+10,786	-7,350
Total Obligations.....		16,333	9,872	+864	13,635

a/ In 2013, \$9,729,203, and in 2014 and 2015, \$10,000,000, respectively, was provided for this program in the Rural Water and Waste Disposal Program account and transferred to this account.

b/ The amounts are reduced pursuant to the sequestration order signed by the President on March 1, 2013, in accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

RURAL UTILITIES SERVICE
HIGH ENERGY COST GRANTS
Project Statement
Obligations Detail and Staff Years (SYs)
(Dollars in thousands)

Program	<u>2013 Actual</u> Amount	<u>2014 Actual</u> Amount	<u>2015 Estimate</u> Amount	<u>Inc. or Dec.</u> Amount	<u>2016 Estimate</u> Amount
Discretionary Obligations:					
High Energy Cost grants..... a/	\$16,333	\$9,872	\$12,771	+\$864	\$13,635
Total Obligations.....	16,333	9,872	12,771	+864	13,635
Recovery of prior year obligations.....	-4,188	-869	-3,413	+564	-2,849
Bal. Available, EOY.....	16,497	17,494	18,136	-10,786	7,350
Total Available.....	28,642	26,497	27,494	-9,358	18,136
Transfers In.....	-9,729	-10,000	-10,000	+10,000 (1)	-
Sequestration..... b/	478	-	-	-	-
Bal. Available, SOY.....	-19,391	-16,497	-17,494	-642	-18,136
Total Appropriation.....	-	-	-	-	-

a/ In 2013, \$9,729,203, and in 2014 and 2015, \$10,000,000, respectively, was provided for this program in the Rural Water and Waste Disposal Program account and transferred to this account.

b/ The amounts are reduced pursuant to the sequestration order signed by the President on March 1, 2013, in accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

Justification of Increases and Decreases

- (1) A decrease of \$10,000,000 in high energy cost grants (\$10,000,000 available in 2015).

Base funds for the high energy cost grant program provide financial assistance for energy generation, transmission, and distribution facilities including energy efficiency improvements and renewable energy systems for rural communities with extremely high energy costs. Eligible communities have average home energy costs that are over 275 percent of the national average. In 2015 the program will continue to use funding of \$10,000,000 and \$16.497 million in carryover of prior year funds to complete awards of previously selected projects now undergoing required environmental reviews and to make additional competitive grant awards. Selected utility scale projects often must complete National Environmental Protection Agency reviews that can extend for more than a single fiscal year. In addition to the activities and functions specifically described in the budget request, current year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

No funding is being requested for this program in 2016 because it is duplicative of the rural electric program.

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

State/Territory	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
	Amount	Amount	Amount	Amount
Alaska.....	\$6,175	\$5,189	-	-
California.....	4,959	-	-	-
Georgia.....	-	663	-	-
Idaho.....	-	3,000	-	-
Maine.....	420	-	-	-
Nevada.....	2,382	-	-	-
New Mexico.....	-	1,020	-	-
Guam.....	2,396	-	-	-
Undistributed.....	-	-	\$12,771 a/	\$13,635 a/
Obligations.....	16,333	9,872	12,771	13,635
Bal. Available, SOY.....	-19,391	-16,497	-17,494	-18,136
Transfers In.....	-9,729	-10,000	-10,000	-
Bal. Available, EOY.....	16,497	17,494	18,136	7,350
Total, Available.....	-	-	-	-

a/ Total cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

Other Objects:	2013	2014	2015	2016
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
	Amount	Amount	Amount	Amount
41.0 Grants, subsidies, and contributions.....	\$16,333	\$9,872	\$12,771	\$13,635
99.9 Total, new obligations.....	16,333	9,872	12,771	13,635

RURAL UTILITIES SERVICE

STATUS OF PROGRAMS

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

Rural Electrification and Telecommunications Loans Programs

Current Activities:

