

2020 USDA EXPLANATORY NOTES – RURAL UTILITIES SERVICE

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AGENCY-WIDE

PURPOSE STATEMENT

The USDA Rural Utilities Service (RUS) mission is to enhance the quality of life and improve economic opportunity in rural communities by providing financing for the basic infrastructure of modern life. Electricity, telecommunications, and water and waste systems are essential services for individuals and businesses alike that assist communities with creating wealth, supporting self-sustaining and repopulating communities, and thriving economically. RUS is composed of three major programs: Electric, Telecommunications, and Water and Environmental. Electric and telecommunications programs are authorized by the Rural Electrification Act of 1936, as amended, 7 U.S.C. 901 et seq. (RE Act) and related legislation. Water and environmental programs (WEP) are authorized by Section 306 of the Consolidated Farm and Rural Development Act (CONACT), 7 U.S.C. 1926 et seq.

All the programs administered by the RUS support USDA Strategic Goal 4: Facilitate rural prosperity and economic development; Objective 4.1: Expand rural business opportunity and rural quality of life with access to capital; improved infrastructure; broadband access and connectivity; and support for workforce availability. These programs also support several priorities in the report from the Task Force on Agriculture and Rural Prosperity, chaired by Secretary Perdue, including: providing access to debt capital, incentivizing private investment, modernizing rural utilities, rebuilding rural infrastructure, contributing to e-connectivity, supporting rural workforce through apprenticeship programs, and harnessing technological innovation.

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 are authorized by section 4 of the RE Act (7 U.S.C. 904) and bear interest at the government's cost of money (or the current Treasury rate). The program's purpose is 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 also authorized by section 4 of the RE Act (7 U.S.C. 904). The program's purpose is 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 rate loans at a fixed rate of five 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). The program's purpose is to finance the electric system improvements of eligible distribution borrowers. 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 authorized by section 306 of the RE Act (7 U.S.C. 936). The program's purpose is to finance 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 one 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 authorized by section 313A of the RE Act (7 U.S.C. 940c-1) as amended by the Agriculture Improvement Act of 2018 (2018 Farm Bill). The program's purpose is for USDA to 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 utility infrastructure 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 6505 of the 2018 Farm Bill reauthorized this program through 2023.

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 Food, Conservation and Energy Act of 2008 (2008 Farm Bill). The program's purpose is to finance 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 Agriculture Act of 2014 (2014 Farm Bill) (Public Law. 113–79, title VI, §6205, Feb. 7, 2014, 128 Stat. 857) as an amendment to the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) (7 U.S.C. 8107a). The program's purpose is to offer 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. Section 6303 of the 2018 Farm Bill authorized the rural energy savings program through 2023.

High energy cost grants are authorized by section 19 of the RE Act (7 U.S.C. 918a). The program's purpose is to fund 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 Programs:

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

Hardship (direct loans) are authorized by section 305(d)(1) of the RE Act (7 U.S.C. 935(d)(1)) and bear interest at a fixed rate of five percent per year. The program's purpose is to furnish and improve telecommunications services, including a wide array of telecommunication related services, in rural areas. The program is 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) are authorized by section 305(d)(2) of the RE Act (7 U.S.C. 935(d)(2)) and bear interest at the government's cost of money (or the current Treasury rate). The program's purpose is to furnish and improve telecommunications services, including a wide array of telecommunication related services, in rural areas.

Guaranteed loans are authorized by section 306 of the RE Act (7 U.S.C. 936) and are provided to borrowers of a non-government lender or from the Federal Financing Bank. The program's purpose is to furnish and improve telecommunications services, including a wide array of telecommunication related services, in rural areas. 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.

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, the 2014 Farm Bill and the 2018 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.

Community connect broadband grants are authorized by section 306(a)(20)(E) CONACT and 7 U.S.C. 1926(a)(20)(E). The program's purpose is to fund eligible entities to provide public access to broadband in otherwise un-served communities. Funds must be used to deploy broadband service and offer free broadband service to the critical community facilities for 2 years. Section 6204 of the 2018 Farm Bill authorized this program through 2023.

Distance learning and telemedicine loans and grants are authorized by 7 U.S.C. 950aaa. The program's purpose is to assist rural schools and learning centers to gain access to improved educational resources and assist rural hospitals and health care centers to 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. Section 6102 of the 2018 Farm Bill authorized this program through 2023.

Broadband pilot loans and grants (ReConnect) program was funded by the Consolidated Appropriations Act, 2018, general provision section 779. The program's purpose is to conduct a new broadband loan and grant pilot program under the RE Act (7 U.S.C. 901 et seq.) to fund broadband capable infrastructure in rural communities where at least 90 percent of the households to be served are without sufficient access to broadband, defined for this pilot program as 10 Megabits per second (Mbps) downstream, and 1 Mbps upstream, provided that funds shall not be used to overbuild or duplicate broadband expansion efforts of any entity that has received a broadband loan from RUS.

Water and Environmental Programs:

Direct water and waste disposal loans are authorized by section 306 CONACT and 7 U.S.C. 1926. The program's purpose is to develop water and wastewater systems, including solid waste disposal and storm drainage, in rural areas and in cities and towns with a population of 10,000 or less. Priority is given to communities with populations of 5,500 or less.

Guaranteed water and waste disposal loans are authorized by section 306 CONACT and 7 U.S.C. 1926 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 may be for up to 90 percent of the eligible loss incurred by the lender. The 2018 Farm Bill authorized the program to service eligible rural populations up to 50,000 and prioritize communities of 10,000 or less.

Water and waste disposal grants are authorized by section 306A CONACT and 7 U.S.C. 1926. The program's purpose is 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. Section 6403 of the 2018 Farm Bill authorized this program through 2023.

Water and waste facility loans and grants to alleviate health risks are authorized by section 306C CONACT and 7 U.S.C. 1926. The program's purpose is to assist 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 up to 100 percent of the eligible project cost and be used in conjunction with loan monies.

Water and waste system grants for Alaskan Villages, including technical assistance programs, are authorized by section 306D CONACT and 7 U.S.C. 1926. The program's purpose is to 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. Section 6408 of the 2018 Farm Bill authorized this program through 2023.

Special evaluation assistance for rural communities and households program grants are authorized by section 306 CONACT and 7 U.S.C. 1926. The program's purpose is to fund 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 are authorized by section 306E CONACT and 7 U.S.C. 1926. The program's purpose is to provide 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.

Revolving loan fund grants are authorized by section 306 CONACT and 7 U.S.C. 1926. The program enables qualified state and local government entities, and nonprofits to create a revolving loan fund. The funds can enable applicants to finance certain pre-development costs and short-term capital projects. Loans may be made by the intermediary for up to \$100,000 and a term of 10 years.

Household water well system grants are authorized by section 306E CONACT and 7 U.S.C. 1926(e). The program helps qualified nonprofits and tribes create a revolving loan fund to increase access to clean, reliable water for households in eligible rural areas who own and occupy a home. The fund may be used to construct, refurbish, or service individually-owned household water well systems. Terms for the loans include one percent fixed interest rate, 20-year maximum term, and an \$11,000 maximum loan per household. The 2018 Farm Bill changed program eligibility to include individually-owned household decentralized wastewater systems and changed income eligibility from 100% median non-metropolitan household income of the State to 60%.

Solid waste management grants are authorized by section 310B CONACT and 7 U.S.C. 1932. The program's purpose is assisting 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. Section 6410 of the 2018 Farm Bill authorized this program through 2023.

Technical assistance and training grants are authorized by section 306 CONACT and 7 U.S.C. 1926. The program's purpose is to assist 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.

All RUS loans are based on extensive feasibility studies that determine a borrower's ability to repay the loan. Rural Development (RD) staff monitor loan repayments that are secured through covenants in loan contracts and mortgage documents with RD. The government obtains a priority position on the assets of the borrower.

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, 2018, there were 4,470 permanent full-time employees, including 1,445 in the headquarters and 3,025 in the field offices.

OIG and GAO Reports

Table RUS-1. Completed GAO Reports

ID	Date	Title	Result
#GAO-18-682	9-28-18	Tribal Broadband: Few Partnerships Exist and the Rural Utilities Service Needs to Identify and Address Any Funding Barriers Tribes Face	RUS provided technical comments, which were incorporated as appropriate, that noted that RUS has and will continue to work with tribes to facilitate broadband deployment, whether tribes have the desire and capacity to provide the service or whether another provider is able to bring service to tribal areas.
#GAO-18-309	5-15-18	Drinking Water and Wastewater Infrastructure: Opportunities Exist to Enhance Federal Agency Needs Assessment and Coordination on Tribal Projects	USDA disagreed with two GAO recommendations regarding the Rural Alaska Village Grant program and neither agreed or disagreed with the other three recommendations directed to it, although the agency proposed alternative language for two of these recommendations in its written comments.

ACCOUNT 1: RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT**APPROPRIATIONS LANGUAGE**

The appropriations language follows (new language underscored)

(INCLUDING TRANSFERS OF FUNDS)

For gross obligations for the principal amount of direct loans as authorized by section 306 and described in section 381E(d)(2) of the Consolidated Farm and Rural Development Act, \$1,200,000,000.

