

2019 President's Budget  
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 was 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. The rural energy savings program is authorized through FY 2018.

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).

Guaranteed loans are provided to borrowers of a non-government lender or from the Federal Financing Bank. 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 staff monitors loan repayments that are secured through covenants in loan contracts, and mortgage documents with RD. The government holds a first lien position on the assets of the borrower.

Broadband loans were first authorized in the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) which established a new direct loan and loan guarantee program, “Access to Broadband Telecommunications Services in Rural Areas”, which was reauthorized and modified in the 2008 Farm Bill and the 2014 Farm Bill. This program provides funding for the cost of constructing, improving, and acquiring facilities and equipment for broadband service in rural communities of 20,000 inhabitants or less. Direct loans are made at the cost of money to the Treasury for the life of the facilities financed. The 2008 Farm Bill required changes to the loan program; revised regulations were published in the *Federal Register* on February 6, 2013. The 2014 Farm Bill made several changes to the program and revised regulations were published in the *Federal Register* on July 30, 2015.

Distance learning and telemedicine loans and grants are authorized by 7 U.S.C. 950aaa. This program assists rural schools and learning centers gain access to improved educational resources, and assists rural hospitals and health care centers gain access to improved medical resources. Building on advanced telecommunications infrastructure, telemedicine projects are providing new and improved health care services and benefits to rural residents, many in medically underserved areas, by linking to urban medical centers for clinical interactive video consultation, distance

training of rural health care providers, and access to medical expertise and library resources. Distance learning projects provide funding for Internet-based educational services in schools and libraries and promote confidence in, and understanding of, the Internet and its benefits to students and young entrepreneurs. Loans, made at the Treasury rate of interest, and grants will encourage, improve, and make affordable the use of advanced telecommunications.

Water and Waste Disposal Loans and Grants:

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

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, 2017, there were 4,697 permanent full-time employees, including 1,505 in the headquarters and 3,192 in the field offices.

OIG Reports – Completed

#09703-002-32-TE                      Broadband Initiatives Program (ARRA) pre and post-award controls. RUS received a closure memo dated March 8, 2017, from the Office of the Chief Financial Officer accepting the final action on the recommendation. The audit is now closed.

GAO Reports - Completed

#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

#Unnumbered                              Review of Federal Financial Assistance for Electric Power plants – 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.

#GAO-17-301                              RURAL BROADBAND DEPLOYMENT Improved Consistency with Leading Practices Could Enhance Management of Loan and Grant Programs. GAO reviewed RUS’s management of funding programs for broadband deployment, including consistency with leading practices for federal funding, program management, and broadband deployment. GAO examined the extent to which RUS’s procedures and activities are consistent with leading practices and how its management practices could be improved. GAO synthesized, from federal guidance and relevant literature, a set of 10 leading practices that would be appropriate for the management of broadband loan and grant programs. GAO validated its set of practices with states that have programs similar to the RUS programs. GAO recommended that RUS develop program performance goals and measures, conduct program risk assessments, evaluate completed grant projects, establish a timeline for implementing a centralized internal data system, and update written policies and procedures for RUS staff. USDA agreed with the recommendations and has begun the development and implementation of the recommended policies and procedures.

RURAL UTILITIES SERVICE

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

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

For gross obligations for the principal amount of direct loans as authorized by section 360 and described in section 381E(d)(2) of the Consolidated Farm and Rural Development Act, \$1,200,000,000.

In addition, for administrative expenses necessary to carry out the direct loan program, \$18,149,000 shall be paid to the appropriation for "Rural Development, Salaries and Expenses".

This change includes language for the Water and Waste Disposal Direct loan account and its associated salaries and expenses cost. This program is requested in 2019.

RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT

Lead-Off Tabular Statement

	Loan Level	Subsidy	Grants	Administrative Expenses
Budget Estimate, 2019.....	\$1,200,000,000	-	-	\$18,149,000
2018 Annualized Continuing Resolution.....	30,479,069,000	\$51,965,000	\$515,347,000	-
Change in Appropriation.....	-29,279,069,000	-51,965,000	-515,347,000	+18,149,000

RURAL UTILITIES SERVICE

RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT

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

	2016 Actual			2017 Actual			2018 Estimate			Inc. or Dec.			2019 President's Budget				
	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs		
	Discretionary Appropriations:																
Direct rural water and waste disposal loans..... a/b/	\$1,200,000	\$31,320	380	\$1,200,000	\$52,080	375	\$30,427,250	\$51,726	379	-\$29,227,250	(1)	-\$51,726	(5)	-	\$1,200,000	-	379
Guaranteed rural water and waste disposal loans.....	50,000	275	-	50,000	240	-	51,820	238	-	-51,820	(2)	-238	(5)	-	-	-	-
Rural water and waste disposal grants.....	353,380	353,380	97	378,580	378,580	97	376,009	376,009	97	-376,009	(3)	-376,009	-37	-	-	-	60
Technical assistance grants for rural waste systems.....	20,000	20,000	-	20,000	20,000	-	19,864	19,864	-	-19,864	(3)	-19,864	-	-	-	-	-
Circuit rider - technical assistance grants for rural water systems.....	16,397	16,397	-	16,897	16,897	-	16,782	16,782	-	-16,782	(3)	-16,782	-	-	-	-	-
WWD grants, Alaskan villages.....	16,000	16,000	-	16,000	16,000	-	15,891	15,891	-	-15,891	(3)	-15,891	-	-	-	-	-
WWD grants, native American tribes.....	24,000	24,000	-	24,000	24,000	-	23,837	23,837	-	-23,837	(3)	-23,837	-	-	-	-	-
Water and waste disposal grants, Colonias.....	24,000	24,000	-	24,000	24,000	-	23,837	23,837	-	-23,837	(3)	-23,837	-	-	-	-	-
Water well system grants.....	993	993	-	993	993	-	986	986	-	-986	(3)	-986	-	-	-	-	-
Water and wastewater revolving funds.....	1,000	1,000	-	1,000	1,000	-	993	993	-	-993	(3)	-993	-	-	-	-	-
Solid waste management grants.....	4,000	4,000	-	4,000	4,000	-	3,973	3,973	-	-3,973	(4)	-3,973	-	-	-	-	-
Emergency community water assistance grants.....	11,000	11,000	-	12,000	12,000	-	11,919	11,919	-	-11,919	(3)	-11,919	-	-	-	-	-
Emergency community water assistance grants, appropriated.....	10,000	10,000	-	10,000	10,000	-	9,932	9,932	-	-9,932	(3)	-9,932	-	-	-	-	-
American Iron and Steelworkers.....	-	-	-	1,400	1,400	-	1,390	1,390	-	-1,390	(3)	-1,390	-	-	-	-	-
High energy cost grants.....	10,000	10,000	-	10,000	10,000	-	9,932	9,932	-	-9,932	-	-9,932	-	-	-	-	-
Administrative Expenses.....	-	-	-	-	-	-	-	-	-	-	-	+18,149	-	-	-	-	\$18,149
<b>Total Appropriation.....</b>	<b>1,740,770</b>	<b>522,365</b>	<b>477</b>	<b>1,768,870</b>	<b>571,190</b>	<b>472</b>	<b>30,994,416</b>	<b>567,312</b>	<b>476</b>	<b>-29,794,416</b>		<b>-549,163</b>	<b>-37</b>	<b>1,200,000</b>	<b>18,149</b>	<b>439</b>	
Transfers Out:																	
High energy cost grants..... c/	-10,000	-10,000	-	-10,000	-10,000	-	-9,932	-9,932	-	+9,932		+9,932	-	-	-	-	-
Subtotal.....	-10,000	-10,000	-	-10,000	-10,000	-	-9,932	-9,932	-	+9,932		+9,932	-	-	-	-	-
Bal. Available, SOY.....	591,996	92,376	-	514,886	65,399	-	1,528,614	41,691	-	-777,956		+72,779	-	750,658	114,470	-	-
Recoveries, Other (Net).....	57,060	53,761	-	180,544	62,096	-	2,866,179	45,101	-	-2,823,333		-2,255	-	42,846	42,846	-	-
<b>Total Available.....</b>	<b>2,379,826</b>	<b>658,502</b>	<b>477</b>	<b>2,454,301</b>	<b>688,685</b>	<b>472</b>	<b>35,379,278</b>	<b>644,171</b>	<b>476</b>	<b>-33,385,774</b>		<b>-468,706</b>	<b>-37</b>	<b>1,993,504</b>	<b>175,465</b>	<b>439</b>	
Rescinded Balances..... d/e/f/	-13,000	-13,000	-	-227	-227	-	-	-	-	-51,000		-51,000	(6)	-	-51,000	-51,000	-
Bal. Available, EOY.....	-607,070	-65,399	-	-548,390	-41,691	-	-33,501,498	-114,470	-	+32,758,994		+8,154	-	-742,504	-106,316	-	-
<b>Total Obligations.....</b>	<b>1,759,756</b>	<b>580,103</b>	<b>477</b>	<b>1,905,684</b>	<b>646,766</b>	<b>472</b>	<b>1,877,780</b>	<b>529,701</b>	<b>476</b>	<b>-677,780</b>		<b>-511,552</b>	<b>-37</b>	<b>1,200,000</b>	<b>18,149</b>	<b>439</b>	

Note: Table may not add due to rounding.

a/ Negative subsidy rate of .27% was calculated for 2019. Therefore, corresponding budget authority is not required to support the program levels.

b/ For the WWD direct loan program, Congress has provided an appropriation of \$1.2 billion program level for this account over the past few years. The subsidy rate for this program in 2017 was 4.34 percent requiring an appropriation of \$52.08 million to support the \$1.2 billion program level. The 2018 full year continuing resolution assumes \$51.726 million in budget authority which supports a \$30.4 billion program level as the subsidy rate dropped to .17 percent in 2018. The justification of increases and decreases will be based on the historical program level of \$1.2 billion.

c/ This program was transferred to the Rural Utilities Service, High Energy Cost Grant Account in accordance with the the Consolidated Appropriations Act, 2016, P.L. 114-113 and the Consolidated Appropriations Act, 2017, P.L. 115-31.

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

e/ Rescission of unobligated balances pursuant to GP 759 of the Consolidated Appropriations Act, 2017, P.L. 115-31, dated May 5, 2017.

f/ A rescission of unobligated balances in the amount of \$51,000,000 is proposed for this account in FY 2019.