The RUS provides electric and telecommunications financing through direct loans and loan guarantee programs. The rural electric direct loan and loan guarantee programs provide financing for electric generation, transmission, and distribution facilities. The telecommunications loan program provides direct 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 telecommunications service in rural areas. The program priorities are to ensure that rural communities have access to advanced telecommunications services, such as high-speed Internet services and advanced communications services such as distance learning and telemedicine. 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, and limited-dividend or mutual associations that provide retail electric service needs to rural areas or power supply needs of distribution borrowers in rural areas. In 2014, the electric programs served about 650 active electric borrowers in 46 States, the Virgin Islands, American Samoa, and the Republic of the Marshall Islands.

In 2014, the electric programs provided a total of over \$2.7 billion for rural infrastructure. RUS approved 94 direct electric loans and loan guarantees totaling \$2,239,968,000 in obligations. RUS approved 86 Federal Financing Bank (FFB) loan guarantees for distribution borrowers totaling \$1,898,882,000 and 8 power supply (generation and transmission) FFB loan guarantees totaling \$341,086,000. In addition, USDA approved \$500 million in bond and note guarantees to two non-profit lenders for relending for eligible electric and telephone purposes. Rural electric infrastructure loans approved in 2014 provided over \$1.8 billion for new or improved distribution system facilities, over \$406 million for transmission facilities, almost \$6.7 million for renewable generation facilities, and over \$14.5 million for headquarters facilities. Loan funds supported two small solar photovoltaic renewable generation projects in Iowa and North Carolina totaling 4.6 megawatts.

In 2014, electric program loans also financed over \$186 million in smart grid investments, bringing the total USDA investment in smart grid technology for rural communities since 2010 to over \$896 million. In 2014, RUS approved \$10,626,000 in two FFB loans under the Energy Efficiency and Conservation Loan Program. These were the first two loans under new program regulations that were finalized in December 2013. The energy efficiency loans made to borrowers in Arkansas and North Carolina will enable the utilities to make loans to help their customers make energy saving improvements to their homes and businesses. RUS is committed to expanding the use of this program in 2015.

Of the \$2.7 billion in funding that was provided by the electric program in 2014, over \$2.24 billion will provide new or improved electric service to over 4.4 million retail customers in rural America. The 2014 USDA investment advances the Administration's grid modernization commitment with funding for 19,400 miles of new and/or improved transmission and distribution facilities.

The electric programs did not fully obligate all of the \$5 billion in FFB loan guarantees made available through appropriations in 2014. The decline in borrowing reflects a prudent response by borrowers to industry conditions of lower demand growth due to the slowdown in the economy and the high levels of uncertainty over new and proposed environmental regulations. Since 2009 RUS has approved over \$28.5 billion in new loans to electric distribution and power supply borrowers and an additional \$2.4 billion to non-profit lenders for rural electric and telephone infrastructure investments. The funds support ongoing capital investments in rural infrastructure, these loans were approved despite reduced staffing and resources. The outstanding principal balance of the electric loan portfolio currently exceeds \$46 billion. RUS anticipates that interest in borrowing will increase with a recovering economy and investments to meet new environmental requirements.

Telecommunications Program:

The telecommunications program makes direct loans for construction, expansion, and operation of telecommunications lines and facilities or systems. Rural Development (RD) 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 2014, the telecommunications program approved 14 infrastructure program loans for approximately \$214 million. This funding allowed rural telecommunications providers to deploy new or improved service to 83,602 rural subscribers. In the last several years, the majority of the loans financed have been for Fiber-To-The-Home (FTTH) projects to provide fiber-optic service to rural homes and businesses. In Arkansas, Arkwest Communications received a \$24 million telecommunications loan to provide voice, broadband, and internet TV service to nearly 4,000 customers and to make other system improvements.