For the cost of direct loans and grants, including the cost of modifying loans, as defined in section 502 of the Congressional Budget Act of 1974, for the rural water, waste water, waste disposal, and solid waste management programs authorized by sections 306, 306A, 306C, 306D, 306E, and 310B and described in sections 306C(a)(2), 306D, 306E, and 381E(d)(2) of the Consolidated Farm and Rural Development Act, \$527,630,000, to remain available until expended, of which not to exceed \$1,000,000 shall be available for the rural utilities program described in section 306(a)(2)(B) of such Act, and of which not to exceed \$993,000 shall be available for the rural utilities program described in section 306E of such Act: *Provided*, That not to exceed \$15,000,000 of the amount appropriated under this heading shall be for grants authorized by section 306A(i)(2) of the Consolidated Farm and Rural Development Act in addition to funding authorized by section 306A(i)(1) of such Act and such grants may not exceed \$1,000,000 notwithstanding section 306A(f)(1) of such Act: *Provided further*, That \$68,000,000 of the amount appropriated under this heading shall be for loans and grants including water and waste disposal systems grants authorized by section 306C(a)(2)(B) and section 306D of the Consolidated Farm and Rural Development Act, and Federally Recognized Native American Tribes authorized by 306C(a)(1) of such Act: *Provided further*, That funding provided for section 306D of the Consolidated Farm and Rural Development Act may be provided to a consortium formed pursuant to section 325 of Public Law 105–83: *Provided further*, That not more than 2 percent of the funding provided for section 306D of the Consolidated Farm and Rural Development Act may be used by the State of Alaska for training and technical assistance programs and not more than 2 percent of the funding provided for section 306D of the Consolidated Farm and Rural Development Act may be used by a consortium formed pursuant to section 325 of Public Law 105–83 for training and technical assistance programs: *Provided further*, That not to exceed \$40,000,000 of the amount appropriated under this heading shall be for technical assistance grants for rural water and waste systems pursuant to section 306(a)(14) of such Act, unless the Secretary makes a determination of extreme need, of which \$8,000,000 shall be made available for a grant to a qualified nonprofit multi-State regional technical assistance organization, with experience in working with small communities on water and waste water problems, the principal purpose of such grant shall be to assist rural communities with populations of 3,300 or less, in improving the planning, financing, development, operation, and management of water and waste water systems, and of which not less than \$800,000 shall be for a qualified national Native American organization to provide technical assistance for rural water systems for tribal communities: *Provided further*, That not to exceed \$19,000,000 of the amount appropriated under this heading shall be for contracting with qualified national organizations for a circuit rider program to provide technical assistance for rural water systems: *Provided further*, That not to exceed \$4,000,000 shall be for solid waste management grants: *Provided further*, That sections 381E-H and 381N of the Consolidated Farm and Rural Development Act shall not apply to funds made available under this heading.

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".

LEAD-OFF TABULAR STATEMENT

Water and Waste Disposal Programs

Table RUS-2. Lead-Off Tabular Statement

Item	Grants	Loan Level	Subsidy	Administrative Expenses
2019 Annualized Continuing Resolution	\$1,047,993,000	\$4,191,176,000	\$2,270,000	0
Change in Appropriation.....	-575,083,000	-2,991,176,000	+52,450,000	+ \$18,149,000
Budget Estimate, 2020	472,910,000	1,200,000,000	54,720,000	18,149,000

PROJECT STATEMENT

Water and Waste Disposal Programs

Table RUS-3. Project Statement ((Program level-PL, Budget Authority-BA) thousands of dollars)

Item	2017 Actual PL	2017 Actual BA	2018 Actual PL	2018 Actual BA	2019 Estimate PL	2019 Estimate BA	Inc. or Dec. PL	Chg Key	Inc. or Dec. BA	Chg Key	2020 Budget PL	2020 Budget BA
Discretionary Appropriations:												
Direct rural water and waste disposal loans ^a	\$1,200,000	\$52,080	\$1,200,000	\$7,040	\$4,141,176	\$2,040	-\$2,941,176	(1)	+\$52,680	(6)	\$1,200,000	\$54,720
Guaranteed RWWD loans.....	50,000	240	50,000	230	50,000	230	-50,000	(2)	-230	(6)	-	-
Rural water and waste disposal grants	378,580	378,580	860,350	860,350	894,700	894,700	-572,433	(3)	-572,433		322,267	322,267
Tech assist. grants for rural waste systems	20,000	20,000	40,000	40,000	40,000	40,000	-	(3)	-		40,000	40,000
Circuit rider.....	16,897	16,897	19,000	19,000	19,000	19,000	-	(3)	-		19,000	19,000
WWD grants, Alaskan villages.....	16,000	16,000	18,000	18,000	18,000	18,000	-	(3)	-		18,000	18,000
WWD grants, native American tribes	24,000	24,000	25,000	25,000	25,000	25,000	-	(3)	-		25,000	25,000
Water and waste disposal grants, Colonias	24,000	24,000	25,000	25,000	25,000	25,000	-	(3)	-		25,000	25,000
Water well system grants	993	993	993	993	993	993	-	(3)	-		993	993
Water and wastewater revolving funds.....	1,000	1,000	1,000	1,000	1,000	1,000	-	(3)	-		1,000	1,000
Solid waste management grants.....	4,000	4,000	4,000	4,000	4,000	4,000	-	(4)	-		4,000	4,000
ECWAG	12,000	12,000	32,000	32,000	2,650	2,650	-	(3)	-		2,650	2,650
ECWAG appropriated.....	10,000	10,000	15,000	15,000	15,000	15,000	-	(3)	-		15,000	15,000
American Iron and Steelworkers.....	1,400	1,400	2,650	2,650	2,650	2,650	-2,650	(5)	-2,650		-	-
Rescission ^d	-	-	-	-	-	-	-2,109,765		-100,000		-2,109,765	-100,000
Administrative Expenses ^b	-	-	-	-	-	-	-		+18,149		-	18,149
Subtotal.....	1,758,870	561,190	2,292,993	1,050,263	5,239,169	1,050,263	-5,676,024		-604,484		-436,855	445,779
Supplemental Appropriations:												
Hurricanes HIM Emergency Grants	-	-	164,475	164,475	-	-	-		-		-	-
Hurricanes HIM Emer. Circuit Rider.....	-	-	1,000	1,000	-	-	-		-		-	-
Subtotal.....	-	-	165,475	165,475	-	-	-		-		-	-
Total Adjusted Approp	1,758,870	561,190	2,458,468	1,215,738	5,239,169	1,050,263	-5,676,024		-604,484		-436,855	445,779
Resc. And Trans. (Net)	10,000	10,000	10,000	10,000	10,000	10,000	+2,099,765		+90,000		2,109,765	100,000
Total Appropriation	1,768,870	571,190	2,468,468	1,225,738	5,249,169	1,060,263	-3,576,259		-514,484		1,673,980	546,849
Transfers Out:												
High energy cost grants ^c	-10,000	-10,000	-10,000	-10,000	-10,000	-10,000	+10,000		+10,000		-	-

2020 USDA EXPLANATORY NOTES – RURAL UTILITIES SERVICE

Item	2017 Actual PL	2017 Actual BA	2018 Actual PL	2018 Actual BA	2019 Estimate PL	2019 Estimate BA	Inc. or Dec. PL	Chg Key	Inc. or Dec. BA	Chg Key	2020 Budget PL	2020 Budget BA
Rescission ^d	-	-	-	-	-	-	-2,109,765		-100,000		-2,109,765	-100,000
Recoveries, Other (Net)	180,544	62,096	1,230,030	61,258	39,220	39,220	+32,763		-4,911		71,983	34,309
Bal. Available, SOY	514,886	65,399	1,584,920	41,691	924,547	301,626	+1,308,725		-149,448		2,233,272	152,178
Total Available	2,454,301	688,685	5,273,418	1,318,687	6,202,937	1,391,109	-4,334,537		-758,843		1,868,400	621,256
Lapsing Balances	-	-	-	-	-1,641,176	-	+1,641,176		-		-	-
Rescinded Balances ^e	-227	-227	-	-	-	-	-		-		-	-
Transferred balances ^f	-	-	-363,844	-8,206	-	-	-		-		-	-
Bal. Available, EOY	-548,390	-41,691	-1,969,820	-301,626	-796,613	-152,178	+714,278		+106,607		-154,574	-45,571
Total Obligations	1,905,684	646,766	2,939,754	1,008,855	3,765,147	1,238,931	-2,051,321		-652,236		1,713,826	586,695

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

^b In 2020, funding of \$18,149,000 is requested and will be paid to the Rural Development Salaries and Expense Account. Any justifications for the administrative expenses can be found in the Rural Development Salaries and Expenses account.

^c This program was transferred to the Rural Utilities Service, High Energy Cost Grant Account in accordance with the Consolidated Appropriations Act, 2017, P.L. 115-31, and the Consolidated Appropriations Act, 2018, P.L. 115-141.

^d A rescission of unobligated balances in the amount of \$100,000,000 in Direct Water and Waste budget authority is proposed for this account in 2020.

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

^f In 2018, \$9,205,683.40 in unobligated balances was transferred to the rural development disaster assistance account 12X0405, and \$1,000,000 was transferred in from 12X0405 account, resulting in a net transfer out of \$8,205,683.40.

The numbered justifications items are keyed to the Change Key (Chg Key) column on the Project Statement.

JUSTIFICATIONS

Water and Environmental Programs

The Water and Environmental Programs (WEP) supports USDA Strategic Goal 4: Facilitate rural prosperity and economic development; Objective 4.1: Expand rural business opportunity and rural quality of life with access to capital; improved infrastructure; broadband access and connectivity; and support for workforce availability. This program also supports several priorities in the report from the Task Force on Agriculture and Rural Prosperity, chaired by Secretary Perdue, including: providing access to debt capital, incentivizing private investment, modernizing rural utilities, rebuilding rural infrastructure, contributing to e-connectivity, supporting rural workforce through apprenticeship programs, and harnessing technological innovation.

- (1) A decrease of \$2,941,176,000 in funding for direct water and waste disposal loans (\$4,141,176,000 available in 2019).

This program provides loan funds for water and waste projects serving the most financially needy communities. Water and waste disposal loans result in reasonable user costs for rural residences, rural businesses, and other rural users. Program funding is vital in rural communities where income levels are often lower and there are fewer residents to share the cost of infrastructure development. Water and wastewater disposal loans, with low interest rates and longer terms, assist communities in maintaining reasonable user costs for rural residences, rural businesses, and other rural users. By leveraging USDA's over 400 existing field offices that are active in rural communities and working with a longstanding network of external private sector partners, USDA is best positioned to deliver financial and technical assistance that support rural water infrastructure projects.