RURAL UTILITIES SERVICE

RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT

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

Program	2016 Actual			2017 Actual			2018 Estimate			Inc. or Dec.			2019 President's Budget		
	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs									
<b>Discretionary Obligations:</b>															
Direct rural water and waste disposal loans..... a/b/	\$1,199,999	\$31,320	380	\$1,309,658	\$56,839	375	\$1,334,118	\$2,268	379	-\$134,118	(1)	-\$2,268	(5)	-	379
Guaranteed rural water and waste disposal loans.....	7,118	39	-	5,070	24	-	16,304	75	-	-16,304	(2)	-75	(5)	-	-
Rural water and waste disposal grants.....	383,965	383,965	97	457,241	457,241	97	378,770	378,770	97	-378,770	(3)	-378,770	-37	-	60
Technical assistance grants for rural waste systems.....	20,119	20,119	-	20,109	20,109	-	20,020	20,020	-	-20,020	(3)	-20,020	-	-	-
Circuit rider - technical assistance grants for rural water systems.....	16,279	16,279	-	16,954	16,954	-	18,210	18,210	-	-18,210	(3)	-18,210	-	-	-
WWD grants, Alaskan villages.....	32,761	32,761	-	21,410	21,410	-	22,615	22,615	-	-22,615	(3)	-22,615	-	-	-
WWD grants, native American tribes.....	25,079	25,079	-	24,996	24,996	-	23,890	23,890	-	-23,890	(3)	-23,890	-	-	-
Water and waste disposal grants, colonias.....	33,234	33,234	-	24,981	24,981	-	30,800	30,800	-	-30,800	(3)	-30,800	-	-	-
WWD grants, Hawaiian homelands.....	16,022	16,022	-	-	-	-	-	-	-	-	-	-	-	-	-
Water well system grants.....	1,192	1,192	-	993	993	-	1,150	1,150	-	-1,150	(3)	-1,150	-	-	-
Water and wastewater revolving funds.....	1,000	1,000	-	1,000	1,000	-	993	993	-	-993	(3)	-993	-	-	-
Solid waste management grants.....	4,285	4,285	-	4,344	4,344	-	4,175	4,175	-	-4,175	(4)	-4,175	-	-	-
Emergency community water assistance grants.....	3,521	3,521	-	-	-	-	13,780	13,780	-	-13,780	(3)	-13,780	-	-	-
Emergency community water assistance grants, appropriated.....	9,987	9,987	-	9,649	9,649	-	10,300	10,300	-	-10,300	(3)	-10,300	-	-	-
American Iron and Steelworkers.....	-	-	-	135	135	-	2,655	2,655	-	-2,655	-	-2,655	-	-	-
Administrative Expenses.....	-	-	-	-	-	-	-	-	-	-	-	+18,149	-	-	-
Subtotal.....	1,754,562	578,804	477	1,896,539	638,674	472	1,877,780	529,701	476	-677,780	-	-511,552	-37	1,200,000	18,149 439
<b>Mandatory Obligations:</b>															
Rural water and waste disposal grants.....	94	94	-	7,794	7,794	-	-	-	-	-	-	-	-	-	-
Subtotal.....	94	94	-	7,794	7,794	-	-	-	-	-	-	-	-	-	-
<b>Supplemental Obligations:</b>															
Direct rural water and waste disposal loans, 2008 disasters.....	4,000	104	-	1,100	48	-	-	-	-	-	-	-	-	-	-
Rural water and waste disposal grants, 2008 disasters.....	1,100	1,100	-	250	250	-	-	-	-	-	-	-	-	-	-
Subtotal.....	5,100	1,204	-	1,350	298	-	-	-	-	-	-	-	-	-	-
Total Obligations.....	1,759,756	580,103	477	1,905,684	646,766	472	1,877,780	529,701	476	-677,780	-	-511,552	-37	1,200,000	18,149 439
<b>Rescinded Balances..... d/e/f/</b>															
Bal. Available, EOY.....	13,000	13,000	-	227	227	-	-	-	-	+51,000	-	+51,000	(6)	-	-
Total Available.....	607,069	65,399	-	548,390	41,691	-	33,501,497	114,470	-	-32,758,993	-	-8,154	-	742,504	106,316 -
Transfers Out..... g/	10,000	10,000	-	10,000	10,000	-	9,932	9,932	-	-9,932	-	-9,932	-	-	-
Bal. Available, SOY.....	-591,996	-92,376	-	-514,886	-65,399	-	-1,528,614	-41,691	-	+777,956	-	-72,779	-	-750,658	-114,470 -
Other Adjustments (Net).....	-57,060	-53,761	-	-180,544	-62,096	-	-2,866,179	-45,101	-	+2,823,333	-	+2,255	-	-42,846	-42,846 -
Total Appropriation.....	1,740,770	522,365	477	1,768,870	571,190	472	30,994,416	567,311	476	-29,794,416	-	-549,162	-37	1,200,000	18,149 439

Note: Table may not add due to rounding.

a/ Negative subsidy rate of .27% was calculated for 2019. Therefore, corresponding budget authority is not required to support the program levels.

b/ For the WWD direct loan program, Congress has provided an appropriation of \$1.2 billion program level for this account over the past few years. The subsidy rate for this program in 2017 was 4.34 percent requiring an appropriation of \$52.08 million to support the \$1.2 billion program level. The 2018 full year continuing resolution assumes \$51.726 million in budget authority which supports a \$30.4 billion program level as the subsidy rate dropped to .17 percent in 2018. The justification of increases and decreases will be based on the historical program level of \$1.2 billion.

c/ This program was transferred to the Rural Utilities Service, High Energy Cost Grant Account in accordance with the the Consolidated Appropriations Act, 2016, P.L. 114-113 and the Consolidated Appropriations Act, 2017, P.L. 115-31.

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

e/ Rescission of unobligated balances pursuant to GP 759 of the Consolidated Appropriations Act, 2017, P.L. 115-31, dated May 5, 2017.

f/ A rescission of unobligated balances in the amount of \$51,000,000 is proposed for this account in FY 2019.

## Justification of Increases and Decreases

(1) No change in funding for direct water and waste disposal loans (\$1,200,000,000 available in 2018).

The direct water and waste disposal loan program provide loan funds for water and waste projects servicing rural, financially needy communities. The program serves rural communities where income levels are often lower and there are fewer people to share the cost of infrastructure deployment. Water and waste disposal loans provide loans with low interest rates and longer terms, which assist rural communities in maintaining reasonable user costs for their residences, businesses, and other users. This funding supports health and quality of life issues, environmental sustainability, and economic development for these rural communities.

Funding in 2019 is expected to support 574 loans that will assist approximately 1,500,000 rural residents in obtaining decent, safe, and sanitary water and wastewater services. Funding in 2017 was successful in targeting the smaller rural, underserved communities that are affected by severe poverty and can afford less loan amounts. Targeting these smaller communities enables more loans but to a smaller population served. Funding in 2017 supported 630 loans assisting 1,701,940 rural residents.

This funding directly supports the Secretary's Strategic Goal 4: Facilitate Rural Prosperity and Economic Development; Objective 4.1: To expand rural business opportunity and rural quality of life with access to capital; improve infrastructure, broadband access and connectivity; and support workforce availability.

(2) A decrease of \$51,820,000 for guaranteed water and waste disposal loans (\$51,820,000 available in 2018).

No funding is requested for this program. The anticipated carryover amount from 2018 into 2019 for the guaranteed water and waste disposal loan program could support about 297 loans and assist approximately 505,420 rural residents. 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 these projects can be provided with direct water and waste disposal loans.

The Budget includes legislation to expand the program to communities with populations in excess of 20,000.

(3) A decrease of \$501,440,000 in funding for water and waste disposal grants (\$501,440,000 available in 2018).

No funding is requested for this program. The budget eliminates the Water and Wastewater grant program. The Budget has provided \$1.2 billion in loan funds to serve these communities.

The Budget proposes a rescission of \$51 million in carryover funds due primarily to cancellations. The rescission is warranted because with a negative subsidy rate coupled with no grant funding, it is unlikely that the need for those carryover balances will be as strong as it has been in the past.

(4) A decrease of \$3,973,000 in funding for solid waste management grants (\$3,973,000 available in 2018).

No funding is requested for this program. The budget eliminates the solid waste management grant program. The Budget has provided \$1.2 billion in loan funds to serve these communities.

(5) A decrease of \$51,964,000 for water and waste disposal loan subsidy (\$51,964,000 available in 2018).

The decrease in direct water and waste loans subsidy budget authority is required due to a negative subsidy rate for FY 2019. Additionally, the budget doesn't request funds for the water and waste guaranteed program hence the reduction in budget authority.

RURAL UTILITIES SERVICE

Summary of Proposed Legislation

**Program:** Rural Utilities Service, Water and Environmental Programs

**Proposal:** USDA requests authority to temporarily make rural communities with populations up to 20,000 persons to be eligible for the Water and Waste Disposal Direct and Guaranteed Program.

**Rationale:** The Water and Waste Disposal Guaranteed Loan Program can provide up to a 90 percent guarantee on loans to build or improve basic public water utilities, such as water and sewer systems, storm sewers and solid waste facilities in communities of up to 10,000 people. Agency’s Water and Waste Guaranteed portfolio includes 87 loans totaling \$119 million to local and regional commercial banks.

Guaranteed funding has been traditionally under-utilized. Among the factors impacting the use of the guarantee program is affordability. Rural communities are facing the challenges of aging infrastructure, increased but unfunded environmental mandates, and contaminated or diminishing water sources. As these communities seek to provide safe, reasonably priced water and wastewater services to their residents, access to affordable financing is critical. The agency believes that communities between 10,000 and 20,000 in population, defined as rural in other agency programs, may have a need and an interest in participating in the Guaranteed Program. These communities are too large to access the USDA direct programs, and too small to compete in larger funding programs (State Revolving funds through EPA, etc.). Communities of this size are also more likely to qualify for commercial loans and have more population across which to spread the cost of infrastructure financing.

In order to maintain consistency, the Agency is also requesting to apply 20,000 population limit for the direct loan program. The Agency will continue to prioritize communities with populations of 5,000 or less.

Increasing the population limit for 2019 would allow the agency to determine the demand for such financing and the viability of an expanded guaranteed program. As such, the Agency requests that the following language be included in the 2019 Appropriations Act:

Sec. XXX. For the purpose of water and waste disposal direct and guaranteed loans provided under paragraph (1) and (24) of section 306(a), the terms “rural” and “rural areas” mean a city, town, or unincorporated area that has a population of no more than 20,000 inhabitants.

**Goal:** Authority to temporarily make rural communities with populations up to 20,000 persons to be eligible for the Water and Waste Disposal Guaranteed Program.

**Budget Impact:** None.

	2019	2020	2021	2022	2023
Budget Authority	N/A	N/A	N/A	N/A	N/A
Outlays	N/A	N/A	N/A	N/A	N/A

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	\$14,538	\$27,715	-	-
Alaska.....	1,727	8,909	-	-
Arizona.....	3,604	16,333	-	-
Arkansas.....	23,126	18,547	-	-
California.....	8,183	41,797	-	-
Colorado.....	1,573	14,124	-	-
Connecticut.....	16,917	3,572	-	-
Delaware.....	7,900	4,640	-	-
Florida.....	19,042	1,909	-	-
Georgia.....	34,183	22,969	-	-
Hawaii.....	-	513	-	-
Idaho.....	18,775	9,030	-	-
Illinois.....	58,860	28,072	-	-
Indiana.....	67,465	45,297	-	-
Iowa.....	37,709	38,509	-	-
Kansas.....	10,562	48,578	-	-
Kentucky.....	31,900	38,322	-	-
Louisiana.....	28,693	13,282	-	-
Maine.....	18,469	35,292	-	-
Maryland.....	10,762	32,799	-	-
Massachusetts.....	11,250	5,847	-	-
Michigan.....	56,006	67,067	-	-
Minnesota.....	34,542	23,408	-	-
Mississippi.....	34,281	12,983	-	-
Missouri.....	33,156	44,306	-	-
Montana.....	32,189	12,259	-	-
Nebraska.....	10,865	13,141	-	-
Nevada.....	18,195	35,643	-	-
New Hampshire.....	6,160	12,791	-	-
New Jersey.....	14,329	7,137	-	-
New Mexico.....	1,788	19,460	-	-
New York.....	23,307	37,340	-	-
North Carolina.....	41,662	52,605	-	-
North Dakota.....	16,076	10,878	-	-
Ohio.....	44,561	61,482	-	-
Oklahoma.....	29,353	28,424	-	-
Oregon.....	10,794	17,080	-	-
Pennsylvania.....	38,655	24,325	-	-
Rhode Island.....	6,247	-	-	-
South Carolina.....	62,977	48,661	-	-
South Dakota.....	13,148	19,678	-	-
Tennessee.....	26,772	67,865	-	-
Texas.....	67,092	72,641	-	-
Utah.....	4,809	16,990	-	-
Vermont.....	11,331	14,594	-	-
Virginia.....	40,955	30,983	-	-
Washington.....	9,674	22,351	-	-
West Virginia.....	24,184	34,192	-	-
Wisconsin.....	46,900	37,065	-	-
Wyoming.....	3,849	8,254	-	-
Puerto Rico.....	10,905	-	-	-
Undistributed.....	-	-	\$1,334,118 a/	\$1,200,000 a/
Obligations.....	1,199,999	1,309,658	1,334,118	1,200,000

a/ Totals cannot be distributed at this time.