Changes in 2011 by the Federal Communications Commission (FCC) to rules governing Universal Service Fund (USF) and Inter-Carrier Compensation (ICC) distributions created industry regulatory uncertainty and investment restraint. In 2012 and 2013 many rural carriers reduced network investments in the broadband infrastructure needed to connect unserved rural Americans and to enhance existing service. Existing infrastructure remained in use beyond its expected useful life. The minimal and moderate construction levels impacted the demand for program funds.

In 2014 FCC changes provided more certainty for rural carriers. Also carriers faced the risk of losing subscribers if they continued to delay much needed capital projects. By the 4th quarter of 2014 demand for program funds nearly doubled from the previous year. The program received 27 loan applications for more than 400 million in loan funds. Many applications were received late in the fiscal year and also required environmental reviews, as a result, only 14 loans were obligated and the remaining 13 were carried over to be completed in 2015. The program expects the demand for program loan funds to continue to increase based on current conditions.

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:

In 2014 the program funded 65 grants for a total of \$40.3 million. Baptist Health received over \$600,000 of grant funds used to deploy a critical care medical network connecting six rural medical centers and a major hospital hub site at Little Rock, Arkansas. The lifesaving technology provides 24 hour access to medical specials not available in the local area. The specials provide emergency consultation and support critical to helping patients.

Broadband Program:

Broadband access is crucial to rural communities and the loan program provides funding for infrastructure in communities with populations of 20,000 or less. With the enactment of the Agricultural Act of 2014 (Farm Bill), changes to the broadband program will have to be implemented and 7 CFR Part 1738 that governs the program will have to be modified. In spring 2015 a new regulation is planned for publication in the Federal Register detailing the new requirements that must be followed, by loan applicants under this program.

Community-Oriented Connectivity Broadband Grant Program

Current Activities:

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

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

A Notice of Solicitation of Applications (NOSA) was published in the Federal Register on December 17, 2014. The application window closes on February 17, 2015.

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

In 2014, eight grants for \$13.5 million were made. Nexus Systems, in Monroe, Louisiana, received a \$2.5 million community connect grant to provide high-speed broadband in the Powhatan, Louisiana area. Powhatan is sparsely

populated, economically distressed and considered a persistent poverty area. USDA is targeting assistance to the region through its StrikeForce for Rural Growth and Opportunity initiative.

Water and Environmental Programs

Current Activities:

The water and environmental programs (WEP) 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:

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

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

In 2014, RUS invested \$1.5 billion in direct and guaranteed loans and grants to help rural communities develop water and waste disposal facilities. Through investments in water and waste disposal infrastructure, RUS delivered new and improved services to 2,188,875 rural residents, meeting the goal for 2014. Examples of loans and grants approved include:

- \$1.4 billion in WWD direct loans and grants made to develop 696 projects, which included:
 - \$1.2 billion in direct loan and grants to develop 585 projects
 - \$150 million in 2014 Farm Bill grants to develop 107 projects; and
 - \$7.2 million in guaranteed loans to develop four projects.
 - \$231 million of the above \$1.4 billion was for 170 projects in persistent poverty counties in 36 States and Puerto Rico
- \$70.1 million assisted 197 projects in disadvantaged communities:
 - \$21.5 million for Alaskan natives and villages
 - \$28.8 million for Colonias
 - \$13.5 million for Native Americans
 - \$633,285 for predevelopment planning grants to assist in preparing applications for WEP funds
 - \$3.2 million for 121 special evaluation assistance for rural communities and household program
 - \$523,000 for rural economic area partnership (REAP) zones
 - \$1 million for individually-owned water well systems grants
 - \$1 million for water and wastewater revolving fund grant
- \$14.7 million for 50 projects in communities qualifying for emergency assistance,
- \$40.5 million for 49 grants to technical assistance providers, and
- 15 projects administered for partner organizations.