According to the Federal government's most recent surveys, there is over \$680 billion in water infrastructure needs nationwide. Of this total, approximately \$160 billion is needed in rural communities with populations of 10,000 or less. Because of their size, rural communities have more difficulty accessing capital for infrastructure than suburban and urban areas.

Continuation of this program is critical because:

- The program provides residents in rural America with decent, safe, sanitary and affordable water and waste service; and
- The mission to maintain sanitary water and waste disposal services in rural America typically receives very little funding or support where Federal assistance is not available.

Base funds for direct water and waste disposal loans will continue to assist residents in rural America to obtain decent, safe, sanitary, and affordable water and waste water services. Continuing the base funding is crucial to ensure the continued success of the program. Adequate water and wastewater treatment capacity are significant for supporting rural communities in maintaining quality of life, environmental sustainability, and economic development.

The funding request of \$1.2 billion for 2020 is expected to support approximately 595 loans that will assist 990,000 rural residents in obtaining decent, safe, and sanitary water and wastewater services. The performance measure table below is inclusive of the total projected population served under the related direct and guaranteed loan, and grant programs.

Prior year funding has been successful in targeting the smaller rural, underserved communities that are affected by severe poverty and can afford less debt burden and loan amounts. In 2018, the program obligated \$1.9 billion in direct loans, which in combination with guaranteed loans and grants, helped to serve over 2.9 million rural residents.

The cost to the taxpayers to extend \$1.2 billion in credit under this program is \$54.7 million. This is because the present value of the cash flows paid by the borrowers to the agency after defaults exceeds the present value of the federal government's cost of capital. In budget terms, the program has a subsidy rate of 4.56 percent, so every \$1 of appropriations supports approximately \$22 of Federal investment.

Table RUS-4. Water and Environmental Programs Performance Measure

Performance Measure	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Population receiving new or improved services from agency-funded water and wastewater facilities or projects (millions).....	2.5	2.9	2.2	1.9

(2) A decrease of \$50,000,000 for guaranteed water and waste disposal loans (\$50,000,000 available in 2019).

No funding is requested for this program. An anticipated carryover of \$650 million from 2019 into 2020 for the guaranteed water and waste disposal loan program could support about 458 loans and assist approximately 760,000 rural residents. WEP is actively working with other programs within the Rural Development (RD) mission area to develop a One RD guaranteed regulation and to expand the usage of the guaranteed water and waste loan program. Funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

(3) A decrease of \$572,433,000 in funding for water and waste disposal grants (\$1,041,343,000 available in 2019).

This program provides grant funds in conjunction with loans for water and waste projects serving the most financially needy communities. Program funding is vital in rural communities where income levels are often lower and there are fewer residents to share the cost of infrastructure development.

Continuation of the program is critical because:

- The program provides residents in rural America with decent, safe and sanitary water and waste service; and
- Maintaining sanitary water and waste disposal services in rural America typically receives very little funding or support without Federal assistance.

Base funds for water and waste disposal grants provides grant funds in conjunction with loans for water and waste projects serving the most financially needy communities. The decrease resulted from prioritizing limited resources on the construction of new and improved infrastructure under the traditional loan and grant program.

These set asides provide grant funds for targeted groups to develop and construct water and waste systems in disadvantaged communities. Of the proposed funding under this item, approximately \$206 million is designated under set-aside programs, including programs that address emergencies, alleviate health-risks, and provide vital technical assistance.

Water and waste grants help in providing reasonable user rates and costs for rural residences, rural businesses, and other rural users. Besides health and environmental concerns, the economic vitality of rural America will be negatively impacted. Adequate water and wastewater treatment capacity are significant for supporting quality of life issues, environmental sustainability, and economic development.

The funding request of \$469 million in 2020 is expected to support 551 grants in the water and waste disposal grant program to assist approximately 788,000 rural residents in obtaining decent, safe, and sanitary water and waste water services.

(4) No change in funding for solid waste management grants (\$4,000,000 available in 2019).

The solid waste management grant (SWMG) program enables communities to receive assistance from eligible organizations to reduce or eliminate pollution of water resources, improve planning and management of solid waste disposal facilities in rural areas, and enhance operator skills in operations and maintenance. Program funding is vital in rural communities where income levels are often lower and there are fewer residents to share the cost of infrastructure development.

Continuation of the SWMG program is critical because:

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

The funding request of \$4 million in 2020 is expected to support 29 grants that will help communities address water pollution issues and develop solid waste management strategies.

- (5) A decrease of \$2,650,000 in funding for the American iron and steel program (\$2,650,000 available in 2019).

No funding is requested for the American iron and steel (AIS) Program. The anticipated carryover amount from 2019 into 2020 for the AIS program is projected to sufficiently support the continuing monitoring and training required under this provision. WEP will use its existing staff and resources to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

- (6) An increase of \$52,450,000 for budget authority to support Direct and guaranteed loans (\$2,270,000 available in 2019).

The budget is requesting this budget authority increase to support the Water and Waste Direct loans, offset by a reduction in guaranteed loan subsidy which is eliminated. In 2019 the direct loan program had a negative subsidy rate. Because of changes in the economic assumptions, this program now has a subsidy rate of 4.56 percent. This funding is needed to support the \$1.2 billion program level request.

PROPOSED LEGISLATION

Rural Utilities Service, Water and Environmental Programs

Through a general provision in the appropriations language USDA requests the authority to make rural communities with populations up to 20,000 persons to be eligible for the Water and Waste Disposal Direct Program. The 2018 Farm Bill increased the population limit from 10,000 and 50,000 for the water and Waste Disposal Loan Guarantees. Building on the Farm Bill direction, the 2020 Budget proposes to increase the population limit from 10,000 to 20,000 for the direct loan program. The Agency will continue to prioritize communities with populations of 5,500 or less, and communities that need grant funding along with a direct loan will still be limited to communities of 10,000 or less.

Sec. XXX. For the purpose of water and waste disposal direct loans provided under paragraph (1) 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.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS*Table RUS-5. Water and Waste Direct Loans Geographic Breakdown of Obligations (thousands of dollars)*

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Alabama	\$27,715	\$29,694	-	-
Alaska	8,909	9,109	-	-
Arizona.....	16,333	13,600	-	-
Arkansas.....	18,547	18,967	-	-
California	41,797	52,223	-	-
Colorado.....	14,124	19,276	-	-
Connecticut	3,572	4,770	-	-
Delaware	4,640	23,950	-	-
Florida.....	1,909	22,655	-	-
Georgia.....	22,969	34,656	-	-
Hawaii.....	513	15,254	-	-
Idaho	9,030	20,998	-	-
Illinois	28,072	94,614	-	-
Indiana	45,297	49,484	-	-
Iowa	38,509	104,092	-	-
Kansas.....	48,578	78,245	-	-
Kentucky.....	38,322	47,805	-	-
Louisiana.....	13,282	64,712	-	-
Maine	35,292	36,418	-	-
Maryland.....	32,799	6,703	-	-
Massachusetts.....	5,847	3,173	-	-
Michigan	67,067	113,975	-	-
Minnesota.....	23,408	53,614	-	-
Mississippi	12,983	28,458	-	-
Missouri	44,306	31,119	-	-
Montana	12,259	21,588	-	-
Nebraska	13,141	10,151	-	-
Nevada	35,643	1,825	-	-
New Hampshire.....	12,791	11,515	-	-
New Jersey	7,137	6,949	-	-
New Mexico.....	19,460	40,214	-	-
New York.....	37,340	101,097	-	-
North Carolina.....	52,605	50,225	-	-
North Dakota.....	10,878	19,072	-	-
Ohio	61,482	74,082	-	-
Oklahoma.....	28,424	35,782	-	-
Oregon	17,080	1,427	-	-
Pennsylvania	24,325	36,611	-	-
South Carolina.....	48,661	89,706	-	-
South Dakota.....	19,678	95,315	-	-
Tennessee.....	67,865	56,603	-	-
Texas	72,641	101,863	-	-
Utah.....	16,990	6,541	-	-
Vermont	14,594	11,132	-	-
Virginia	30,983	39,789	-	-
Washington	22,351	36,188	-	-

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
West Virginia	34,192	29,144	-	-
Wisconsin.....	37,065	50,093	-	-
Wyoming.....	8,254	4,301	-	-
Distribution Unknown ^a	-	-	\$2,500,000	\$1,200,000
Obligations	1,309,658	1,908,775	2,500,000	1,200,000

^a Totals cannot be distributed at this time for 2019 and 2020.

Table RUS-6. Water and Waste Guaranteed loans Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Colorado.....	\$540	-	-	-
Illinois	3,655	\$564	-	-
Indiana	375	-	-	-
Iowa	-	1,846	-	-
Kansas	-	2,300	-	-
Mississippi	-	2,365	-	-
New Mexico.....	500	-	-	-
New York.....	-	1,000	-	-
North Carolina	-	1,500	-	-
Ohio	-	882	-	-
South Carolina	-	9,180	-	-
South Dakota.....	-	3,800	-	-
Texas	-	2,050	-	-
Distribution Unknown ^a	-	-	\$26,316	-
Obligations.....	5,070	25,487	26,316	-

^a Totals cannot be distributed at this time for 2019.