Direct Water and Waste Disposal Loans - 2008 Disasters  
Geographic Breakdown of Obligations  
(Dollars in thousands)

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's
	Amount	Amount	Amount	Budget Amount
Iowa.....	\$4,000	\$1,100	-	-
Obligations.....	4,000	1,100	-	-

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's Budget
	Amount	Amount	Amount	Amount
Colorado.....	-	\$540	-	-
Illinois.....	\$479	3,655	-	-
Indiana.....	-	375	-	-
Montana.....	2,534	-	-	-
New Mexico.....	-	500	-	-
Oklahoma.....	205	-	-	-
South Carolina.....	3,100	-	-	-
Texas.....	800	-	-	-
Undistributed.....	-	-	\$16,304 <u>a/</u>	-
Obligations.....	<u>7,118</u>	<u>5,070</u>	<u>16,304</u>	-

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	2016 Actual	2017 Actual	2018 Estimate	2019 President's
	Amount	Amount	Amount	Budget
Alabama.....	\$9,307	\$21,538	-	-
Alaska.....	3,069	7,673	-	-
Arizona.....	2,176	9,596	-	-
Arkansas.....	9,382	11,034	-	-
California.....	5,711	11,899	-	-
Colorado.....	3,186	3,717	-	-
Connecticut.....	4,045	593	-	-
Delaware.....	2,315	1,475	-	-
Florida.....	9,135	4,512	-	-
Georgia.....	11,084	7,932	-	-
Hawaii.....	180	419	-	-
Idaho.....	7,071	4,127	-	-
Illinois.....	13,889	21,247	-	-
Indiana.....	17,107	10,818	-	-
Iowa.....	8,859	8,664	-	-
Kansas.....	5,215	3,938	-	-
Kentucky.....	9,609	12,340	-	-
Louisiana.....	6,230	4,359	-	-
Maine.....	10,709	19,351	-	-
Maryland.....	3,918	6,467	-	-
Massachusetts.....	3,016	-	-	-
Michigan.....	15,601	15,221	-	-
Minnesota.....	13,406	10,545	-	-
Mississippi.....	12,698	4,492	-	-
Missouri.....	16,126	11,621	-	-
Montana.....	12,519	5,652	-	-
Nebraska.....	4,071	4,169	-	-
Nevada.....	2,403	2,717	-	-
New Hampshire.....	4,080	8,133	-	-
New Jersey.....	2,873	3,853	-	-
New Mexico.....	214	2,987	-	-
New York.....	7,679	16,285	-	-
North Carolina.....	10,525	16,644	-	-
North Dakota.....	4,672	12,460	-	-
Ohio.....	12,793	32,117	-	-
Oklahoma.....	7,369	6,876	-	-
Oregon.....	5,818	9,406	-	-
Pennsylvania.....	16,344	10,358	-	-
Rhode Island.....	1,842	-	-	-
South Carolina.....	9,145	11,329	-	-
South Dakota.....	3,717	2,047	-	-
Tennessee.....	8,643	10,422	-	-
Texas.....	16,339	18,755	-	-
Utah.....	4,329	4,140	-	-
Vermont.....	7,308	9,028	-	-
Virginia.....	10,336	13,786	-	-
Washington.....	5,446	13,048	-	-
West Virginia.....	6,346	15,033	-	-
Wisconsin.....	10,418	11,960	-	-
Wyoming.....	2,488	2,463	-	-
Puerto Rico.....	3,175	-	-	-
Other Countries.....	30	-	-	-
Undistributed.....	-	-	\$378,770 a/	-
Obligations.....	383,965	457,241	378,770	-

Water and Waste Disposal Grants - 2008 Disasters  
Geographic Breakdown of Obligations  
(Dollars in thousands)

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's
	Amount	Amount	Amount	Budget
Iowa.....	\$1,100	\$250	-	-
Obligations.....	1,100	250	-	\$18,149

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	2016 Actual	2017 Actual	2018 Estimate	2019 President's
	Amount	Amount	Amount	Budget Amount
Alaska.....	\$828	\$570	-	-
Arizona.....	715	675	-	-
Arkansas.....	180	-	-	-
California.....	115	100	-	-
Colorado.....	215	500	-	-
Kentucky.....	-	50	-	-
Maryland.....	6,850	7,090	-	-
Nevada.....	-	100	-	-
New York.....	100	100	-	-
Oklahoma.....	10,666	10,500	-	-
Tennessee.....	200	100	-	-
West Virginia.....	250	250	-	-
Virgin Islands.....	-	74	-	-
Undistributed.....	-	-	\$20,020 a/	-
Obligations.....	20,119	20,109	20,020	-

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's
	Amount	Amount	Amount	Budget Amount
Oklahoma.....	\$16,279	\$16,954	-	-
Undistributed.....	-	-	\$18,210 a/	-
Obligations.....	16,279	16,954	18,210	-

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's
	Amount	Amount	Amount	Budget Amount
Alaska.....	\$32,450	\$21,405	-	-
District of Columbia.....	311	5	-	-
Undistributed.....	-	-	\$22,615 a/	-
Obligations.....	32,761	21,410	22,615	-

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's
	Amount	Amount	Amount	Budget Amount
Arizona.....	\$2,000	\$2,000	-	-
Colorado.....	5,484	-	-	-
Maine.....	705	-	-	-
Minnesota.....	1,666	-	-	-
Montana.....	552	4,549	-	-
Nevada.....	-	2,724	-	-
New Mexico.....	-	4,000	-	-
North Dakota.....	3,378	1,196	-	-
Oklahoma.....	2,000	-	-	-
South Dakota.....	2,745	10,527	-	-
Texas.....	1,680	-	-	-
Utah.....	3,535	-	-	-
Wyoming.....	1,333	-	-	-
Undistributed.....	-	-	\$23,890 a/	-
Obligations.....	25,079	24,996	23,890	-

a/ Totals cannot be distributed at this time.

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's
	Amount	Amount	Amount	Budget Amount
Arizona.....	\$3,495	\$6,926	-	-
California.....	-	5,840	-	-
New Mexico.....	8,860	10,448	-	-
Texas.....	14,253	10,020	-	-
Undistributed.....	-	-	\$30,800 a/	-
Obligations.....	33,234	24,981	30,800	-

Hawaiian Homelands  
Geographic Breakdown of Obligations  
(Dollars in thousands)

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's
	Amount	Amount	Amount	Budget Amount
Hawaii.....	\$16,022	-	-	-
Obligations.....	16,022	-	-	-

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's
	Amount	Amount	Amount	Budget Amount
Arkansas.....	-	\$200	-	-
California.....	\$550	393	-	-
Georgia.....	175	-	-	-
North Carolina.....	192	200	-	-
Ohio.....	275	-	-	-
Virginia.....	-	200	-	-
Undistributed.....	-	-	\$1,150 a/	-
Obligations.....	1,192	993	1,150	-

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's
	Amount	Amount	Amount	Budget Amount
Arkansas.....	\$250	\$250	-	-
California.....	250	250	-	-
Oklahoma.....	500	500	-	-
Undistributed.....	-	-	\$993 a/	-
Obligations.....	1,000	1,000	993	-

a/ Totals cannot be distributed at this time.

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

State/Territory				2019 President's
	2016 Actual Amount	2017 Actual Amount	2018 Estimate Amount	Budget Amount
Alaska.....	\$868	\$872	-	-
Arizona.....	259	242	-	-
Iowa.....	80	137	-	-
Kansas.....	-	91	-	-
Kentucky.....	80	81	-	-
Maine.....	143	165	-	-
Maryland.....	900	815	-	-
Massachusetts.....	171	407	-	-
Michigan.....	96	100	-	-
Missouri.....	-	36	-	-
New Hampshire.....	510	313	-	-
New Jersey.....	150	170	-	-
New York.....	287	190	-	-
North Carolina.....	119	195	-	-
Ohio.....	100	23	-	-
Oklahoma.....	92	92	-	-
Texas.....	152	205	-	-
Vermont.....	44	210	-	-
Washington.....	50	-	-	-
Puerto Rico.....	54	-	-	-
Virgin Islands.....	131	-	-	-
Undistributed.....	-	-	\$4,175 <sup>a/</sup>	-
Obligations.....	4,285	4,344	4,175	-

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

State/Territory				2019 President's
	2016 Actual Amount	2017 Actual Amount	2018 Estimate Amount	Budget Amount
California.....	\$500	-	-	-
Idaho.....	477	-	-	-
Illinois.....	229	-	-	-
Iowa.....	500	-	-	-
Nebraska.....	500	-	-	-
North Dakota.....	50	-	-	-
Ohio.....	724	-	-	-
Oregon.....	129	-	-	-
Texas.....	299	-	-	-
Vermont.....	112	-	-	-
Undistributed.....	-	-	\$13,780 <sup>a/</sup>	-
Obligations.....	3,521	-	13,780	-

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

State/Territory				2019 President's
	2016 Actual Amount	2017 Actual Amount	2018 Estimate Amount	Budget Amount
Arizona.....	-	\$775	-	-
Arkansas.....	-	22	-	-
California.....	\$2,534	748	-	-
Delaware.....	500	-	-	-
Georgia.....	377	150	-	-
Idaho.....	74	650	-	-
Illinois.....	249	-	-	-
Kansas.....	-	999	-	-
Kentucky.....	300	130	-	-
Louisiana.....	-	215	-	-
Maryland.....	-	411	-	-
Michigan.....	500	-	-	-
Missouri.....	500	-	-	-
Montana.....	140	-	-	-
Nebraska.....	670	610	-	-
Nevada.....	-	625	-	-
New Hampshire.....	151	495	-	-
New Jersey.....	500	-	-	-
New York.....	147	589	-	-
Ohio.....	150	150	-	-
Oklahoma.....	411	-	-	-
Oregon.....	650	-	-	-
Tennessee.....	1,046	1,141	-	-
Texas.....	665	500	-	-
Utah.....	-	944	-	-
Vermont.....	12	-	-	-
Washington.....	412	-	-	-
Wyoming.....	-	100	-	-
Other Countries.....	-	397	-	-
Undistributed.....	-	-	\$10,300 <sup>a/</sup>	-
Obligations.....	9,987	9,649	10,300	-

<sup>a/</sup> Totals cannot be distributed at this time.

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

State/Territory	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2018 Estimate</u>	<u>2019 President's</u>
	Amount	Amount	Amount	Budget Amount
Idaho.....	\$94	\$390	-	-
Minnesota.....	-	2,800	-	-
Montana.....	-	284	-	-
Texas.....	-	4,320	-	-
Obligations.....	94	7,794	-	-

American Iron and Steelworkers  
Geographic Breakdown of Obligations  
(Dollars in thousands)

State/Territory	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2018 Estimate</u>	<u>2019 President's</u>
	Amount	Amount	Amount	Budget Amount
District of Columbia.....	-	\$135	\$2,655	-
Obligations.....	-	135	2,655	-

a/ Totals cannot be distributed at this time.

Classification by Objects  
(Dollars in thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	Actual	Actual	Estimate	President's Budget
25.0 Other purchases of goods and services from government accounts.....	-	-	-	\$18,149
	\$580,103	\$646,766	\$529,701	-
99.9 Total, new obligations.....	580,103	646,766	529,701	18,149

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):

The principal amount of direct and guaranteed loans as authorized by sections 305, 306, and 317 of the Rural Electrification Act of 1936 (7 U.S.C. 935 and 936, and 940g) shall be made as follows: loans made pursuant to sections 305, 306, and 317, notwithstanding 317(c), of that Act, rural electric, \$5,500,000,000; cost of money rural telecommunications loans, [~~\$345,000,000~~]\$172,600,000; and for loans made pursuant to section 306 of that Act, rural telecommunications loans, [~~345,000,000~~]\$517,400,000.

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, \$863,000.

In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, [~~\$33,044,000~~]\$38,027,000, which shall be paid to the appropriation for “Rural Development, Salaries and Expenses”.

RURAL ELECTRIFICATION AND TELECOMMUNICATION PROGRAM ACCOUNT

Lead-Off Tabular Statement

	<u>Loan Level</u>	<u>Subsidy</u>	<u>Administrative Expenses</u>
Budget Estimate, 2019.....	\$6,190,000,000	\$863,000	\$38,027,000
2018 Annualized Continuing Resolution a/.....	<u>7,874,665,000</u>	<u>24,702,000</u>	<u>33,044,000</u>
Change in Appropriation.....	<u>-1,684,665,000</u>	<u>-23,839,000</u>	<u>+4,983,000</u>

a/ It includes \$13.7 million for electric modifications and \$7.946 million for Rural Energy Savings Program.