The water programs continued to make efficient use of budget authority (BA) and loan levels appropriated to the program. The program obligated 100 percent of the BA appropriated and utilized for and the grant program. In

addition, the program fully obligated \$150 million in BA provided through the Farm Bill in a record 74 days. The program also obligated \$63.8 million of the \$66.5 million in grants set-aside in the appropriations bill for Native American, Colonias, Rural Alaskan Villages and Hawaiian Homelands areas. The program is designed to maximize and leverage the BA as it also balances the needs and affordability of the systems, and adjusts more grants to accommodate higher needs and affordability. The RD national and state offices continue to coordinate their strategies to strengthen relationships with partner agencies and organizations.

The RD national and State offices regularly monitor the national and individual State performance to evaluate program delivery and services to customers. In 2014, the water program continued to demonstrate that more than 90 percent of systems met the sustainability ratio (current ratio of 1.5 percent and debt service ratio of 1.1 percent) as shown below:

- Sustainable Systems – 93.06 percent of systems evaluated met current and debt service ratios.

The program also maintained a less than one percent delinquency rate for its portfolio of nearly 17,000 loans totaling \$12.5 billion. At the end of fiscal year 2014 the overall delinquency rate was 0.38 percent with only 64 delinquent loans and only 20 of those loan delinquent longer than one year.

The program continues to improve processes to ensure better program delivery and service to our customers.

- Emergency Grants Streamlining – In January 2014, RUS launched new, simplified procedures and filing requirements for its emergency community water assistance grant (ECWAG) program to facilitate processing of applications for emergency assistance, particularly in drought-impacted rural areas. The primary goal of the streamlining was to increase participation in ECWAG and to provide more timely service to rural communities impacted by unanticipated emergencies. WEP achieved its goal, approving 50 grants totaling more than \$14.7 million in assistance. Processing and approval of grants was reduced to as little as a few days. The first grant issued under the new procedures was to the town of Gifford, IL to replace treatment plant that was destroyed in a tornado. Twenty five of the grants were to address drought-impacted communities in California. This is the highest number of grants and total dollars awarded in the ECWAG program in the program's history.
- Special Evaluative Assistance Rural Communities and Household (SEARCH) Grants – In 2014, WEP established a new SEARCH grant goal to increase outreach to underserved and high poverty areas, many of which have higher minority population. SEARCH grants are predevelopment planning grants for financially distressed communities in rural areas with populations of 2,500 or fewer inhabitants for water and waste disposal projects. The program is relatively new and in 2013 only 23 grants were awarded. In 2014 a goal of 100 was set. A total of 121 grants for \$3.2 million were awarded.

Key Outcome 1: Provide access to modern telecommunications

Key Performance Measures:

Number of borrowers/subscribers receiving new or improved telecommunication services (includes Broadband).							
	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2016 Target
Number	136,694	180,597	63,899	119,191	83,602	145,000	135,000
Cost*	\$768,895	\$810,602	\$106,585	\$308,445	\$285,613	\$746,449	\$782,852

* Amount in thousands

Selected Past Accomplishments toward Achievement of the Key Outcome:

Since 2009, RUS has provided more than \$2.83 billion in financing for improving telecommunications in rural America. In 2014, the program approved 14 telecommunications loans and 8 grants for broadband infrastructure. All telecommunications facilities financed by RUS must be broadband capable. The development of the internet-based economy provides unique opportunities for rural America. Broadband infrastructure greatly helps to mitigate the limitations on business development in rural areas caused by geographical distance and a limited customer base. RUS has provided capital to finance access to broadband service for rural communities. This access is critical to enable rural businesses to participate in the developing global economy. RUS streamlined its work process which began to positively impact loan processing time.

Selected Accomplishments Expected at the 2016 Proposed Resource Level:

- 135,000 borrowers' subscribers are estimated to receive new or improved telecommunication services. 380 rural counties will receive access to distance learning or telemedicine services.
- Loan processing time is expected to be cut by more than half.