Table RUS-7. Water and Waste Grants Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Alabama	\$21,538	\$37,077	-	-
Alaska	7,673	8,645	-	-
Arizona.....	9,596	4,569	-	-
Arkansas.....	11,034	16,085	-	-
California	11,899	24,943	-	-
Colorado.....	3,717	13,968	-	-
Connecticut	593	1,953	-	-
Delaware	1,475	4,066	-	-
Florida.....	4,512	13,467	-	-
Georgia.....	7,932	17,405	-	-
Hawaii.....	419	1,071	-	-
Idaho	4,127	9,511	-	-
Illinois	21,247	49,857	-	-
Indiana	10,818	18,375	-	-
Iowa	8,664	24,596	-	-
Kansas.....	3,938	21,128	-	-
Kentucky.....	12,340	15,984	-	-
Louisiana.....	4,359	29,952	-	-
Maine	19,351	23,228	-	-
Maryland.....	6,467	8,059	-	-

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Massachusetts.....	-	49	-	-
Michigan	15,221	47,221	-	-
Minnesota.....	10,545	26,036	-	-
Mississippi	4,492	14,275	-	-
Missouri	11,621	17,436	-	-
Montana	5,652	21,801	-	-
Nebraska	4,169	8,362	-	-
Nevada	2,717	3,775	-	-
New Hampshire.....	8,133	6,862	-	-
New Jersey	3,853	6,360	-	-
New Mexico.....	2,987	12,781	-	-
New York.....	16,285	29,346	-	-
North Carolina.....	16,644	23,264	-	-
North Dakota.....	12,460	16,568	-	-
Ohio	32,117	31,492	-	-
Oklahoma	6,876	8,504	-	-
Oregon	9,406	1,927	-	-
Pennsylvania	10,358	22,678	-	-
Puerto Rico.....	-	5,486	-	-
South Carolina.....	11,329	18,107	-	-
South Dakota.....	2,047	22,653	-	-
Tennessee.....	10,422	9,011	-	-
Texas	18,755	33,154	-	-
Utah.....	4,140	5,836	-	-
Vermont	9,028	8,612	-	-
Virginia	13,786	28,128	-	-
Washington	13,048	19,437	-	-
West Virginia	15,033	15,962	-	-
Wisconsin.....	11,960	28,227	-	-
Wyoming.....	2,463	4,179	-	-
Distribution Unknown ^a	-	-	\$900,226	\$367,666
Obligations.....	457,241	841,464	900,226	367,666

^a Totals cannot be distributed at this time for 2019 and 2020.

Table RUS-8. Technical Assistance Grants for Rural Waste Systems Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Alaska	\$570	\$1,265	-	-
Arizona.....	675	1,196	-	-
Arkansas.....	-	209	-	-
California	100	1,010	-	-
Colorado.....	500	1,144	-	-
Hawaii	-	504	-	-
Kentucky.....	50	-	-	-
Maryland.....	7,090	15,264	-	-
Nevada	100	233	-	-
New York.....	100	183	-	-
Oklahoma.....	10,500	18,216	-	-

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Tennessee.....	100	217	-	-
Utah.....	-	151	-	-
Virgin Islands.....	74	-	-	-
Washington.....	-	107	-	-
West Virginia.....	250	466	-	-
Distribution Unknown ^a	-	-	\$40,000	\$40,000
Obligations.....	20,109	40,165	40,000	40,000

^a Totals cannot be distributed at this time for 2019 and 2020.

Table RUS-9. Circuit Rider – Technical Assistance Grants for Rural Water Systems Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Oklahoma.....	\$16,954	\$16,391	-	-
Distribution Unknown ^a	-	-	\$23,000	\$19,035
Obligations.....	16,954	16,391	23,000	19,035

^a Totals cannot be distributed at this time for 2019 and 2020.

Table RUS-10. Water and Waste Grants, Alaskan Villages Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Alaska.....	\$21,405	\$20,556	\$27,400	\$19,875
District of Columbia.....	5	4	-	-
Obligations.....	21,410	20,560	27,400	19,875

Table RUS-11. Water and Waste Grants, Native American Tribes Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Arizona.....	\$2,000	-	-	-
California.....	-	\$2,318	-	-
Kansas.....	-	1,159	-	-
Maine.....	-	52	-	-
Michigan.....	-	5,604	-	-
Montana.....	4,549	-	-	-
Nevada.....	2,724	2,780	-	-
New Mexico.....	4,000	-	-	-
North Dakota.....	1,196	2,810	-	-
Oklahoma.....	-	1,967	-	-
South Dakota.....	10,527	6,383	-	-
Utah.....	-	248	-	-
Washington.....	-	530	-	-
Wisconsin.....	-	1,206	-	-
Distribution Unknown ^a	-	-	\$25,515	\$23,000
Obligations.....	24,996	25,057	25,515	23,000

^a Totals cannot be distributed at this time for 2019 and 2020.

Table RUS-12. Water and Waste Grants, Colonias Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Arizona.....	\$9,770	\$13,142	-	-
California	-	4,150	-	-
New Mexico.....	11,141	8,030	-	-
Texas.....	4,070	5,946	-	-
Distribution Unknown ^a	-	-	\$30,400	\$23,200
Obligations.....	24,981	31,269	30,400	23,200

^a Totals cannot be distributed at this time for 2019 and 2020.

Table RUS-13. Water Well System Grants Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Arkansas.....	\$200	-	-	-
California	393	\$308	-	-
Georgia.....	-	190	-	-
Michigan	-	150	-	-
North Carolina.....	200	200	-	-
Ohio	-	150	-	-
Virginia	200	120	-	-
Distribution Unknown ^a	-	-	\$1,810	\$1,025
Obligations.....	993	1,118	1,810	1,025

^a Totals cannot be distributed at this time for 2019 and 2020.

Table RUS-14. Water and Wastewater Revolving Funds Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Arkansas.....	\$250	\$250	-	-
California	250	250	-	-
Oklahoma.....	500	500	-	-
Distribution Unknown ^a	-	-	\$1,000	\$1,000
Obligations.....	1,000	1,000	1,000	1,000

^a Totals cannot be distributed at this time for 2019 and 2020.

Table RUS-15. Solid Water Waste Management Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Alaska	\$872	\$356	-	-
Arizona.....	242	80	-	-
Iowa	137	-	-	-
Kansas.....	91	-	-	-
Kentucky.....	81	-	-	-
Maine	165	148	-	-
Maryland.....	815	900	-	-
Massachusetts.....	407	369	-	-
Michigan	100	103	-	-
Missouri	36	-	-	-
New Hampshire.....	313	227	-	-

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
New Jersey	170	-	-	-
New York.....	190	244	-	-
North Carolina.....	195	-	-	-
Ohio	23	106	-	-
Oklahoma.....	92	91	-	-
Puerto Rico.....	-	900	-	-
Texas.....	205	149	-	-
Utah.....	-	265	-	-
Vermont	210	100	-	-
Virginia	-	89	-	-
Washington	-	77	-	-
Distribution Unknown ^a	-	-	\$4,070	\$4,000
Obligations.....	4,344	4,203	4,070	4,000

^a Totals cannot be distributed at this time for 2019 and 2020

Table RUS-16. ECWAG Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Alabama	-	\$1,000	-	-
Arizona.....	\$775	499	-	-
Arkansas.....	22	104	-	-
California	748	1,116	-	-
Georgia.....	150	1,500	-	-
Idaho	650	2,274	-	-
Illinois	-	500	-	-
Kansas	999	1,000	-	-
Kentucky.....	130	-	-	-
Louisiana.....	215	150	-	-
Maryland.....	411	-	-	-
Michigan	-	250	-	-
Minnesota.....	-	150	-	-
Montana	-	1,146	-	-
Nebraska	610	373	-	-
Nevada	625	75	-	-
New Hampshire.....	495	-	-	-
New York.....	589	299	-	-
Ohio	150	-	-	-
Oregon	-	1,388	-	-
Other Countries.....	397	-	-	-
Tennessee.....	1,141	150	-	-
Texas.....	500	500	-	-
Utah.....	944	2,582	-	-
Washington	-	640	-	-
Wyoming.....	100	65	-	-
Distribution Unknown ^a	-	-	\$16,000	\$15,025
Obligations.....	9,649	15,760	16,000	15,025

^a Totals cannot be distributed at this time for 2019 and 2020.

Table RUS-17. American Iron and Steelworkers Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
District of Columbia.....	\$135	\$3,915	-	-
Distribution Unknown ^a	-	-	\$2,650	-
Obligations.....	135	3,915	2,650	-

^a Totals cannot be distributed at this time for 2019.

Table RUS-18. HI Homelands Grants Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Hawaii.....	-	\$3,592	-	-
Obligations.....	-	3,592	-	-

Table RUS-19. WWD 2014 Farm Bill Grants Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Idaho.....	\$390	-	-	-
Minnesota.....	2,800	-	-	-
Montana.....	284	-	-	-
Texas.....	4,320	-	-	-
Distribution Unknown ^a	-	-	\$1,285	-
Obligations.....	7,794	-	1,285	-

^a Totals cannot be distributed at this time for 2019.

Table RUS-20. WWD Direct Loans – 2008 Diasters Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Iowa.....	\$1,100	-	-	-
Obligations.....	1,100	-	-	-

Table RUS-21. WWD Grants – 2008 Diasters Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Iowa.....	\$250	-	-	-
Obligations.....	250	-	-	-

Table RUS-22. WWD Grants – 2017 Disasters Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
District of Columbia.....	-	\$1,000	-	-
Distribution Unknown ^a	-	-	\$165,475	-
Obligations.....	-	1,000	165,475	-

^a Totals cannot be distributed at this time for 2019.

CLASSIFICATION BY OBJECTS

Table RUS-23. Classification by Objects (thousands of dollars)

Item No.	Item	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
	Other Objects:				
25.3	Other goods and services from Federal sources	-	-	-	\$18,149
41.0	Grants, subsidies, and contributions.....	\$646,766	\$1,008,855	\$1,238,931	568,546
	Total, Other Objects.....	646,766	1,008,855	1,238,931	586,695
99.9	Total, new obligations.....	646,766	1,008,855	1,238,931	586,695

ACCOUNT 2: RURAL ELECTRIFICATION AND TELECOMMUNICATION PROGRAM ACCOUNT

APPROPRIATIONS LANGUAGE

The appropriations language follows (new language underscored):

(INCLUDING TRANSFERS 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, 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, \$175,727,000; and for loans made pursuant to section 306 of that Act, rural telecommunications loans, \$514,273,000.

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, \$1,933,000.

In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, \$38,027,000, which shall be paid to the appropriation for "Rural Development, Salaries and Expenses".