RURAL UTILITIES SERVICE

RURAL ELECTRIFICATION AND TELECOMMUNICATION PROGRAM ACCOUNT

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

Program	2016 Actual			2017 Actual			2018 Estimate			Inc. or Dec.			2019 President's Budget		
	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs
Discretionary Appropriations:															
Electric Direct, FFB..... a/	\$5,500,000	-	159	\$4,900,000	-	158	\$4,900,000	-	159	+\$600,000 (1)	-	-	\$5,500,000	-	159
Pilot Program for refinancing electric loans....	-	-	-	600,000	\$13,800	-	600,000	\$13,706	-	-\$600,000 (1)	-\$13,706 (5)	-	-	-	-
Electric Underwriting Loans..... b/	750,000	-	-	750,000	-	-	750,000	-	-	-750,000 (2)	-	-	-	-	-
Rural Energy Savings Program..... c/d/	-	\$8,000	-	55,402	8,000	-	59,607	7,946	-	-59,607 (3)	-7,946 (5)	-	-	-	-
Telecommunications Direct, Treasury Rate.... e/	346,667	104	70	268,055	2,386	70	1,220,058	3,050	70	-1,047,458 (4)	-2,187 (5)	-	172,600	\$863	70
Telecommunications Direct, FFB..... f/	345,000	-	-	345,000	-	-	345,000	-	-	+172,400 (4)	-	-	517,400	-	-
Administrative Expenses..... g/	-	34,707	-	-	33,270	-	-	33,044	-	-	+4,983	-	-	38,027	-
Subtotal.....	6,941,667	42,811	229	6,918,457	57,456	228	7,874,665	57,746	229	-1,684,665	-18,856	-	6,190,000	38,890	229
Total Adjusted Approp.....	6,941,667	42,811	229	6,918,457	57,456	228	7,874,665	57,746	229	-1,684,665	-18,856	-	6,190,000	38,890	229
Rescissions, Transfers, and Seq. (Net)..... h/															
Total Appropriation.....	6,941,667	42,811	229	6,995,458	58,141	228	7,874,665	57,746	229	-1,684,665	-18,856	-	6,190,000	38,890	229
Transfers Out:															
Working Capital Fund..... h/	-	-	-	-77,001	-685	-	-	-	-	-	-	-	-	-	-
Total.....	-	-	-	-77,001	-685	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY.....	-	-	-	55,402	8,000	-	93,736	26,295	-	-	-	-	77,503	38,380	-
Total Available.....	6,941,667	42,811	229	6,973,858	65,456	228	7,968,401	84,041	229	-1,684,665	-18,856	-	6,267,503	77,270	229
Lapsing Balances.....	-2,831,456	-75	-	-2,229,294	-210	-	-2,547,750	-2,628	-	+391,313	+2,628	-	-2,156,437	-	-
Bal. Available, EOY.....	-	-8,000	-	-86,530	-26,295	-	-81,573	-38,380	-	+4,070	-	-	-77,503	-38,380	-
Total Obligations.....	4,110,211	34,736	229	4,658,034	38,950	228	5,339,078	43,033	229	-1,289,283	-16,228	-	4,033,563	38,890	229

a/ Negative subsidy rates of 4.97% was calculated for 2016, 4.92% was calculated for 2017, and 5.17% was calculated for 2018, and 4.38% was calculated for 2019. Therefore, corresponding budget authority is not required to support the program levels.

b/ Negative subsidy rates of 4.05% was calculated for 2016, 3.78% was calculated for 2017, and 3.86% was calculated for 2018. Therefore, corresponding budget authority is not required to support the program levels.

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

d/ Includes funding provided by section 6407 (7 U.S.C. 8107a) of the Farm Security and Rural Investment Act of 2002, as amended through PL 114-113 in GP 744, dated December 18, 2015.

e/ For the telecommunications treasury rate program, Congress has provided an appropriation of \$345 million program level for this account over the past few years. The subsidy rate for this program became positive in 2016 and 2017 the subsidy rate was 0.89 percent requiring an appropriation of \$3.1 million to support the \$345 million program level. The 2018 full year continuing resolution assumes \$3.1 million in budget authority, which supports a \$1.2 billion program level as the subsidy rate dropped from 0.89 percent in 2017 to 0.25 percent in 2018. The justification of increases and decreases will be based on the historical program level of \$345 million.

f/ Negative subsidy rates of 2.74% was calculated for 2016, 2.53% was calculated for 2017 and 2.49% was calculated for 2018 and 2.71% was calculated for 2019. Therefore, corresponding budget authority is not required to support the program levels.

g/ In 2016, \$34,707,000 was appropriated and transferred to the Rural Development Salaries and Expenses account. In 2017, \$33,270,000 was appropriated and transferred to the Rural Development Salaries and Expenses account. In 2018, \$33,044,000 is requested and will be paid to the Rural Development Salaries and Expenses account and in 2019, \$38,027,000 is requested and will be paid to the Rural Development Salaries and Expenses account. Any justifications for the administrative expenses can be found in the Rural Development Salaries and Expenses account.

h/ These funds were transferred to the Department of Agriculture Working Capital fund as authorized by section 702 of P.L. 113-76, dated May 5, 2017.

RURAL UTILITIES SERVICE

RURAL ELECTRIFICATION AND TELECOMMUNICATION PROGRAM ACCOUNT

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

Program	2016 Actual			2017 Actual			2018 Estimate			Inc. or Dec.			2019 President's Budget		
	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs
	Discretionary Obligations:														
Electric Direct, FFB..... a/	\$3,165,750	-	159	\$3,456,408	-	158	\$3,560,100	-	159	+\$106,803 (1)	-	-	\$3,666,903	-	159
Pilot Program for refinancing electric loans.....	-	-	-	-	-	-	600,000	-	-	-600,000 (1)	-	(5)	-	-	-
Electric Underwriting Loans..... b/	750,000	-	-	750,000	-	-	750,000	-	-	-750,000 (2)	-	-	-	-	-
Rural Energy Savings Program..... c/d/	-	-	-	24,273	\$3,505	-	71,770	\$9,567	-	-71,770 (3)	-9,567	(5)	-	-	-
Telecommunications Direct, Treasury Rate..... e/	98,239	\$29	70	244,433	2,175	70	168,800	422	70	+3,800 (4)	+441	(5)	-	172,600	\$863 70
Telecommunications Direct, FFB..... f/	96,222	-	-	182,920	-	-	188,408	-	-	+5,652 (4)	-	-	-	194,060	-
Administrative Expenses..... g/	-	34,707	-	-	33,270	-	-	33,044	-	-	-	-	+4,983	-	38,027 -
Subtotal.....	4,110,211	34,736	229	4,658,034	38,950	228	5,339,078	43,033	229	-1,305,515	-4,143	-	4,033,563	38,890	229
Total Obligations.....	4,110,211	34,736	229	4,658,034	38,950	228	5,339,078	43,033	229	-1,305,515	-4,143	-	4,033,563	38,890	229
Lapsing Balances.....	2,831,456	75	-	2,229,294	210	-	2,547,750	2,628	-	-391,313	-2,628	-	2,156,437	-	-
Bal. Available, EOY.....	-	8,000	-	86,530	26,295	-	81,573	38,380	-	-4,070	-	-	77,503	38,380	-
Total Available.....	6,941,667	42,811	229	6,973,858	65,456	228	7,968,401	84,041	229	-1,700,898	-6,771	-	6,267,503	77,270	229
Transfers Out..... h/	-	-	-	77,001	685	-	-	-	-	-	-	-	-	-	-
Bal. Available, SOY.....	-	-	-	-55,402	-8,000	-	-93,736	-26,295	-	+16,233	-	-12,085	-	-77,503	-38,380 -
Total Appropriation.....	6,941,667	42,811	229	6,995,458	58,141	228	7,874,665	57,746	229	-1,684,665	-18,856	-	6,190,000	38,890	229

- a/ Negative subsidy rates of 4.97% was calculated for 2016, 4.92% was calculated for 2017, and 5.17% was calculated for 2018, and 4.38% was calculated for 2019. Therefore, corresponding budget authority is not required to support the program levels.
- b/ Negative subsidy rates of 4.05% was calculated for 2016, 3.78% was calculated for 2017, 3.86% was calculated for 2018, and .39% was calculated for 2019. Therefore, corresponding budget authority is not required to support the program levels.
- c/ Includes funding provided for section 6407 (7 U.S.C. 8107a) of the Farm Security and Rural Investment Act of 2002, as amended through H.R. 2029, dated December 18, 2015, funds to remain available until expended.
- d/ Includes funding provided by section 6407 (7 U.S.C. 8107a) of the Farm Security and Rural Investment Act of 2002, as amended through PL 114-113 in GP 744, dated December 18, 2015.
- e/ For the telecommunications treasury rate program, Congress has provided an appropriation of \$345 million program level for this account over the past few years. The subsidy rate for this program became positive in 2016 and 2017 the subsidy rate was 0.89 percent requiring an appropriation of \$3.1 million to support the \$345 million program level. The 2018 full year continuing resolution assumes \$3.1 million in budget authority, which supports a \$1.2 billion program level as the subsidy rate dropped from 0.89 percent in 2017 to 0.25 percent in 2018. The justification of increases and decreases will be based on the historical program level of \$345 million.
- f/ Negative subsidy rates of 2.74% was calculated for 2016, 2.53% was calculated for 2017 and 2.49% was calculated for 2018 and 2.71% was calculated for 2019. Therefore, corresponding budget authority is not required to support the program
- g/ In 2016, \$34,707,000 was appropriated and transferred to the Rural Development Salaries and Expenses account. In 2017, \$33,270,000 was appropriated and transferred to the Rural Development Salaries and Expenses account. In 2018, \$33,044,000 is requested and will be paid to the Rural Development Salaries and Expenses account and in 2019, \$38,027,000 is requested and will be paid to the Rural Development Salaries and Expenses account. Any justifications for the administrative expenses can be found in the Rural Development Salaries and Expenses account.
- h/ These funds were transferred to the Department of Agriculture Working Capital fund as authorized by section 702 of P.L. 113-76, dated May 5, 2017.

## Justification of Increases and Decreases

(1) No change in funding for electric Federal Financing Bank loans (\$5,500,000,000 available in 2018).

Base funds for electric Federal Financing Bank (FFB) loan guarantees provided under section 306 of the Rural Electrification Act (RE Act) support improvements and additions to rural electric distribution, transmission, and generating facilities (including renewable energy systems, fossil generating plants, 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. In addition, FFB loan guarantees would be available for renewable generation projects serving both rural and non-rural customers as provided by section 317 of the RE Act. This expanded funding availability will allow RUS to fully serve more rural renewable energy projects and spur new investment in rural communities. With \$5.5 billion in base funding in 2019, the program will benefit a projected 5.1 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.

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 2019 for the more than 600 electric systems serving rural customers in 45 States.

The availability of \$5.5 billion for FY 2018 is projected to provide improved electric facilities benefitting 4.5 million rural consumers. The rural electrification loan programs exceeded the performance target in FY 2017 and met their overall performance targets in the previous three fiscal years.

This funding directly supports the Secretary's Strategic Goal 4: Facilitate Rural Prosperity and Economic Development; Objective 4.1: To expand rural business opportunity and rural quality of life with access to capital; improve infrastructure, broadband access and connectivity; and support workforce availability.

(2) A decrease of \$750,000,000 in funding for guaranteed electric underwriting for bonds and notes (\$750,000,000 available in 2018).

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

The reduction in funding requested for the guaranteed underwriting program in 2019 can be offset by continued access by most of the lenders' eligible borrowers to direct financing for rural electrification and telecommunications under the section 306 Federal Financing Bank loan guarantees from RUS. This change will not affect overall capital available for rural electrification and telecommunication investments.

(3) A decrease of \$59,607,000 in funding for the rural energy savings program (\$59,607,000 available in 2018).