Key Outcome 2: Modernize and improve community infrastructure

Key Performance Measures:

Number of borrowers' consumers receiving new or improved electric facilities.							
	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2016 Target
Number	9,420,832	7,073,428	8,256,476	8,683,672	4,406,745	4,625,000	5,500,000
Cost*	\$6,600,000	\$4,272,857	\$4,317,791	\$4,410,308	\$2,239,968	\$5,000,000	\$6,000,000

* Amount in thousands

Selected Past Accomplishments toward Achievement of the Key Outcome:

Since 2009, the electric loan programs have provided over \$28.4 billion in financing for rural electric systems. In 2014 RUS approved 94 Federal Financing Bank (FFB) electric loans guarantees totaling \$2,239,968,000. RUS approved 76 FFB loan guarantees for distribution borrowers totaling \$1,898,882,000 and 8 power supply (generation and transmission) FFB loan guarantees totaling \$341,086,000. The funds used by rural utilities to construct new or improved electric distribution, transmission and generation facilities to provide electric service in rural areas and benefit over 4.4 million consumers. The investment of the electric loan funds creates and maintains jobs in rural communities, supports economic development, and modernizes community infrastructure. In addition, in 2014 USDA approved bond and note guarantees for two non-profit lender totaling \$500 million for relending for eligible electric and telephone purposes. Interest continued in financing cleaner electricity, renewable energy and energy efficiency programs through the electric program, but at a lower level than in prior years reflecting industry trends. Rural electric loans approved in 2014 provided over \$1.8 billion for new or improved distribution facilities, over \$406 million for transmission facilities, and almost \$6.7 million for two small solar photovoltaic generation facilities. Including smart grid technology investments totaled over \$186 million. RUS also approved over \$10.6 million in the first new loans under the new energy efficiency and conservation loan program. These loans to borrowers in Arkansas and North Carolina will enable them to make loans to help their customers make energy saving improvements to their homes and businesses. We expect expanded use of this program in 2015.

The electric programs progressive management approach encourages enhanced 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 2016 Proposed Resource Level:

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

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

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

Population receiving new or improved services from agency-funded water and wastewater facilities or projects.							
	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2016 Target
Population	3,354,890	2,913,885	2,455,997	1,799,711	2,188,875	2,200,000	2,200,000
Cost*	\$1,671,053	\$1,548,466	\$1,429,686	\$1,331,167	\$1,509,014	\$1,714,562	\$1,652,000

* Amount in thousands

Selected Past Accomplishments toward Achievement of the Key Outcome:

In 2014, Rural Development (RD) invested \$1.5 billion in direct and guaranteed loans and grants to help rural communities develop water and waste disposal facilities. Through investments in water and waste disposal infrastructure, RD delivered new and improved services to 2.2 million rural residents. Examples of loans and grants approved include:

- \$1.36 billion in water and waste disposal direct loans and grants made to develop 696 projects, including \$231.5 million for 170 projects in persistent poverty counties in 36 States and Puerto Rico.
- \$150 million in 2014 Farm Bill grants made to develop 107 projects.
- \$70.1 million assisted 197 projects in disadvantaged communities:
 - \$21.49 million for Alaskan natives and villages
 - \$28.82 million for Colonias
 - \$13.48 million for Native Americans
 - \$633,285 for Predevelopment Planning Grants to assist in preparing applications for WEP funds
 - \$3,198,980 for 121 Special Evaluation Assistance for Rural Communities and Household program
 - \$523,000 for Rural Economic Area Partnership (REAP) Zones,
 - \$1.0 million for Individually-Owned Water Well Systems Grants
 - \$1.0 million for Water and Wastewater Revolving Fund Grant
- \$14.7million for 50 projects in communities qualifying for emergency assistance.
- \$19 million for 18 grants to technical assistance providers.
- \$7.2 million in guaranteed loans.
- 79,018 technical assistance calls completed by Drinking Water and Wastewater Circuit Riders.
- 15 projects administered for partner organizations.