LEAD-OFF TABULAR STATEMENT

Electric and Telecommunications Loans

Table RUS-24. Lead-Off Tabular Statement

Item	Program Level	Budget Authority	Administrative Expenses
2019 Annualized Continuing Resolution	\$6,940,000,000	\$863,000	\$33,270,000
Change in Appropriation	-749,999,000	+ 1,070,000	+ 4,757,000
Budget Estimate, 2020	<u>6,190,000,000</u>	<u>1,933,000</u>	<u>38,027,000</u>

PROJECT STATEMENT

Electric and Telecommunications Loans

Table RUS-25. Project Statement ((Program level-PL, Budget Authority-BA) thousands of dollars)

Item	2017 Actual PL	2017 Actual BA	2018 Actual PL	2018 Actual BA	2019 Estimate PL	2019 Estimate BA	Inc. or Dec. PL	Chg Key	Inc. or Dec. BA	Chg Key	2020 Budget PL	2020 Budget BA
Discretionary Appropriations:												
Electric Direct, FFB ^a	\$4,900,000	-	\$4,900,000	-	\$5,500,000	-	-	(1)	-		\$5,500,000	-
Pilot Program for refinancing electric loans.....	600,000	\$13,800	600,000	\$5,000	-	\$5,000	-		-5,000		-	-
Electric Underwriting Loans ^b	750,000	-	750,000	-	750,000	-	-\$750,000	(2)	-		-	-
Rural Energy Savings Program ^{c d}	55,402	8,000	60,015	8,000	57,021	8,000	-57,021		-8,000		-	-
Telecomm Direct, Treasury Rate ^e	268,055	2,386	344,954	248	179,792	863	-4,064	(3)	+\$1,070	(3)	175,727	\$1,933
Telecomm Direct, FFB ^f	345,000	-	345,000	-	510,208	-	+4,065	(3)	-		514,273	-
Administrative Expenses ^g	-	33,270	-	33,270	-	33,270	-		+4,757		-	38,027
Subtotal	6,918,457	57,456	6,999,969	46,518	6,997,020	47,133	-807,020		-7,173		6,190,000	39,960
Total Adjusted Approp.....	6,918,457	57,456	6,999,969	46,518	6,997,020	47,133	-807,020		-7,173		6,190,000	39,960
Rsc, Trns, Other (Net) ^h	77,001	685	246,194	615	-	-	-		-		-	-
Total Appropriation.....	6,995,458	58,141	7,246,163	47,133	6,997,020	47,133	-807,020		-7,173		6,190,000	39,960
Transfers Out:												
Working Capital Fund ^h	-77,001	-685	-246,194	-615	-	-	-		-		-	-
Bal. Available, SOY.....	55,402	8,000	93,736	26,295	128,178	33,954	-37,970		+722		90,208	34,676
Total Available.....	6,973,858	65,456	7,093,705	72,812	7,125,198	81,087	-844,990		-6,451		6,280,208	74,636
Lapsing Balances	-2,229,294	-210	-2,869,683	-2,475	-2,696,835	-621	-443,081		-840		-3,139,916	-1,461
Bal. Available, EOY	-86,530	-26,295	-132,310	-33,954	-112,968	-34,676	+22,760		-		-90,208	-34,676
Total Obligations.....	4,658,034	38,950	4,091,712	36,383	4,315,396	45,790	-1,265,312		-7,291		3,050,084	38,499

^a Negative subsidy rates of 4.92% was calculated for 2017, and 5.17% was calculated for 2018, and 4.38% was calculated for 2019, 3.87% for 2020. Therefore, corresponding budget authority is not required to support the program levels.

^b Negative subsidy rates of 3.78% was calculated for 2017, and 3.86% was calculated for 2018, and .39% was calculated both 2019 and 2020. Therefore, corresponding budget authority is not required to support the program levels. This program was transferred to the Rural Utilities Service, High Energy Cost Grant Account in accordance with the Consolidated Appropriations Act, 2017, P.L. 115-31, and the Consolidated Appropriations Act, 2018, P.L. 115-141.

^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. In FY 2018, \$9,206,000 in unobligated balances was transferred to the 0405 natural disaster fund account, and \$1,000,000 was transferred in from the 0405 account, resulting in a net transfer out of \$8,206,000.

^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 2.53% was calculated for 2017 and 2.49% was calculated for 2018 and 2.71% was calculated for 2019, and 2.42% was calculated for 2020. Therefore, corresponding budget authority is not required to support the program levels.

^g In 2017, \$33,270,000 was appropriated and transferred to the Rural Development Salaries and Expenses account. In 2018, \$33,270,000 was appropriated and transferred to the Rural Development Salaries and Expenses account and in 2019, \$38,027,000 was appropriated 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.

The numbered justifications items are keyed to the Change Key (Chg Key) column on the Project Statement.

JUSTIFICATIONS**Rural Electric and Telecommunications Loans**

All Rural Electric and Telecomm programs contribute to the USDA Strategic Goal 4: Facilitate rural prosperity and economic development; Objective 4.1: Expand rural business opportunity and rural quality of life with access to capital; improved infrastructure; broadband access and connectivity; and support for workforce availability. This program also supports several priorities in the report from the Task Force on Agriculture and Rural Prosperity, chaired by Secretary Perdue, including: providing access to capital, incentivizing private investment, modernizing rural utilities, rebuilding rural infrastructure, contributing to e-connectivity, supporting rural workforce through apprenticeship programs, and harnessing technological innovation.

(1) No change in funding for electric Federal Financing Bank loans (\$5,500,000,000 available in 2019).

This program provides electric financing Federal Financing Bank (FFB) loan guarantees under section 306 of the Rural Electrification Act (RE Act) that support improvements and additions to rural electric distribution, transmission, and generating facilities (including renewable energy systems, fossil generating plants with carbon sequestration systems, and investments in environmental improvements to reduce emissions of pollutants), and the implementation demand side management, energy efficiency and conservation programs. The long-term, low interest rate financing helps non-profit electric borrowers provide reliable, affordable electric service for rural homes and businesses. In addition, FFB loan guarantees are available for renewable and hydro 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 energy projects and spur new investment in rural communities.

Rural America continues to lag behind urban and suburban communities in terms of access to modern services. Building, upgrading, and maintaining our electric grid is essential not only to the rural economy, but for the national economy as well. RUS has over 80 years of experience in rural America, and knows the challenges facing rural areas that lack the scale to attract private investment.

Continuation of the program is critical because:

- Providing reliable, affordable electricity is essential to sustaining the economic well-being and quality of life for all the nation's rural residents; and
- Access to low cost capital helps keep electric rates affordable for rural residents and businesses.

Base funding will continue to support rural electrification and will be the critical source of USDA financing for more than 600 electric systems serving rural customers in 46 States. Electric cooperatives and telecommunications providers are encouraged to partner with each other to increase broadband availability. Since 2010, USDA has invested over \$2 billion in smart grid technology for rural communities.

The funding request of \$5.5 billion for 2020 is projected to provide improved electric facilities benefitting 5.1 million rural consumers. The funding also will support rural utility efforts to modernize their electric distribution, transmission, and generation infrastructure, and help customers save money through adoption of energy efficiency measures.

Table RUS-26. Electric Programs Performance Measure

Performance Measure	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Number of borrowers' consumers receiving new and/or improved electric facilities (millions)	6.6	7.5	5.1	5.1

(2) A decrease of \$750,000,000 in funding for guaranteed electric underwriting for bonds and notes (\$750,000,000 available in 2019).

Base funds for bond and note guarantees for private, non-profit cooperative lenders are authorized under section 313A of the RE 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 2020 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) No change in funding for telecommunications loans (\$690,000,000 available in 2019).

This program provides telecommunication loans to finance the improvement or extension of telecommunications service in rural areas. All telecommunications facilities financed must be broadband capable. This program enhances rural prosperity through access to capital that often is not available from the private sector. Program 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. Broadband service improves the quality of life and helps reduce outmigration, ensures continuity of growth in the agriculture and business sectors, and attracts people to live and invest in rural places.

Millions of Americans in rural areas have limited or even no access to broadband and this program provides a funding resource that is often not available from the private sector. This program plays an essential role in providing financing for broadband capable telecommunications projects that improve or extend telecommunications service driving economic development and job creation in rural America.

Continuation of the program is critical because:

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

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

Broadband deployment in rural areas helps to level the economic opportunities and equalize the availability of broadband services compared to urban areas. Modern telecommunication services assist 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 Financial 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 than the Treasury loans. The Treasury Rate program is preferred by borrowers due to its simplicity and security of a fixed interest rate and term for each advance which is provided by the Treasury Rate program. 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 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.

The funding request of \$690 million for 2020 is projected to support approximately 20 loans providing improved telecommunication facilities benefitting 100,000 rural subscribers.

Table RUS-27. Telecommunications Programs Performance Measure

Performance Measure	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Number of borrowers' subscribers receiving new and/or improved telecommunication services (infrastructure)	147,057	39,894 ^a	100,000	100,000

^a Demand for the program was down in 2018 due to the significant amount of funding made available through the Federal Communications Commission (FCC) Connect America Fund II Auction. The borrowers are also waiting for the additional \$600 million in funding from the 2018 Omnibus for the USDA Broadband Pilot Program. The funding announcement for the Pilot Program was published on December 13, 2018.

- (4) A decrease of \$1,070,000 in funding for telecommunication loan subsidy (\$863,000 available in 2019).