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

The program funding expands the availability of low-cost financing tools for energy saving measures to help rural families and businesses. RESP requirements closely track to the FFB Electric Energy Efficiency and Conservation Loan Program (EECLP), which is funded through the regular FFB program, and both programs served similar constituencies, therefore no funding is requested for RESP. Base funds for RESP have supported eight loans with two additional loans under consideration.

(4) No change in funding for telecommunications loans (\$690,000,000 available in 2018).

This program plays an essential role of providing financing for broadband capable telecommunications loans that finance the improvement or extension of telecommunications service that drives economic development and job creation in rural America.

Broadband deployment in rural areas helps to level the economic playing field and equalize the availability of broadband services compared to urban areas. Modern telecommunication services assists rural American communities to improve the quality of life by enhancing the ability of rural businesses to succeed, and improve access to healthcare and educational opportunities. The funding helps spur investment and capacity building in rural communities through partnerships with private rural telecommunications service providers.

Two types of loan programs are offered: the Treasury Rate and Federal Financing Bank (FFB). Borrowers have demonstrated strong interest in having the choice of either the Treasury Rate or FFB programs since each has different advantages. FFB loans bear an interest rate 1/8 percent higher than Treasury Rate loans made at the same term; however FFB loans have more repayment options with each advance of funds than the Treasury. The Treasury Rate program is preferred by borrowers due to the simplicity and security of a fixed interest rate and term for each advance. Furthermore, building broadband assets in high-cost rural areas and the ongoing operation of a network is a substantial undertaking and often profits are low. The FFB interest rate is slightly higher than the Treasury Rate, and, in accordance with the regulations, FFB loans can only be approved if the borrower's projected Times Interest Earned Ratio (TIER) is at least 1.2. Treasury Rate loans can be approved for a borrower with a TIER as low as 1.0. Thus, for borrowers with very small profit margins, Treasury Rate loans may be the only option.

Based on program trends the 2019 base funds of \$690 million will support approximately 30 loans and affect nearly 150,000 rural broadband subscribers with new or improved services. In some rural communities the base funding is the only source for telecommunications loans that will continue to provide residents in rural America with access to modern telecommunications.

This funding directly supports the Secretary's Strategic Goal 4: Facilitate Rural Prosperity and Economic Development; Objective 4.1: To expand rural business opportunity and rural quality of life with access to capital; improve infrastructure, broadband access and connectivity; and support workforce availability.

(5) A decrease of \$23,839,000 in funding for electric Rural Energy Savings, electric loan modification and telecommunications credit programs (\$24,702,000 available in 2018).

The decrease in subsidy rate is due to a decrease in the telecommunications direct loan program. In addition, because the Rural Energy Savings and the electric loan modification programs are not requested in the budget, the subsidy rates associated with these two programs are no longer needed.

RURAL UTILITIES SERVICE

Summary of Proposed Legislation

Program: Cushion of Credit

Proposal: Eliminates interest accrual in the “cushion of credit” on future deposits made by rural electric and telecommunications borrowers. This proposal would amend 7 USC 940c to eliminate both the borrower’s interest earnings on future deposits and the interest that is paid to the Rural Economic Development Loan and Grant (REDLG) account to pay for REDLG grants and loans.

Rationale: Rural electric and telecommunications cooperatives can find comparable investment options in the private sector.

Goal: To eliminate the duplication in the Federal government.

Budget Impact: None.

	2018	2019	2020	2021	2022
Budget Authority	0	-129 M	-127 M	-130 M	-130 M
Outlays	0	-129 M	-127 M	-130 M	-130 M

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

State/Territory	2016 Actual		2017 Actual		2018 Estimate		2019 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Alabama.....	\$111,161		\$56,733		-		-	
Alaska.....	16,462		101,825		-		-	
Arizona.....	39,135		-		-		-	
Arkansas.....	21,692		86,011		-		-	
California.....	23,826		14,261		-		-	
Colorado.....	20,866		30,311		-		-	
Florida.....	89,004		255,000		-		-	
Georgia.....	740,469		604,096		-		-	
Hawaii.....	-		60,712		-		-	
Idaho.....	-		1,085		-		-	
Indiana.....	20,732		10,000		-		-	
Iowa.....	80,225		17,500		-		-	
Kansas.....	53,818		8,000		-		-	
Kentucky.....	334,815		87,389		-		-	
Louisiana.....	-		94,617		-		-	
Maine.....	-		1,579		-		-	
Michigan.....	47,652		47,700		-		-	
Minnesota.....	78,631		100,207		-		-	
Mississippi.....	138,676		56,839		-		-	
Missouri.....	108,164		195,958		-		-	
Montana.....	15,606		14,820		-		-	
New Mexico.....	-		32,201		-		-	
New York.....	-		10,163		-		-	
North Carolina.....	277,600		251,847		-		-	
North Dakota.....	65,975		214,934		-		-	
Ohio.....	53,600		44,790		-		-	
Oklahoma.....	41,207		457,485		-		-	
Oregon.....	-		60,508		-		-	
Pennsylvania.....	18,000		12,500		-		-	
Rhode Island.....	-		-		-		-	
South Carolina.....	302,421		44,000		-		-	
South Dakota.....	95,109		89,623		-		-	
Tennessee.....	17,000		87,000		-		-	
Texas.....	158,660		166,005		-		-	
Virginia.....	70,462		33,000		-		-	
Washington.....	30,782		5,142		-		-	
Wisconsin.....	94,000		30,000		-		-	
Wyoming.....	-		72,567		-		-	
Undistributed.....	-		-		\$3,560,100	a/	\$3,666,903	a/
Obligations.....	3,165,750		3,456,408		3,560,100		3,666,903	

a/ Totals cannot be distributed at this time.

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

State/Territory	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2018 Estimate</u>	<u>2019 President's</u>
	Amount	Amount	Amount	Budget Amount
Colorado.....	\$375,000	-	-	-
Virginia.....	375,000	\$750,000	-	-
Undistributed.....	-	-	\$750,000 a/	-
Obligations.....	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>-</u>

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

State/Territory	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2018 Estimate</u>	<u>2019 President's</u>
	Amount	Amount	Amount	Budget Amount
Arkansas.....	\$7,250	-	-	-
Idaho.....	12,691	-	-	-
Illinois.....	-	\$2,000	-	-
Iowa.....	6,950	24,898	-	-
Kansas.....	11,185	-	-	-
Michigan.....	-	12,072	-	-
Montana.....	-	24,500	-	-
New Hampshire.....	5,473	-	-	-
New Mexico.....	13,824	-	-	-
North Dakota.....	15,000	14,958	-	-
South Dakota.....	11,605	100,672	-	-
Tennessee.....	-	39,134	-	-
Texas.....	14,261	-	-	-
Wisconsin.....	-	26,199	-	-
Undistributed.....	-	-	\$168,800 a/	\$172,600 a/
Obligations.....	<u>98,239</u>	<u>244,433</u>	<u>168,800</u>	<u>172,600</u>

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

State/Territory	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2018 Estimate</u>	<u>2019 President's</u>
	Amount	Amount	Amount	Budget Amount
Alabama.....	-	\$19,314	-	-
Illinois.....	-	14,754	-	-
Iowa.....	\$8,231	6,536	-	-
Kansas.....	11,184	59,775	-	-
Minnesota.....	1,204	-	-	-
Montana.....	29,962	10,107	-	-
North Dakota.....	40,279	14,958	-	-
South Dakota.....	5,362	16,000	-	-
Texas.....	-	24,789	-	-
Utah.....	-	16,687	-	-
Undistributed.....	-	-	\$188,408 a/	\$194,060 a/
Obligations.....	<u>96,222</u>	<u>182,920</u>	<u>188,408</u>	<u>194,060</u>

a/ Totals cannot be distributed at this time.

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

State/Territory	<u>2016 Actual</u> Amount	<u>2017 Actual</u> Amount	<u>2018 Estimate</u> Amount	2019 President's <u>Budget</u> Amount
Arkansas.....	-	\$1,000	-	-
Colorado.....	-	500	-	-
North Carolina.....	-	200	-	-
Ohio.....	-	1,000	-	-
South Carolina.....	-	13,000	-	-
Virginia.....	-	1,773	-	-
Washington.....	-	5,800	-	-
Wisconsin.....	-	1,000	-	-
Undistributed.....	-	-	\$71,770 a/	-
Obligations	-	24,273	71,770	-

a/ Totals cannot be distributed at this time.

Classification by Objects  
(Dollars in thousands)

	<u>2016</u> Actual	<u>2017</u> Actual	<u>2018</u> Estimate	2019 President's <u>Budget</u>
25.0 Other purchases of goods and services from government accounts.....	\$34,707	\$33,270	\$33,044	\$38,027
41.0 Grants, subsidies, and contributions.....	29	5,680	9,989	863
99.9 Total, new obligations.....	34,736	38,950	43,033	38,890

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, [~~\$26,681,000~~]\$23,149,000.

- 1 For grants for telemedicine and distance learning services in rural areas, as authorized by 7 U.S.C. 950aaa et seq., [~~\$23,440,000~~]\$23,600,000, to remain available until expended.

For the cost of broadband loans, as authorized by section 601 of the Rural Electrification Act, [~~\$4,438,000~~]\$4,521,000, 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.

- 2 For a grant program to finance broadband transmission in rural areas eligible for Distance Learning and Telemedicine Program benefits, as authorized by 7 U.S.C. 950aaa, [~~\$34,266,000~~]\$30,000,000, to remain available until expended.

In addition, for administrative expenses necessary to carry out the broadband loan program, \$8,057,000 shall be paid to the appropriation for "Rural Development, Salaries and Expenses".

First change provides funding for the telemedicine and distance learning grant program.

Second change provides funding for the community connect grant program.

DISTANCE LEARNING, TELEMEDICINE AND BROADBAND PROGRAM ACCOUNT

Lead-Off Tabular Statement

	<u>Loan Level</u>	<u>Subsidy</u>	<u>Grants</u>
Budget Estimate, 2019.....	\$23,149,000	\$4,521,000	\$53,600,000
2018 Annualized Continuing Resolution.....	26,683,000	4,469,000	60,685,000
Change in Appropriation.....	<u>-3,534,000</u>	<u>+52,000</u>	<u>-7,085,000</u>

RURAL UTILITIES SERVICE

DISTANCE LEARNING, TELEMEDICINE, AND BROADBAND PROGRAM ACCOUNT

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

Program	2016 Actual			2017 Actual			2018 Estimate			Inc. or Dec.			2019 President's Budget		
	Program Level	Budget Authority	SYs	Program Level	Budget Authority	SYs									
Discretionary Appropriations:															
Distance learning and telemedicine (DLT) grants.....	\$19,000	\$19,000	15	\$23,600	\$23,600	15	\$23,440	\$23,440	15	+\$160 (1)	+\$160	-	\$23,600	\$23,600	15
DLT Delta healthcare services grants.....	3,000	3,000	-	3,000	3,000	-	2,980	2,980	-	-2,980 (2)	-2,980	-	-	-	-
Broadband direct treasury rate loans.....	19,737	4,500	42	27,043	4,500	42	26,683	4,469	42	-3,534 (3)	+52 (5)	-	23,149	4,521	42
Broadband grants.....	10,372	10,372	19	34,500	34,500	19	34,266	34,266	19	-4,266 (4)	-4,266	-	30,000	30,000	19
Administrative Expenses..... a/	-	-	-	-	-	-	-	-	-	-	+8,057	-	-	8,057	-
Total Appropriation.....	52,109	36,872	76	88,143	65,600	76	87,368	65,155	76	-10,619	1,023	-	76,749	66,178	76
Bal. Available, SOY.....	57,611	22,172	-	100,260	27,364	-	117,410	41,952	-	-26,510	-4,342	-	90,900	37,609	-
Recoveries, Other (Net).....	4,783	14,926	-	8,994	8,962	-	6,815	6,035	-	-556	-421	-	6,259	5,615	-
Total Available.....	114,503	73,971	76	197,397	101,926	76	211,594	113,141	76	-37,685	-3,740	-	173,909	109,402	76
Unobligated balance rescission..... b/	-	-	-	-566	-566	-	-	-	-	-	-	-	-	-	-
Bal. Available, EOY.....	-64,706	-27,364	-	-117,410	-41,952	-	-101,892	-37,609	-	+49,299	+13,540	-	-52,593	-24,070	-
Total Obligations.....	49,796	46,607	76	79,421	59,408	76	109,702	75,532	76	+11,614	+9,800	-	121,315	85,332	76

Note: Table may not add due to rounding.

a/ In 2019, \$8,057,000 is requested and will be paid to the Rural Development Salaries and Expenses account. Justifications for the administrative expenses can be found in the Rural Development Salaries and Expenses account.

b/ Rescission of unobligated balances pursuant to GP 758 and GP 759 of the Consolidated Appropriations Act, 2017, P.L. 115-31, dated May 5, 2017.