The water programs continued to make efficient use of budget authority and loan levels appropriated to the program. The program obligated 100 percent of the budget authority appropriated and utilized for the direct loan and grant

program. In addition, the program fully obligated \$150 million in BA provided through the Farm Bill in a record 74 days after enactment. The program also obligated \$63.8 of the \$66.5 million in grants set-aside in the appropriations bill for Native American, Colonias, Rural Alaskan Villages and Hawaiian Homelands areas. In doing so the program ensured a balanced approach to use of loan and grant that resulted in 67 percent of funds obligated in loan and 33 percent obligated as grant. 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. RD national and State offices continue to coordinate their strategies to strengthen relationships with partner agencies and organizations.

The RD national and State offices regularly monitor the national and individual State performance to evaluate program delivery and services to customers. In 2014, the water program continued to demonstrate that more than 90 percent of systems met the sustainability ratio (current ratio of 1.5 percent and debt service ratio of 1.1 percent) as shown below:

- Sustainable Systems – 93.06 percent of systems reporting and evaluated met current and debt service ratios.

The program also maintained a less than one percent delinquency rate for its portfolio of nearly 17,000 loans totaling \$ 12.5 billion. At the end of fiscal year the overall delinquency rate was 0.46 percent with only 77 delinquent loans and only 20 of those loan delinquent longer than 1 year, based on the 2014 portfolio.

Selected Accomplishments Expected at the 2016 Proposed Resource Level:

- Provide new or improved water and/or waste disposal service to 2.0 million rural residents with \$1.65 billion of program funds.
- Produce a loan to grant ratio of 70/30 so that more dollars are used by systems that can afford maximum debt capacity.
- Limit grant funds to the most financially needy systems.
- Increase leveraged funds to 20 percent of total project costs from non-agency sources for USDA funded projects.

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

Program	FY 2013 Actual	FY 2014 Actual	FY 2015 Budget	FY 2016 Estimate
Department Strategic Goal 1 : Assist Rural Communities to Create Prosperity so they are self-sustaining and economically thriving				
Department Objective 1: Enhance Rural Prosperity, including leveraging capital markets to increase government's investment in rural America				
Rural Utilities Service.....	\$555,401	\$758,944	\$501,729	\$538,421
Staff Years.....	765	717	810	830
Total Cost, Strategic Goal 1.....	555,401	758,944	501,729	538,421
Staff Years, Strategic Goal.....	765	718	811	830

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

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

Rural Utilities Service Programs	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
<u>Direct Water and Waste Disposal Loans</u>				
Program Level.....	876,812	824,365	1,200,000	1,200,000
Budget Authority.....	70,759	-	-	31,320
Administrative costs (direct).....	33,323	34,315	39,040	38,117
Indirect costs.....	15,682	16,148	16,731	15,568
Total Costs.....	119,764	50,463	55,771	85,005
FTEs.....	372	348	394	403
Performance Measure:				
Population receiving new or improved services from agency-funded water and wastewater facilities or projects	1,220,393	1,190,757	1,437,890	1,447,589
Cost per measure (unit cost).....	0.10	0.04	0.04	0.06
<u>Guaranteed Water and Waste Disposal Loans</u>				
Program Level.....	18,010	7,249	15,254	-
Budget Authority.....	191	51	90	-
Total Costs.....	191	51	90	-
Performance Measure:				
Population receiving new or improved services from agency-funded water and wastewater facilities or projects	24,996	23,862	32,235	-
Cost per measure (unit cost).....	0.01	0	0	-
<u>Water and Waste Disposal Grants</u>				
Program Level.....	436,345	677,401	504,629	452,000
Budget Authority.....	436,345	677,401	504,629	452,000
Administrative costs (direct).....	8,439	8,690	9,886	9,652
Indirect costs.....	3,971	4,089	4,237	3,942
Total Costs.....	448,755	690,180	518,752	465,594
FTEs.....	94	88	100	102
Performance Measure:				
Population receiving new or improved services from agency-funded water and wastewater facilities or projects	554,322	974,256	729,875	752,411
Cost per measure (unit cost).....	0.81	0.71	0.71	0.62