The cost to the taxpayers to extending \$176 million in credit under the Treasury Rate program is \$1.9 million. This program has a subsidy rate of 1.10 percent, so every \$1 of appropriations supports approximately \$91 of Federal investment. The FFB program has no appropriated budget authority, so apart from the salaries and expenses mentioned above there is no cost to the taxpayers to extending \$514.3 million in credit under the FFB program.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS**Table RUS-28. Rural Electric FFB Loans Geographic Breakdown of Obligations (thousands of dollars)**

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Alabama	\$56,733	\$158,399	-	-
Alaska	101,825	13,532	-	-
Arizona.....	-	43,617	-	-
Arkansas.....	86,011	222,035	-	-
California	14,261	15,625	-	-
Colorado.....	30,311	143,105	-	-
Florida.....	255,000	33,241	-	-
Georgia.....	604,096	263,114	-	-
Hawaii.....	60,712	4,814	-	-
Idaho	1,085	-	-	-
Illinois	-	15,300	-	-
Indiana	10,000	244,500	-	-
Iowa	17,500	29,000	-	-
Kansas.....	8,000	34,687	-	-
Kentucky.....	87,389	47,319	-	-
Louisiana.....	94,617	14,926	-	-
Maine	1,579	1,510	-	-
Michigan	47,700	8,000	-	-
Minnesota.....	100,207	164,438	-	-
Mississippi	56,839	-	-	-
Missouri	195,958	171,425	-	-
Montana	14,820	-	-	-
New Mexico.....	32,201	101,240	-	-
New York.....	10,163	2,629	-	-
North Carolina.....	251,847	163,960	-	-
North Dakota.....	214,934	114,296	-	-
Ohio	44,790	234,776	-	-
Oklahoma.....	457,485	75,688	-	-
Oregon	60,508	-	-	-
Pennsylvania	12,500	-	-	-
South Carolina.....	44,000	187,306	-	-
South Dakota.....	89,623	58,297	-	-
Tennessee.....	87,000	45,720	-	-
Texas.....	166,005	79,659	-	-
Virginia	33,000	209,720	-	-
Washington	5,142	18,195	-	-
Wisconsin.....	30,000	5,000	-	-
Wyoming.....	72,567	-	-	-
Distribution Unknown ^a	-	-	\$2,993,405	\$2,924,123
Obligations.....	3,456,408	2,925,073	2,993,405	2,924,123

^a Totals cannot be distributed at this time for 2019 and 2020.**Table RUS-29. Rural Electric FFB Loan Modifications Geographic Breakdown of Obligations (thousands of dollars)**

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Alabama	-	\$71,515	-	-
Arkansas.....	-	20,152	-	-

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Colorado.....	-	11,721	-	-
Georgia.....	-	32,627	-	-
Indiana.....	-	6,078	-	-
Kentucky.....	-	72,144	-	-
Minnesota.....	-	10,133	-	-
North Dakota.....	-	8,832	-	-
Distribution Unknown ^a	-	-	\$366,799	-
Obligations.....	-	233,201	366,799	-

^a Totals cannot be distributed at this time for 2019.

Table RUS-30. Rural Electric Underwriter Loans Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Virginia.....	\$750,000	\$750,000	-	-
Distribution Unknown ^a	-	-	\$750,000	-
Obligations.....	750,000	750,000	750,000	-

^a Totals cannot be distributed at this time for 2019.

Table RUS-31. Rural Energy Savings Program Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Arkansas.....	\$1,000	\$9,000	-	-
Colorado.....	500	11,000	-	-
North Carolina.....	200	-	-	-
Ohio.....	1,000	-	-	-
Oregon.....	-	1,500	-	-
South Carolina.....	13,000	-	-	-
Virginia.....	1,773	-	-	-
Washington.....	5,800	-	-	-
Wisconsin.....	1,000	-	-	-
Distribution Unknown ^a	-	-	\$72,231	-
Obligations.....	24,273	21,500	72,231	-

^a Totals cannot be distributed at this time for 2019.

Table RUS-32. Rural Telecommunications Direct Treasury Rate Loans Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Arizona.....	-	\$5,820	-	-
Illinois.....	\$2,000	-	-	-
Iowa.....	24,898	12,483	-	-
Kentucky.....	-	20,528	-	-
Michigan.....	12,072	-	-	-
Missouri.....	-	13,659	-	-
Montana.....	24,500	-	-	-
Nevada.....	-	6,944	-	-
New Mexico.....	-	5,910	-	-
North Dakota.....	14,958	-	-	-
South Dakota.....	100,672	20,760	-	-
Tennessee.....	39,134	-	-	-

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Virginia	-	2,183	-	-
Wisconsin.....	26,199	10,719	-	-
Distribution Unknown ^a	-	-	\$50,400	\$42,946
Obligations	244,433	99,006	50,400	42,946

^a Totals cannot be distributed at this time for 2019 and 2020.

Table RUS-33. Rural Telecommunications FFB Loans Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Alabama	\$19,314	-	-	-
Illinois	\$14,754	-	-	-
Iowa	6,536	\$3,000	-	-
Kansas	59,775	-	-	-
Minnesota.....	-	20,360	-	-
Montana	10,107	-	-	-
New Mexico.....	-	5,911	-	-
North Dakota.....	14,958	-	-	-
South Dakota.....	16,000	20,759	-	-
Texas	24,789	-	-	-
Utah.....	16,687	-	-	-
Virginia	-	2,183	-	-
Wisconsin.....	-	10,719	-	-
Distribution Unknown ^a	-	-	\$82,561	\$83,015
Obligations	182,920	62,932	82,561	83,015

^a Totals cannot be distributed at this time for 2019 and 2020.

CLASSIFICATION BY OBJECTS

Table RUS-34. Classification by Objects (thousands of dollars)

Item No.	Item	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
25.3	Other goods and services from Federal sources	\$33,270	\$33,270	\$33,270	\$38,027
41.0	Grants, subsidies, and contributions.....	5,680	3,113	12,530	481
	Total, Other Objects.....	38,950	36,383	45,800	38,508
99.9	Total, new obligations.....	38,950	36,383	45,800	38,508

ACCOUNT 3: RURAL DISTANCE LEARNING, TELEMEDICINE, AND BROADBAND PROGRAM ACCOUNT

APPROPRIATIONS LANGUAGE

The appropriations language follows (new language underscored):

For grants for telemedicine and distance learning services in rural areas, as authorized by 7 U.S.C. 950aaa et seq., \$43,600,000, to remain available until expended: *Provided*, That of the funds made available in this paragraph, \$20,000,000 shall be available for telemedicine projects to address the Nation's opioid epidemic.

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, \$30,000,000, to remain available until expended.

For an additional amount for the Secretary of Agriculture to continue a broadband loan and grant pilot program under the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.), \$200,000,000, to remain available until expended: *Provided*, That the Secretary may award grants described in section 601(a) of such Act for purposes of carrying out such pilot program: *Provided further*, That the cost of direct loans shall be as defined in section 502 of the Congressional Budget Act of 1974: *Provided further*, That at least 90 percent of the households to be served by a project receiving a loan or grant under the pilot program shall be in a rural area without sufficient access to broadband: *Provided further*, That for purposes of such pilot program, a rural area without sufficient access to broadband shall be defined as 10 Mbps downstream and 1 Mbps upstream, and such definition shall be reevaluated and redefined, as necessary, on an annual basis by the Secretary of Agriculture: *Provided further*, That an entity to which a loan or grant is made under the pilot program shall not use the loan or grant to overbuild or duplicate broadband expansion efforts made by any entity that has received a broadband loan from the Rural Utilities Service: *Provided further*, That not more than four percent of the funds made available in this paragraph can be used for administrative costs to carry out the program and up to three percent of funds made available in this paragraph may be available for technical assistance and pre-development planning activities to support the most rural communities: *Provided further*, That the Rural Utilities Service is directed to expedite program delivery methods that would implement this section: *Provided further*, That for purposes of this section, the Secretary shall adhere to the notice, reporting and service area assessment requirements set forth in sections 6104(a)(2)(D) and 6104(a)(2)(E) of the Agricultural Act of 2014 (7 U.S.C. 950bb(d)(5), (d)(8), and (d)(10)).

Change Description

The first change (sentence 2 of paragraph 1) adds language providing funding for opioid telemedicine projects.

The second change (paragraph 3) adds language for a pilot broadband loan and grant program.

LEAD-OFF TABULAR STATEMENT

Distance Learning, Telemedicine, and Broadband Program

Table RUS-35. Lead-Off Tabular Statement

Item	Grants	Loan Level	Subsidy
2019 Annualized Continuing Resolution ^a	\$660,000,000	\$115,184,000	\$27,000,000
Change in Appropriation	-450,400,000	+ 161,203,000	+ 37,000,000
Budget Estimate, 2020	209,600,000	276,387,000	64,000,000

^aThe amounts include funds from general provisions.

PROJECT STATEMENT

Table RUS-36. Project Statement ((Program level-PL, Budget Authority-BA) thousands of dollars)

Item	2017 Actual PL	2017 Actual BA	2018 Actual PL	2018 Actual BA	2019 Estimate PL	2019 Estimate BA	Inc. or Dec. PL	Chg Key	Inc. or Dec. BA	Chg Key	2020 Budget PL	2020 Budget BA
Discretionary Appropriations:												
Distance learning and telemedicine (DLT) grants.....	\$23,600	\$23,600	\$29,000	\$29,000	\$29,000	\$29,000	-\$5,400	(1)	-\$5,400		\$23,600	\$23,600
DLT Delta healthcare services grants.....	3,000	3,000	3,000	3,000	3,000	3,000	-3,000	(1)	-3,000		-	-
DLT Opioid Epidemic GP 775 ^a	-	-	20,000	20,000	20,000	20,000	-	(1)	-		20,000	20,000
Broadband direct treasury rate loans	27,043	4,500	29,851	5,000	25,602	5,000	-25,602	(2)	-5,000	(2)	-	-
Broadband grants.....	34,500	34,500	30,000	30,000	30,000	30,000	-	(4)	-		30,000	30,000
ReConnect BB loan/grant - Pilot.....	-	-	558,000	558,000	625,583	558,000	-227,196		-372,000	(3)	398,387	186,000
ReConnect BB Admin and TA - Pilot.....	-	-	42,000	42,000	42,000	42,000	-28,000		-28,000	(3)	14,000	14,000
Subtotal	88,143	65,600	711,851	687,000	775,184	687,000	-289,197		-413,400		485,987	273,600
Total Adjusted Approp.....	88,143	65,600	711,851	687,000	775,184	687,000	-289,197		-413,400		485,987	273,600
Total Appropriation.....	88,143	65,600	711,851	687,000	775,184	687,000	-34,002		-13,400		485,987	273,600
Recoveries, Other (Net).....	8,994	8,962	16,437	11,044	10,596	9,055	-722		-669		9,874	8,387
Bal. Available, SOY.....	100,260	27,364	117,410	41,952	1,024,660	634,955	+257,158		+254,941		1,281,818	889,896
Total Available.....	197,397	101,926	845,697	739,996	1,810,440	1,331,010	222,434		240,873		1,777,679	1,171,883
Rescinded Balances ^b	-566	-566	-	-	-	-	-		-		-	-
Bal. Available, EOY.....	-117,410	-41,952	-724,244	-634,955	-1,281,818	-889,896	+539,645		+539,225		-742,173	-350,672
Total Obligations.....	79,421	59,408	121,453	105,041	528,622	441,114	762,079		780,097		1,035,506	821,211

^a Funding provided in 2018 pursuant to section 775 of the Consolidated Appropriations Act, 2018, P.L. 115–141, for an additional amount for telemedicine and distance learning services in rural areas, as authorized by 7 U.S.C 950aaa et seq., to help address the opioid epidemic in rural America. Funds to remain available until expended. In 2020, this funding is requested in this 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.