RURAL UTILITIES SERVICE

DISTANCE LEARNING, TELEMEDICINE, AND BROADBAND PROGRAM ACCOUNT

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

Program	2016 Actual			2017 Actual			2018 Estimate			Inc. or Dec.			2019 President's Budget		
	Program	Budget		Program	Budget		Program	Budget		Program	Budget		Program	Budget	
	Level	Authority	SYs	Level	Authority	SYs	Level	Authority	SYs	Level	Authority	SYs	Level	Authority	SYs
Discretionary Obligations:															
Distance learning and telemedicine (DLT) grants.....	\$27,921	\$27,921	15	\$23,551	\$23,551	15	\$24,976	\$24,976	15	+\$4,474 (1)	+\$4,474	-	\$29,450	\$29,450	15
DLT Delta healthcare services grants.....	4,028	4,028	-	4,386	4,386	-	6,579	6,579	-	-6,579 (2)	-6,579	-	-	-	-
Broadband direct treasury rate loans.....	4,131	942	42	24,008	3,995	42	41,045	6,875	42	+11,857 (3)	+1,986 (5)	-	52,901	8,861	42
Broadband grants.....	13,716	13,716	19	27,476	27,476	19	37,102	37,102	19	+1,862 (4)	+1,862	-	38,964	38,964	19
Administrative Expenses..... a/	-	-	-	-	-	-	-	-	-	-	+8,057	-	-	-	8,057
Total Obligations.....	49,796	46,607	76	79,421	59,408	76	109,702	75,532	76	+11,614	+9,800	-	121,315	85,332	76
Unobligated balances rescinded..... b/	-	-	-	566	566	-	-	-	-	-	-	-	-	-	-
Bal. Available, EOY.....	64,706	27,364	-	117,410	41,952	-	101,892	37,609	-	-49,299	-13,540	-	52,593	24,070	-
Total Available.....	114,503	73,971	76	197,397	101,926	76	211,594	113,141	76	-37,685	-3,740	-	173,909	109,402	76
Bal. Available, SOY.....	-57,611	-22,172	-	-100,260	-27,364	-	-117,410	-41,952	-	+26,510	+4,342	-	-90,900	-37,609	-
Recoveries, Other (Net).....	-4,783	-14,926	-	-8,994	-8,962	-	-6,815	-6,035	-	+556	+421	-	-6,259	-5,615	-
Total Appropriation.....	52,109	36,872	76	88,143	65,600	76	87,368	65,155	76	+10,619	-1,023	-	76,749	66,178	76

Note: Table may not add due to rounding.

a/ In 2019, \$8,057,000 is requested and will be paid to the Rural Development Salaries and Expenses account. Justifications for the administrative expenses can be found in the Rural Development Salaries and Expenses account.

b/ Rescission of unobligated balances pursuant to GP 758 and GP 759 of the Consolidated Appropriations Act, 2017, P.L. 115-31, dated May 5, 2017.

### Justification of Increases and Decreases

- (1) An increase of \$160,000 in funding for distance learning and telemedicine grants (\$23,440,000 available in 2018).

The purpose of the Distance Learning and Telemedicine Grant Program is to encourage and improve telemedicine services and distance learning services in rural areas through the use of telecommunications, computer networks, and related advanced technologies by students, teachers, medical professionals, and rural residents. The proposed funding for 2019 will allow the Agency to fund approximately 72 projects that use broadband to help rural communities connect to advanced learning and specialized medical services.

- (2) A decrease of \$2,980,000 for Delta healthcare grants (\$2,980,000 available in 2018).

The 2019 budget is not requesting funding for this program and funding can be provided by the regular distance learning program.

- (3) A decrease of \$3,534,000 in funding for direct broadband telecommunications treasury rate loans (\$26,683,000 available in 2018).

Base funding promotes broadband infrastructure deployment in rural areas. This program plays an essential role of providing financing for broadband loans that finance the improvement or extension of service that drives economic development and job creation in rural America.

The funding furnishes loans for the costs of construction, improvement, or acquisition of facilities and equipment needed to provide broadband service in rural areas that are significantly unserved by any existing incumbent service providers.

The program enhances rural prosperity through access to capital that often is not available from the private sector. The funding provides for broadband infrastructure deployment projects at reasonable rates and terms so that rural communities are affordable places to live, expand private sector business, and farm.

This core infrastructure investment in rural areas helps to level the economic playing field and equalize the availability of broadband services compared to urban area. Modern telecommunication services assists rural American communities to improve the quality of life by enhancing the ability of rural businesses to succeed, and improve access to healthcare and educational opportunities.

The program helps spur investment and capacity building in rural communities through partnerships with private as well as governmental rural telecommunications service providers.

The 2019 base funds of \$23.149 million will provide funding for approximately 3 treasury rate loans for the deployment of broadband infrastructure. The loan funding is estimated to affect nearly 20,000 rural broadband subscribers with new or improved services. These loans are available to cooperative, nonprofit, limited dividend or mutual associations, limited liability companies, Indian tribes and tribal organizations, and commercial organizations.

This funding directly supports the Secretary's Strategic Goal 4: Facilitate Rural Prosperity and Economic Development; Objective 4.1: To expand rural business opportunity and rural quality of life with access to capital; improve infrastructure, broadband access and connectivity; and support workforce availability.

- (4) A decrease of \$4,266,000 in funding for broadband telecommunication grants (\$34,266,000 available in 2018).

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

The 2019 funding will support approximately 13 broadband grants, providing broadband access in unserved rural communities.

This funding directly supports the Secretary's Strategic Goal 4: Facilitate Rural Prosperity and Economic Development; Objective 4.1: To expand rural business opportunity and rural quality of life with access to capital; improve infrastructure, broadband access and connectivity; and support workforce availability.

- (5) An increase of \$52,000 in funding for direct broadband treasury rate subsidy (\$4,469,000 available in 2018).

The budget authority is required to support the proposed program level of \$23,149,000.

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	\$455	\$1,105	-	-
Alaska.....	1,431	1,392	-	-
Arizona.....	205	250	-	-
Arkansas.....	1,333	-	-	-
California.....	2,071	452	-	-
Colorado.....	184	266	-	-
Georgia.....	1,533	791	-	-
Illinois.....	617	312	-	-
Indiana.....	73	989	-	-
Kentucky.....	721	1,941	-	-
Louisiana.....	791	999	-	-
Maine.....	1,645	1,343	-	-
Massachusetts.....	637	-	-	-
Michigan.....	545	115	-	-
Minnesota.....	623	120	-	-
Mississippi.....	520	336	-	-
Missouri.....	-	120	-	-
Montana.....	725	-	-	-
Nebraska.....	310	121	-	-
Nevada.....	1,362	-	-	-
New Mexico.....	606	603	-	-
New York.....	222	1,671	-	-
North Carolina.....	1,258	1,187	-	-
Ohio.....	392	-	-	-
Oklahoma.....	1,537	1,928	-	-
Oregon.....	99	-	-	-
Pennsylvania.....	1,041	-	-	-
South Carolina.....	1,275	2,303	-	-
South Dakota.....	611	612	-	-
Tennessee.....	1,065	1,727	-	-
Texas.....	431	1,318	-	-
Utah.....	304	-	-	-
Vermont.....	-	389	-	-
Virginia.....	587	216	-	-
Washington.....	457	848	-	-
West Virginia.....	1,188	100	-	-
Wisconsin.....	1,070	-	-	-
Undistributed.....	-	-	\$24,976 <u>a/</u>	\$29,450 <u>a/</u>
Obligations.....	<u>27,921</u>	<u>23,551</u>	<u>24,976</u>	<u>29,450</u>

a/ Total cannot be distributed at this time.

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	-	\$730	-	-
Arkansas.....	\$1,672	-	-	-
Kentucky.....	246	673	-	-
Louisiana.....	646	-	-	-
Mississippi.....	1,463	1,999	-	-
Missouri.....	-	938	-	-
Undistributed.....	-	-	\$6,579 a/	-
Obligations	4,028	4,386	6,579	-

Broadband Grants  
Geographic Breakdown of Obligations  
(Dollars in thousands)

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's
	Amount	Amount	Amount	Budget Amount
Indiana.....	\$481	-	-	-
Minnesota.....	6,000	\$2,109	-	-
Oklahoma.....	2,986	6,881	-	-
Tennessee.....	2,424	5,244	-	-
Virginia.....	1,825	7,895	-	-
Washington.....	-	2,346	-	-
West Virginia.....	-	3,000	-	-
Undistributed.....	-	-	\$37,102 a/	\$38,964 a/
Obligations	13,716	27,476	37,102	38,964

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's
	Amount	Amount	Amount	Budget Amount
Kansas.....	\$4,131	-	-	-
Oklahoma.....	-	\$15,308	-	-
Virginia.....	-	8,700	-	-
Undistributed.....	-	-	\$41,045 a/	\$52,901 a/
Obligations	4,131	24,008	41,045	52,901

a/ Total cannot be distributed at this time.

Classification by Objects  
(Dollars in thousands)

	2016	2017	2018	2019
	Actual	Actual	Estimate	President's Budget
25.0 Other purchases of goods and services from government accounts....	-	-	-	\$8,057
41.0 Grants, subsidies, and contributions.....	\$46,607	\$59,408	\$75,532	77,275
99.9 Total, new obligations.....	46,607	59,408	75,532	85,332

RURAL UTILITY SERVICE

HIGH ENERGY COST GRANTS

Project Statement

Adjusted Appropriations Detail and Staff Years (SYs)

(Dollars in thousands)

	2016 Actual		2017 Actual		2018 Estimate		Inc. or Dec.		2019 President's Budget	
	Amount	SYs	Amount	SYs	Estimate	SYs	Amount	SYs	Amount	SYs
Discretionary Appropriations:										
High Energy Cost Grants .....	-	-	-	-	-	-	-	-	-	-
Total Adjusted Appropriation.....	-	-	-	-	-	-	-	-	-	-
Rescissions, Transfers, and Seq. (Net)..... a/	-\$10,000	-	-\$10,000	-	-\$9,932	-	+\$9,932	-	-	-
Total Appropriation.....	-10,000	-	-10,000	-	-9,932	-	+9,932	-	-	-
Transfers In:										
Rural Water and Waste Disposal Program.....	10,000	-	10,000	-	9,932	-	-9,932 (1)	-	-	-
Subtotal	10,000	-	10,000	-	9,932	-	-9,932	-	-	-
Bal. Available, SOY.....	19,010	-	20,297	-	13,276	-	-3,344	-	\$9,932	-
Recoveries, Other (Net).....	182	-	18	-	-	-	-	-	-	-
Total Available.....	29,192	-	30,315	-	23,208	-	-13,276	-	9,932	-
Bal. Available, EOY.....	-20,297	-	-13,276	-	-9,932	-	-	-	-9,932	-
Total Obligations.....	8,895	-	17,039	-	13,276	-	-13,276	-	-	-

a/ In 2016 and 2017, \$10,000,000 was provided for this program in the Rural Water and Waste Disposal Program account and transferred to this account. In 2018, \$9,993,100 is proposed and will be transferred to this account.