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

Rural Utilities Service Programs	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
<u>Electric Loans</u>				
Program Level.....	4,910,308	2,739,968	2,900,000	6,000,000
Administrative costs (direct).....	13,923	14,337	16,311	15,925
Indirect costs.....	6,552	6,747	6,990	6,504
Total Costs.....	20,475	21,084	23,301	22,429
FTEs.....	155	146	164	169
Performance Measure:				
Number of borrowers' consumers receiving new or improved electric facilities	8,683,672	4,406,745	4,625,000	5,500,000
Cost per measure (unit cost).....	0.002	0.005	0.005	0.004
<u>Direct, Treasury and FFB Telecommunications Loans</u>				
Program Level.....	196,159	213,993	263,000	690,000
Budget Authority.....	-	-	-	104
Administrative costs (direct).....	6,170	6,353	7,228	7,056
Indirect costs.....	2,903	2,990	3,098	2,882
Total Costs.....	9,073	9,343	10,326	10,042
FTEs.....	69	65	73	75
Performance Measure:				
Number of borrowers/subscribers receiving new or improved telecommunication services	104,773	83,602	100,000	100,000
Cost per measure (unit cost).....	0.09	0.11	0.10	0.10
<u>Treasury Distance Learning Loans, and Distance Learning and Telemedicine Grants</u>				
Program Level.....	92	49,268	22,500	24,950
Budget Authority.....	92	49,268	22,500	24,950
Administrative costs (direct).....	1,323	1,362	1,550	1,513
Indirect costs.....	623	641	664	618
Total Costs.....	2,038	51,271	24,714	27,081
FTEs.....	15	14	16	16
Performance Measure:				
Counties Served.....	-	1,221	380	380
Cost per measure (unit cost).....	-	41.99	65.04	71.27
<u>Health Care Services Grants</u>				
Program Level.....	3,000	3,232	3,000	-
Budget Authority.....	3,000	3,232	3,000	-
Total Costs.....	6,000	6,464	6,000	-

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

Rural Utilities Service Programs	2013 Actual	2014 Actual	2015 Estimate	2016 Estimate
<u>Broadband Loans</u>				
Program Level.....	88,935	-	52,862	44,239
Budget Authority.....	8,422	-	9,880	9,675
Administrative costs (direct).....	3,688	3,798	4,321	4,218
Indirect costs.....	1,736	1,787	1,852	1,723
Total Costs.....	13,846	5,585	16,053	15,616
FTEs.....	41	39	44	45
Performance Measure:				
Number of borrowers/subscribers receiving new or improved telecommunication services	14,418	-	45,000	35,000
Cost per measure (unit cost).....	0.96	-	0.36	0.45
<u>Broadband Grants</u>				
Program Level.....	20,259	19,119	11,029	20,372
Budget Authority.....	20,259	19,119	11,029	20,372
Administrative costs (direct).....	1,686	1,737	1,976	1,929
Indirect costs.....	794	817	847	788
Total Costs.....	22,739	21,673	13,852	23,089
FTEs.....	19	18	20	20
<u>High Energy Cost Grants</u>				
Program Level.....	16,333	9,872	12,771	-
Budget Authority.....	16,333	9,872	12,771	-
Total Costs.....	32,666	19,744	25,542	-
<u>Total, Rural Utilities Service Programs</u>				
Program Level.....	6,566,253	4,544,467	4,985,045	8,431,561
Budget Authority.....	555,401	758,944	563,899	538,421
Administrative costs (direct).....	68,552	70,592	80,312	78,410
Indirect costs.....	32,261	33,219	34,419	32,025
Total Costs, All Strategic Goals.....	656,214	862,755	678,630	648,856
Total FTEs, All Strategic Goals.....	765	718	811	830