The numbered justifications items are keyed to the Change Key (Chg Key) column on the Project Statement.

JUSTIFICATIONS

Distance Learning, Telemedicine and Broadband Programs

All distance learning, telemedicine and broadband programs support the USDA Strategic Goal 4: Facilitate rural prosperity and economic development; Objective 4.1: Expand rural business opportunity and rural quality of life with access to capital; improved infrastructure; broadband access and connectivity; and support for workforce availability. This program also supports Call to Action #1 in the report from the Task Force on Agriculture and Rural Prosperity, chaired by Secretary Perdue: Achieving e-Connectivity for Rural America.

- (1) A decrease of \$8,400,000 in funding for distance learning and telemedicine grants (\$52,000,000 available in 2019).

This program is designed specifically to meet the educational and health care needs of rural America by providing grants for advanced telecommunications technologies to provide enhanced learning and health care opportunities for rural residents. Telemedicine can help hospitals meet operational and financial challenges by helping to drive volume, improve quality and save on staffing costs. Even small rural hospitals can expand to provide highly specialized health services and expertise without the tremendous costs of incentivizing and relocating specialty physicians. In addition, grants through this program are also being utilized to address the Nation’s need for additional science, technology, engineering and mathematics (STEM) educational resources.

Millions of Americans in rural areas have limited access to healthcare and educational services and very few private sector providers would likely even consider working in the rural sector. To many small communities that are currently underserved, lower-income and extremely rural, RUS represents the primary financial assistance available.

Continuation of the program is critical because:

- Telemedicine and distance learning are critical services in rural America, where education performance lags and many residents live in medically underserved counties; and
- Telecommunications facilities and services connect communities, overcoming the negative effects of remoteness and low population density.

Base funds for the distance learning and telemedicine grant program will continue to provide residents in rural America with critical telemedicine and distance learning services. Continuing the base funding is crucial to ensure the continued success of the program.

The funding request for 2020 includes \$20 million that will be used for telemedicine projects that can help address the Nation’s opioid epidemic. Telehealth systems can help rural communities reduce the barriers of time and distance to deliver quality care to those who live and work in rural areas. The additional funding is critical in providing opioid misuse prevention, treatment and recovery services to rural communities. This funding continues the process started in 2018. This funding supports the Administration’s effort on combating the National Drug Demand and Opioid Crisis.

The funding request of \$43.6 million for 2020 is projected to provide distance learning and telemedicine services through approximately 90 projects benefitting 600 counties with healthcare and educational access in unserved rural communities.

Table RUS-37. Distance Learning and Telemedicine Performance Measure

Performance Measure	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Number of rural counties receiving distance learning and telemedicine facilities	487	736	500	600

- (2) A decrease of \$25,602,000 in funding for direct broadband telecommunications treasury rate loans (\$25,602,000 available in 2019).

No funding is requested for this program. The reduction in funding requested for direct broadband telecommunications treasury rate loans program in 2020 will be offset by continued access by most of the eligible borrowers to the broadband pilot program established by the Consolidated Appropriations Act of 2018, to conduct a new broadband loan and grant pilot program under the RE Act (7 U.S.C. 901 et seq.) to fund broadband capable infrastructure in rural communities.

(3) A decrease of \$400,000,000 in funding for broadband telecommunications loan and grant pilot program (\$600,000,000 available in 2019).

This program was established by the Consolidated Appropriations Act of 2018, to conduct a new broadband loan and grant pilot program under the RE Act (7 U.S.C. 901 et seq.) to fund broadband capable infrastructure in rural communities of 20,000 or less where at least 90 percent of the households to be served are without sufficient access to broadband, defined for this pilot program as 10 Megabits per second (Mbps) downstream, and 1 Mbps upstream, provided that funds shall not be used to overbuild or duplicate broadband expansion efforts of any entity that has received a broadband loan from RUS. A wide variety of entities are eligible for funding including incumbent and competitive rural telephone and broadband service providers, rural electric cooperatives, private firms (but not sole proprietors or partnerships), nonprofits and government bodies.

According to a 2018 report by the Federal Communications Commission, 80 percent of the 24 million American households that do not have reliable, affordable, high-speed Internet are in rural areas. Rural Development has a solid ongoing commitment to helping improve the economy and quality of life in rural America, building reliable, scalable, and sustainable broadband. Without broadband rural Americans cannot reach their full productivity in the workplace, receive the best education in schools nor the finest health care in hospitals.

Continuation of the program is critical because:

- Projects provide residents of rural America with access to high-speed internet services; and
- Internet service is essential for the economic and social development of rural communities.

Base funding enhances rural prosperity through access to capital that often is not available from the private sector and provides for broadband infrastructure deployment projects at reasonable rates and terms so that rural communities are affordable places to live, private sector businesses can expand, and farms can reach their potential. The funding furnishes grants 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.

This program helps spur investment and capacity building in rural communities through partnerships with private as well as governmental rural telecommunications service providers. In some rural communities the base funding is the only source for telecommunications financing that will continue to provide residents in rural America with access to modern telecommunications.

The funding request of \$200 million for 2020 is projected to provide improved broadband services through approximately 8 loans, grants, or loan/grant combinations benefitting 15,000 rural subscribers. Funding distributions are still being determined.

Table RUS-38. Broadband Pilot Performance Measure

Performance Measure	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Number of grantees' subscribers receiving new and/or improved telecommunication services.....	N/A	N/A	25,000	15,000

(4) No change in funding for broadband telecommunication grants (\$30,000,000 available in 2019).

This program provides funding for broadband connectivity in rural communities where broadband service is primarily unavailable, but where the Internet can improve the quality of life for citizens and foster economic opportunities. By providing funding for broadband connectivity, the program enhances the ability of rural businesses to succeed through access to modern telecommunications.

Millions of Americans in rural areas have limited or even no access to broadband and very few private sector providers would likely even consider working in the rural sector. Rural Development has a solid ongoing commitment to help improve the economy and quality of life in rural America, building reliable, scalable, and sustainable broadband. The Agency's impact on rural America has evolved as technologies developed and rural needs changed.

Continuation of the program is critical because:

- Projects funded by these grants will be used in areas that will likely never have access if grant funds are not available; and

- Targeting unserved communities that lack traditional investment opportunities with grant funds is the only way to ensure these economically challenged rural communities are served.

Base funds for the broadband telecommunications grant program will continue to provide residents in rural America with essential high-speed Internet services. Continuing the base funding is crucial to ensure the continued success of the program.

The funding request of \$30 million for 2020 is expected to support approximately 13 broadband grants that will provide broadband access in unserved rural communities.

Table RUS-39. Broadband Telecommunications Grants Performance Measure

Performance Measure	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Number of grantees' subscribers receiving new and/or improved telecommunication services.....	4,477	5,956	3,500	3,500

- (5) A decrease of \$5,000,000 in funding for direct broadband telecommunications treasury rate subsidy (\$5,000,000 available in 2019).

No funding is requested for this program. The reduction in funding requested for direct broadband telecommunications treasury rate loans program in 2020 will be offset by continued access by most of the eligible borrowers to the broadband pilot program established by the Consolidated Appropriations Act of 2018, to conduct a new broadband loan and grant pilot program under the RE Act (7 U.S.C. 901 et seq.) to fund broadband capable infrastructure in rural communities.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS

Table RUS-40. Distance Learning and Telecommunications Grants Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Alabama.....	\$1,105	\$489	-	-
Alaska.....	1,392	1,687	-	-
Arizona.....	250	-	-	-
California.....	452	2,023	-	-
Colorado.....	266	753	-	-
Florida.....	-	968	-	-
Georgia.....	791	3,032	-	-
Hawaii.....	-	674	-	-
Idaho.....	-	52	-	-
Illinois.....	312	1,422	-	-
Indiana.....	989	-	-	-
Iowa.....	-	1,459	-	-
Kansas.....	-	455	-	-
Kentucky.....	1,941	686	-	-
Louisiana.....	999	1,434	-	-
Maine.....	1,343	567	-	-
Michigan.....	115	690	-	-
Minnesota.....	120	955	-	-
Mississippi.....	336	2,442	-	-
Missouri.....	120	1,414	-	-
Montana.....	-	236	-	-
Nebraska.....	121	1,862	-	-
Nevada.....	-	603	-	-
New Hampshire.....	-	327	-	-
New Mexico.....	603	178	-	-

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
New York.....	1,671	972	-	-
North Carolina.....	1,187	4,044	-	-
North Dakota.....	-	155	-	-
Ohio.....	-	1,144	-	-
Oklahoma.....	1,928	1,320	-	-
Oregon.....	-	57	-	-
Pennsylvania.....	-	2,068	-	-
South Carolina.....	2,303	3,552	-	-
South Dakota.....	612	928	-	-
Tennessee.....	1,727	152	-	-
Texas.....	1,318	2,222	-	-
Utah.....	-	1,046	-	-
Vermont.....	389	-	-	-
Virgin Islands.....	-	372	-	-
Virginia.....	216	664	-	-
Washington.....	848	74	-	-
West Virginia.....	100	1,104	-	-
Wisconsin.....	-	86	-	-
Wyoming.....	-	209	-	-
Other Countries.....	-	144	-	-
Distribution Unknown ^a	-	-	\$56,206	\$50,795
Obligations.....	23,551	44,721	56,206	50,795

^a Totals cannot be distributed at this time for 2019 and 2020.