RURAL UTILITY SERVICE

HIGH ENERGY COST GRANTS

Project Statement

Obligations Detail and Staff Years (SYs)

(Dollars in thousands)

Program	2016 Actual		2017 Actual		2018 Estimate		Inc. or Dec.		2019 President's Budget	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
	Discretionary Obligations:									
High Energy Cost Grants .....	\$8,895	-	\$17,039	-	\$13,276	-	-\$13,276 (1)	-	-	-
Total Obligations.....	8,895	-	17,039	-	13,276	-	-13,276	-	-	-
Bal. Available, EOY.....	20,297	-	13,276	-	9,932	-	-	-	\$9,932	-
Total Available.....	29,192	-	30,315	-	23,208	-	-13,276	-	9,932	-
Transfers In:	-10,000		-10,000		-9,932				-	-
Bal. Available, SOY.....	-19,010	-	-20,297	-	-13,276	-	+3,344	-	-9,932	-
Recoveries, Other (Net).....	-182	-	-18	-	-	-	-	-	-	-
Total Appropriation.....	-	-	-	-	-	-	-9,932	-	-	-

a/ In 2016 and 2017, \$10,000,000 was provided for this program in the Rural Water and Waste Disposal Program account and transferred to this account. In 2018, \$9,993,100 is proposed and will be transferred to this account.

Justification of Increases and Decreases

(1) A decrease of \$9,932,000 in high energy cost grants (\$9,932,000 available in 2018).

No new funding is being requested for this program in 2019.

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

State/Territory	2016 Actual	2017 Actual	2018 Estimate	2019 President's
	Amount	Amount	Amount	Budget
Alabama.....	\$3,975	\$15,539	-	-
Arkansas.....	1,771	-	-	-
Georgia.....	-	896	-	-
New Jersey.....	1,407	-	-	-
Virgin Islands.....	1,741	604	-	-
Undistributed.....	-	-	\$13,276 a/	-
Obligations.....	8,895	17,039	13,276	-

a/ Totals cannot be distributed at this time.

HIGH ENERGY COST GRANTS

Classification by Objects  
(Dollars in thousands)

	2016	2017	2018	2019
	Actual	Actual	Estimate	President's
				Budget
41.0 Grants, subsidies, and contributions.....	\$8,895	\$17,039	\$13,276	-
99.9 Total, new obligations.....	8,895	17,039	13,276	-

## **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, energy efficiency and conservation projects 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, and energy efficiency and conservation projects. The telecommunications loan program provides direct loan and loan guarantees for construction, expansion, and upgrades of telecommunications facilities.

Specific areas being addressed currently include:

1. Financing projects to improve electric service in rural areas. Providing reliable, affordable electricity is essential to the economic well-being and quality of life for all of the Nation's rural residents. The electric programs provide leadership and capital to upgrade, expand, maintain, and replace America's vast rural electric infrastructure, including investment in renewable electricity and energy efficiency and conservation. RUS outreach efforts have resulted in an expansion of service to new borrowers, including rural renewable electricity providers and tribal utilities.
2. Financing projects to improve telecommunications service in rural areas. The program priorities are to ensure that rural communities have access to advanced telecommunications services, such as high-speed Internet services; and advanced communications services such as distance learning and telemedicine. Access to high-speed Internet and other quality telecommunications services is essential for a healthy and growing rural economy. The infrastructure increases educational opportunities, improves availability of healthcare, job creation and retention, and enhances continued economic growth. Program outreach efforts are focused on identifying rural areas that do not have access to these services.

#### Selected Examples of Recent Progress:

##### Electric Programs:

Loans are made to corporations, States, territories, local government subdivisions, municipalities, utility districts, and to other entities including cooperatives, tribal utilities, nonprofits, and limited-dividend or mutual associations that provide retail electric service needs to rural areas or power supply needs of distribution borrowers in rural areas. At the end of 2017 the Electric Program served 616 active electric borrowers and grantees in 46 States, the Virgin Islands, American Samoa, the Northern Marianas, the Marshall Islands, and the Federated States of Micronesia. Of these borrowers, about 90 percent are rural electric cooperatives.

In 2017, the electric loan programs approved a total of over \$4.2 billion in loans for rural infrastructure. This total includes 106 direct Federal Financing Bank (FFB) electric loans to local utilities, totaling nearly \$3.5 billion in obligations and \$750 million in bond and note guarantee to a non-profit cooperative lender, the National Rural Cooperative Finance Corporation, Inc. for relending for eligible electric and telephone purposes. In addition, RUS approved eight zero interest Rural Energy Savings Program (RESP) loans totaling \$24.3 million to help rural homes and businesses save energy and money. These were the first loans under the RESP program established by the 2014 Farm Bill.

RUS approved 91 FFB loan guarantees for distribution borrowers totaling \$2.4 billion, and 15 power supply (generation and transmission) FFB loan guarantees totaling \$1.1 billion. These FFB electric loans approved in 2017 will provide over \$2.2 billion for new or improved distribution system facilities, over \$934 million for transmission facilities, \$189 million for generating plant improvements, \$70.6 million for new renewable generation facilities, and \$12.4 million for headquarters facilities. RUS approved loans supporting solar photovoltaic renewable generation projects in North Carolina, Oklahoma, Texas and Virginia with a combined total capacity of 59.2 megawatts.

USDA's investments in 2017 continued to advance grid modernization with funding for 18,516 miles of new and/or improved transmission and distribution facilities. The 2017 Electric program loans included over \$185 million in smart grid investments, bringing the total USDA investment in smart grid technology for rural communities since 2010 to over \$1.85 billion. A loan to Georgia Transmission Corporation will finance construction of new transmission lines and substations, upgrades to existing transmission facilities, and the purchase of 55 miles of new 500 kilo-Volt (kV) transmission lines from Georgia Power to serve co-op member systems across Georgia.

The \$3.5 billion in new FFB electric loans approved in 2017 will provide new or improved electric service to over 6.62 million retail customers in rural America. In 2017 a few of these loan provided improved services to large service territories; the size of the service territory is driven by system and loan demand. Investments in rural electric distribution facilities will connect over 166,300 new customers to the electric grid. Electric FFB loans to borrowers serving persistent poverty counties totaled \$684.3 million or almost 20 percent of the program obligations in 2017.

With this funding, RUS was able to fully meet all of the completed loan applications on hand. The continued cautious rate of Federal borrowing by rural electric systems reflects a prudent response to industry conditions of slower demand growth due to the slowdown in the economy and the high levels of uncertainty over implementation of the Clean Power Plan and other environmental regulations. With resolution of these uncertainties, we anticipate a continuing and increasing demand for RUS electric financing for the rural power sector for new investments: to meet customer load growth; to expand and replace existing grid infrastructure; and to meet their customer owner's demands for more renewable energy and energy efficiency investments to meet future electricity demand. The 2017 loans support ongoing capital investments in rural infrastructure. In 2017, as in 2016, there was a modest increase in renewed RUS borrowing to take advantage of very low interest rates for new loans. Congress, in 2017, allowed up to \$600 million of existing FFB loan guarantees to be refinanced at a lower interest rate. An announcement providing information on how to apply for the refinancing program was published in October 2017. The program is authorized through 2019.

In 2017 RUS continued implementing the 2014 Farm Bill's RESP zero-interest loan program with funds first provided in the 2016 Agriculture Appropriations Act. RUS published a solicitation for applications for \$52 million in available funds and received 33 applications requesting over \$135 million in loans. Applications are being processed in the order received. RUS approved the first eight RESP loans in 2017.

One of the first RESP loans was to KW Savings, in South Carolina, for \$13 million. KW Savings is a non-profit corporation formed by seven participating rural electric cooperatives from across South Carolina. The loan funds will be used to finance a relending program for qualified co-op consumers to implement energy efficiency measures for property served by the member cooperatives through their "Help My House Program."

#### Telecommunications Program:

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

The majority of the loans financed have been for Fiber-To-The-Home (FTTH) projects to provide fiber-optic service to rural homes and businesses.

### **Telecommunications Infrastructure Loan Program**

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

#### Selected Examples of Recent Progress:

##### Telecommunications Infrastructure Loan Program:

During 2017, RUS approved 21 infrastructure loans for telecommunication investments in rural communities. The total amount obligated in 2017 was \$427.4 million. These projects, upon completion, will deliver new or improved broadband service to over 147,057 businesses and households.

RUS approved a \$59.8 million loan for Craw-Kan Telephone Cooperative in Kansas (which also provides service in small portions of Oklahoma and Missouri). RUS funds will be used to construct 1,170 miles of fiber-optic facilities and implement Fiber-To-The-Premises (FTTP) in 13 exchanges. System improvements will enable the company to enhance voice, digital subscriber line (DSL), and internet television services; and increase broadband speeds.

RUS approved a \$59.4 million loan for Golden West Telecommunications Cooperative in South Dakota, for system improvements in 46 out of the total 57 exchanges. These enhancements will improve services and provide subscribers voice, video, and higher broadband speeds. Golden West will serve the residents that have been identified as being in a persistent poverty area.

Providing broadband in rural communities poses unique challenges. These include: remote, difficult terrain that makes construction and maintenance more costly; fewer potential subscribers per mile of infrastructure to support the cost of service; higher rates of unemployment, poverty and outmigration in the subscriber base. Additionally the relatively low population densities and incomes can mean fewer potential subscribers, making it difficult to recoup deployment costs. These conditions make it less likely that a private service provider will build out or maintain a broadband network. Broadband infrastructure remains a vital source of capital, to sustain existing rural areas infrastructure and upgrades for high-capacity bandwidth needed to maintain the pace of investment in health, education, public safety, and economic growth.

### **Distance Learning and Telemedicine (DLT)**

Advanced telecommunications services play a vital role in the economic development, education, and health care of rural Americans. The Distance Learning and Telemedicine (DLT) Program is specifically designed to meet the educational and health care needs of rural America through the use of advanced telecommunications technologies.

The DLT program provides grants for the deployment of equipment utilized in providing distance learning and telemedicine services to rural schools, educational institutions and health care providers. The DLT program assists rural schools and learning centers in gaining access to improved educational resources, and assists rural hospitals and health care centers in gaining access to improved medical resources. Projects funded under the program are providing new and improved health care services and benefits to rural residents, many in medically underserved areas, by linking to urban medical centers for clinical interactive video consultation, distance training of rural health care providers, and access to medical expertise and library resources. Distance learning projects provide funding for internet-based educational services in schools and libraries and promote confidence in, and understanding of, the internet and its benefits to students and young entrepreneurs.

### Selected Examples of Recent Progress:

In 2017, the program received 208 applications and 72 applicants were awarded grants. A total of \$23.6 million was obligated for DLT Grants. This includes 7 awards for \$2.6 million in Telemedicine related to Opioid addiction and prevention. Of the awards made, 62 out of 72 received special emphasis points for high poverty areas and Tribal Trust Areas. Also, eight of the 72 awarded projects for \$1.5 million were funding to provide communication upgrades between ambulances, emergency transportation vehicles and medical facilities.

In Kentucky, Grace Community Health Center (Grace Health) will use a grant of \$496,081 to deploy telemedicine equipment to 22 sites (15 operated direct, 7 through partners.). Grace Health will provide primary care, behavioral health, and patient engagement services to an estimated 950 patients in 2,700 telemedicine visits per calendar year. Services provided include those which relate to the ongoing opioid addiction crisis. All of these sites are located in high poverty counties.

In Maine, Isle Au Haut School will use a grant of \$441,189 to create a Distance Learning network. A consortium including the Passamaquoddy Indian Tribe, will form an educational network. The two Hub sites will be Front Street Shipyard in Waldo County and Hutchinson Center (the University of Maine is also in Waldo County). Twenty-nine End User sites will be located in Waldo, Sagadahoc, Hancock, Knox, Washington and Cumberland counties all located in Maine. Video conferencing equipment will allow for expanded opportunities for real-time, interactive education and allow for sophisticated applications.

In West Virginia, the Charleston Area Medical Center (CAMC) Health Education and Research Institute will use a \$100,079 grant to help provide obstetrical services to the 5-county area that CAMC serves in the south-central part of West Virginia. The area is medically underserved due to a lack of obstetricians providing services. The project includes an innovative use of streaming fetal ultrasound for enhanced obstetrical care and physicians will be able to operate remotely when necessary. These two innovative methods will greatly enhance medical care delivery to residents in the area.

### **Community Connect Broadband Grant Program**

The Community Connect Grant Program provides financial assistance to eligible applicants that will provide, on a “community-oriented connectivity” basis, broadband service that fosters economic growth and delivers enhanced educational, health care, and public safety benefits. Priority is given to the most rural and economically challenged communities. Specific areas being addressed currently include communities and areas that are completely unserved by broadband. One major goal of the program is to provide all critical community facilities in a service area with free access to broadband internet for two years.

### Selected Examples of Recent Progress:

In 2017, the Community Connect program received 48 applications and approved eight projects that will deliver broadband to rural areas currently without high-speed internet service. The grants totaling over \$18.7 million in funding will provide broadband service in Minnesota, Oklahoma, Tennessee, Washington and Virginia.

Ben Lomand Rural Telephone Cooperative will use a grant of \$1.6 million to provide service to the community of Pocahontas in Coffee County, a high poverty area. A grant of \$2.8 million to North Central Communications, Inc. will offer service to Trousdale and Smith Counties, another high poverty area in Tennessee. iGo Technology, Inc. in Virginia will receive a \$3 million grant to provide service in Buchanan County, a high poverty county.

Additionally, the grant approved for the Cherokee Telephone Company will be used to deploy a state-of-the-art FTTH system to a persistent poverty county and area within the Choctaw Nation Tribal Jurisdiction.

### **Broadband Program**

The Broadband program finances advanced telecommunications networks capable of delivering broadband service to rural residents and businesses that provides access to high-speed internet services. Broadband access is essential

for the economic and social development of rural communities. This loan program provides funding for infrastructure in communities with populations of 20,000 or less, with priority given for rural communities that do not have access to broadband services.

#### Selected Examples of Recent Progress:

RUS approved two broadband loans for approximately \$24 million in FY 2017. Southern Plains Cable, LLC received a loan in the amount of \$15.3 million in Oklahoma to construct approximately 230 miles of FTTP system in the communities of Anadarko, Verden, and Chickasa, and surrounding areas. These improvements will allow the delivery of voice, video, and data services to all potential subscribers at or above the broadband lending speed. Declaration Networks Group received a loan of \$8.7 million to build out fixed wireless systems in Garrett County, Maryland and the Eastern Shore, Virginia Counties of Northampton and Accomack. These systems will provide data service, at or above the broadband lending speed, and Voice-over-Internet-Protocol (VoIP) phone service.

Demand for the program is high, based on the 14 applications totaling approximately \$132 million that were considered during 2017. However, since the majority of applications did not meet the new regulatory requirements, that were implemented based on changes in the 2014 Farm Bill, only two applications were approved and obligated.

RUS is implementing a plan to offer assistance to applicants during the application window. The assistance should help improve the quality of applications so they are complete and meet regulatory requirements.

#### **Water and Environmental Programs (WEP)**

##### Current Activities:

WEP has a leading role in providing rural communities with modern, affordable water and waste disposal (WWD) services. The water program directs technical and financial program resources to rural communities with the greatest need. These communities may be poverty-stricken as a result of out-migration, natural disasters, or economic stress. However, rural communities can sustain economic development and improve the quality of life for their residents with dependable water and waste services and infrastructure.

Specific areas being addressed currently include:

1. Developing needed infrastructure by directing resources to the neediest projects and communities;
2. Increasing rural prosperity by focusing on maintaining sustainable water systems in rural communities;
3. Making efficient use of the funding through strict underwriting that results in appropriate loan and grant balancing to achieve the most affordable rates as possible;
4. Assisting rural communities through innovative approaches; and
5. Building partnerships to increase the availability of affordable financing for rural water infrastructure.

##### Selected Examples of Recent Progress:

In 2017, RUS invested \$1.9 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 2.5 million rural residents, exceeding the goal for 2017. Examples of loans and grants approved include:

- \$1.8 billion in WWD direct loans and grants made to develop 650 projects to bring clean drinking water and safe sanitary waste services to rural residents.
  - Over \$275 million of the above \$1.8 billion was for projects located in persistent poverty counties across 26 States;
- \$76.5 million assisted 181 projects in disadvantaged communities including Native American, Colonias, and rural Alaskan natives and villages;
- \$9.6 million for 31 projects in communities qualifying for emergency assistance;

- \$41.4 million for 57 grants to technical assistance providers; and

The water programs continued to make efficient use of budget authority (BA) and loan levels appropriated to the program, spending 100 percent of the 2017 appropriated BA. In comparison to 2016, WEP increased its total obligations by eight percent and provided new and improved services to 10.8 percent more rural residents.

The Rural Development (RD) National and State offices continue to coordinate their strategies to strengthen relationships with partner agencies and organizations. WEP utilized partners such as, the National Rural Water Association and Rural Community Assistance Partnership, to provide targeted technical assistance to over 3,400 WEP borrowers. Technical assistance and training included assistance with: board training; management/finance; operations and maintenance; water and wastewater treatment; regulatory compliance; utility security; restoration of services after a disaster; effective utility management for long-term sustainability; and community capacity development.

- The RD National and State offices regularly monitor the national and individual State performance to evaluate program delivery and services to customers. In 2017, the water program continued to demonstrate that more than 93 percent of its systems met the sustainability ratios (current ratio of 1.5 percent and debt service ratio of 1.1 percent). The number of sustainable systems has held steady since 2015, showing a continued trend in the sustainability of the program's customers. Having sustainable and dependable water systems are vital to both the health and economic development of rural communities. With dependable and sustainable water systems, the rural communities can attract families and businesses that will invest in the community and improve the quality of life for all residents.

The program also actively worked to reduce longstanding delinquencies and maintained a less than one percent delinquency rate for its portfolio of 15,536 loans totaling \$12.5 billion as of the end of 2017. The delinquency rate at the end of 2017 was 0.31 percent. This rate does not include 238 loans to the Puerto Rico Aqueduct and Sewer Authority (PRASA) that became delinquent due to the financial crisis in the Commonwealth (the delinquency rate with the PRASA loans is 1.84 percent). USDA entered into a forbearance agreement on July 1, 2016 with the Commonwealth that has continued while debt settlement negotiations have been ongoing.

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

- WEP launched the electronic Preliminary Engineering Report, known as ePER, in 2017. This first of its kind web application is an easy-to-use tool for consulting engineers. Use of ePER ensures all necessary information needed for scoping and planning projects, and for applying for financial assistance, is included in the preliminary engineering report. The ePER is based on an interagency template adopted by WEP, the Environmental Protection Agency, the Indian Health Service, and Housing and Urban Development.
- RD Apply, RUS' online application system, is reshaping the way WEP does business. Launched in September 2015, RD Apply allows applicants to submit applications online through any device with Internet access. Applicants can securely create applications, upload attachments, and digitally sign forms and certifications. To date, more than 760 applications (more than half of all applications filed in 2017) were submitted through RD Apply.
- In 2016, RD issued revised Environmental Policies and Procedures that cover how environmental reviews are conducted in all RD programs. The new regulation, 7 CFR 1970, replaced two regulations with one regulation applicable to all RD programs. The regulation increased the number of categorical exclusions available to RD programs and provided other streamlining tools such as, shortened public comment periods, template letters and forms for environmental reviews, and use of online publications for public notices. The new regulation allows our applicants to focus time and resources for environmental review for those projects where impacts are more likely to occur, and reduce time and resources invested for those projects where previous environmental reviews on similar projects have repeatedly demonstrated no impacts.

## RURAL UTILITIES SERVICE

### Summary of Budget and Performance

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

The programs of RUS directly support the Secretary’s Strategic Goal 4: Facilitate rural prosperity and economic development; Objective 4.1: To expand rural business opportunity and rural quality of life with access to capital; improve infrastructure, broadband access and connectivity; and support workforce availability.

**Key Performance Measures:**

Number of borrowers’ subscribers receiving new or improved telecommunication services.							
	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Target	2019 Target
Number	119,191	83,602	95,056	79,433	158,489	170,000	170,000
Program Dollars (thousands)	\$308,445	\$285,613	\$245,553	\$198,592	\$451,361	\$716,683	\$713,149

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

During FY 2017, RUS approved 23 infrastructure loans for telecommunication investments in rural communities. The total amount obligated in FY 2017 is \$451.4 million. These projects, upon completion, will deliver new or improved broadband service to over 158,489 businesses and households.

RUS approved a \$59.8 million loan to Craw-Kan Telephone Cooperative in Kansas (which also provides service in small portions of Oklahoma and Missouri). RUS funds will be used to construct 1,170 miles of fiber-optic facilities and implement Fiber-To-The-Premises (FTTP) in 13 exchanges. System improvements will enable the company to enhance voice, digital subscriber line (DSL), and internet television services; and increase broadband speeds.

RUS approved a \$59.4 million loan to Golden West Telecommunications Cooperative in South Dakota, for system improvements in 46 out of the total 57 exchanges. These enhancements will improve services and provide subscribers voice, video, and higher broadband speeds. Golden West will serve the residents that have been identified as being in a Persistent Poverty area.

RUS approved a \$15.3 million loan to Southern Plains Cable, LLC. in Oklahoma to construct approximately 230 miles of fiber-to-the-premise (FTTP) system in the communities of Anadarko, Verden, and Chickasa, and surrounding areas. These improvements will allow the delivery of voice, video, and broadband services. All telecommunications facilities financed by RUS must be broadband capable. The development of the Internet-based economy provides unique opportunities for rural America. Broadband infrastructure greatly helps to mitigate the limitations on business development in rural areas caused by geographical distance and a limited customer base. RUS has provided capital to finance access to broadband service for rural communities. This access is critical to enable rural businesses to participate in the developing global economy.

**Selected Accomplishments Expected at the FY 2019 Proposed Resource Level:**

- 170,000 borrowers’ subscribers are estimated to receive new or improved telecommunication services. With this funding 380 rural counties will receive access to distance learning or telemedicine services.
- Loan processing time is expected to be reduced with streamlining work process and training staff.

Number of borrowers' consumers receiving new or improved electric facilities.							
	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Target	2019 Target
Number	8,683,672	4,406,745	5,520,016	5,471,211	6,620,000	4,500,000	5,100,000
Program Dollars thousands	\$4,410,308	\$2,239,968	\$2,898,112	\$3,165,750	\$3,456,408	\$4,900,000	\$5,500,000

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

- 6.6 million rural electric customers receiving new or upgraded service.
- Continued investment in rural electric infrastructure including over \$3.2 billion in transmission and distribution facilities, over \$70 million in renewable electricity and over \$68 million in customer energy efficiency improvements and money-saving energy efficiency measures.

Selected Accomplishments Expected at the FY 2019 Proposed Resource Level:

- 5.1 million rural electric customers are expected to benefit from new or improved electric generation, transmission and distribution facilities;
- Continued investments in rural electric infrastructure, including transmission and distribution system modernization, renewable electric generation and borrower energy efficiency programs.

Population receiving new or improved services from agency-funded water and wastewater facilities or projects.							
	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Target	2019 Target
Population	1,799,711	2,188,875	2,380,303	2,240,969	2,512,000	2,237,000	1,500,000
Program Dollars (thousands)	\$1,331,167	\$1,509,014	\$1,654,435	\$1,754,862	\$1,896,540	\$1,757,233	\$1,200,000

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

In 2017, RUS invested \$1.9 billion in water and waste direct and guaranteed loans and grants to help rural communities develop water and waste disposal facilities. Through investments in water and waste disposal infrastructure, RUS delivered new and improved services to 2,511,872 rural residents, exceeding the goal for 2017. Examples of loans and grants approved include:

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#### Selected Accomplishments Expected at the FY 2019 Proposed Resource Level:

Rural communities must invest in modern water and wastewater facilities to attract and retain families and businesses vital to thriving communities. The communities must decide how to balance investing in new facilities to serve new and proposed customers with investing in upgrades to facilities that serve existing customers. They must weigh growing their customer base, controlling costs, and modernizing or upgrading aging facilities. Gaining access to credit markets and leveraging funds from Federal, State, and private sources will continue to challenge rural communities. At the proposed FY 2019 resources level USDA will:

- Provide new or improved water and/or waste disposal service to 1,500,000 rural residents with \$1.2 billion of program loan funds.