Table RUS-41. Distance Learning and Telecommunications Delta Health Services Grants Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Alabama.....	\$730	-	-	-
Arkansas.....	-	\$829	-	-
Kentucky.....	673	445	-	-
Louisiana.....	-	176	-	-
Mississippi.....	1,999	1,116	-	-
Missouri.....	983	-	-	-
Tennessee.....	-	476	-	-
Distribution Unknown ^a	-	-	\$3,254	-
Obligations.....	4,386	3,042	3,254	-

^a Totals cannot be distributed at this time for 2019.

Table RUS-42. Direct Broadband Telecommunications Treasury Rate Loans Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Arkansas.....	-	\$19,884	-	-
Oklahoma.....	\$15,308	-	-	-
Virginia.....	8,700	-	-	-
Distribution Unknown ^a	-	-	\$26,231	-
Obligations.....	24,008	19,884	26,231	-

^a Totals cannot be distributed at this time for 2019.

Table RUS-43. Broadband Pilot Loans/Grants Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Distribution Unknown ^a	-	-	\$387,980	\$929,495
Obligations.....	-	-	387,980	929,495

^a Totals cannot be distributed at this time for 2019 and 2020

Table RUS-44. Broadband Pilot TA Grants Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Distribution Unknown ^a	-	-	\$8,360	\$7,188
Obligations.....	-	-	8,360	7,188

^a Totals cannot be distributed at this time for 2019 and 2020.

Table RUS-45. Broadband Pilot Admin Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
District of Columbia.....	-	\$7,200	\$13,345	\$15,880
Obligations.....	-	7,200	13,345	15,880

Table RUS-46. Broadband Telecommunications Grants Geographic Breakdown of Obligations (thousands of dollars)

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Alabama.....	-	\$2,981	-	-
Georgia.....	-	3,000	-	-
Kentucky.....	-	3,000	-	-
Maine.....	-	1,320	-	-
Minnesota.....	\$2,109	2,148	-	-
North Carolina.....	-	3,000	-	-
North Dakota.....	-	2,829	-	-
Oklahoma.....	6,881	14,269	-	-
Tennessee.....	5,244	1,813	-	-
Utah.....	-	3,373	-	-
Virginia.....	7,895	7,175	-	-
Washington.....	2,346	390	-	-
West Virginia.....	3,000	-	-	-
Wyoming.....	-	1,309	-	-
Distribution Unknown ^a	-	-	\$33,245	\$32,148
Obligations.....	27,476	46,606	33,245	32,148

^a Totals cannot be distributed at this time for 2019 and 2020.

CLASSIFICATION BY OBJECTS**Table RUS-47. Classification by Objects (thousands of dollars)**

Item No.	Item	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
41.0	Grants, subsidies, and contributions.....	\$59,408	\$105,041	\$441,114	\$821,211
	Total, Other Objects.....	59,408	105,041	441,114	821,211
99.9	Total, new obligations.....	59,408	105,041	441,114	821,211

ACCOUNT 4: HIGH ENERGY COST GRANTS**LEAD-OFF TABULAR STATEMENT***High Energy Cost Grants***Table RUS-48. Lead-Off Tabular Statement**

Item	Amount
2019 Annualized Continuing Resolution	\$10,000,000
Change in Appropriation.....	-10,000,000
Budget Estimate, 2020	0

PROJECT STATEMENT**Table RUS-49. Project Statement ((Program level-PL, Budget Authority-BA) thousands of dollars)**

Item	2017 Actual BA	2018 Actual BA	2019 Estimate BA	Inc. or Dec.	Chg Key	2020 Budget BA
Discretionary Appropriations:						
High Energy Cost Grants	-	-	-	-	-	-
Rsc, Trns, Other (Net).....	-\$10,000	-\$10,000	-\$10,000	+\$10,000		-
Total Appropriation.....	-10,000	-10,000	-10,000	+10,000		-
Transfers In:						
Water and Waste Disposal Program Account	10,000	10,000	10,000	-10,000	(1)	-
Total.....	10,000	10,000	10,000	-10,000		-
Recoveries, Other (Net).....	18	588	200	-100		\$100
Bal. Available, SOY.....	20,297	13,276	2,070	-1,870		200
Total Available.....	30,315	23,864	12,270	-11,970		300
Bal. Available, EOY	-13,276	-2,070	-200	-100		-300
Total Obligations.....	17,039	21,793	12,070	-12,070		-

JUSTIFICATIONS**High Energy Cost Grants**

(1) A decrease of \$10,000,000 in high energy cost grants (\$10,000,000 available in 2019).

No new funding is being requested for this program in 2020.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS**Table RUS-50. High Energy Cost Grants Geographic Breakdown of Obligations (thousands of dollars)**

State/Territory/Country	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
Alaska	\$15,539	\$18,494	-	-
Hawaii.....	896.45	-	-	-
New Mexico.....	-	370	-	-
Other Countries.....	603.5	2,930	-	-
Distribution Unknown ^a	-	-	\$12,070	-
Obligations.....	17,039	21,793	12,070	-

^a Totals cannot be distributed at this time for 2019.

CLASSIFICATION BY OBJECTS

Table RUS-51. Classification by Objects (thousands of dollars)

Item No.	Item	2017 Actual	2018 Actual	2019 Estimate	2020 Budget
41.0	Grants, subsidies, and contributions	\$17,039	\$21,793	\$12,070	0
	Total, Other Objects.....	17,039	21,793	12,070	0
99.9	Total, new obligations.....	17,039	21,793	12,070	0

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

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 broadband capable construction, expansion, and upgrades of telecommunications facilities.

Specifically Addressed Areas

The Electric Programs are 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.

The Telecommunications Program is financing projects to improve telecommunications service in rural areas in order to ensure 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 are fundamental for economic development, innovation, workforce readiness, and an improved quality of life. High-speed internet is a tool that enables increased productivity for farms, factories, forests, mining and small businesses. Reliable and affordable high-speed internet e-connectivity is a key catalyst for prosperity in rural communities and is essential for a healthy and growing rural economy. 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 2018, the Electric Programs served over 600 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 2018, the electric loan programs approved a total of nearly \$3.7 billion in loans for rural infrastructure. This total includes 114 direct Federal Financing Bank (FFB) electric loans to local utilities, totaling over \$2.9 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 four zero interest Rural Energy Savings Program (RESP) loans totaling \$21.5 million to help rural homes and businesses save energy and money.

RUS approved 99 FFB loan guarantees for distribution borrowers totaling nearly \$2.2 billion, and 15 power supply (generation and transmission) FFB loan guarantees totaling \$756 million. These FFB electric loans approved in 2018 provided over \$2 billion for new or improved distribution system facilities, \$389 million for transmission facilities, \$241 million for generating plant improvements, \$77.5 million for new renewable generation facilities, \$61.2 million for headquarters facilities, \$68.3 million for acquisitions and \$43.3 million for other loan purposes. RUS approved loans supporting solar photovoltaic renewable generation projects in Maine, Florida, and New York with a combined total capacity of 84 megawatts.

USDA's investments in 2018 continued to advance grid modernization with funding for 14,504 miles of new and/or improved transmission and distribution facilities. The 2018 Electric program loans included over \$450 million in smart grid investments, bringing the total USDA investment in smart grid technology for rural communities since

2010 to over \$2.3 billion. In Indiana, the Marshall County Rural Electric Membership Corporation (REMC) will use a \$9.5 million loan to build 11 miles of line, improve 59 miles and implement other system improvements, including \$5.1 million for smart grid projects.

The \$3.7 billion in new FFB electric loans approved in 2018 will provide new or improved electric service to over 7.5 million retail customers in rural America. In 2018, a few of the loans to power supply borrowers will provide 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 2.2 million new customers to the electric grid. Electric FFB loans to borrowers serving persistent poverty counties totaled \$732.6 million or almost 20 percent of the program obligations in 2018.

With this funding, RUS was able to fully meet all of the completed loan applications on hand. Loan volumes are seeing an upward tick as electric utilities continue to make improvements to their systems to meet load growth and to replace aging infrastructure. The 2018 loans support ongoing capital investments in rural infrastructure. In 2018, as in 2017, 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. In 2018, RUS obligated \$233.2 million under this program to refinance the FFB loan guarantees of 13 borrowers. The program is authorized through 2019. RUS is expecting to use most of the \$600 million available for this program next fiscal year.

In 2018, RUS continued implementing the 2014 Farm Bill's RESP zero-interest loan program with funds first provided in the 2016 Agriculture Appropriations Act. In August 2018, RUS published a notice of funding availability (NOFA) and has received letters of intent in response to the NOFA. Additional letters of intent are expected as more loans are completed and the program gains acceptance within the industry. Applications are being processed in the order received.

In Colorado, Holy Cross Electric Association, Inc. will use a \$11 million RESP loan for an on-bill financing program to qualified consumers to implement energy efficiency and weatherization measures for or at property located within the service territory of Holy Cross. This program will provide energy and cost savings for Holy Cross members as well as support Holy Cross' existing energy efficiency program: WE CARE.

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 Telecommunications Program makes direct loans and guaranteed loans for broadband capable 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.

During 2018, RUS approved 13 infrastructure loans for telecommunication investments in rural communities. The total amount obligated in 2018 was \$161.9 million and included one loan for \$17 million to a borrower serving persistent poverty counties and one loan for \$5.8 million serving a substantially underserved trust area. These projects, upon completion, will deliver new or improved broadband service to 39,894 businesses and households.

Demand for the program was down in 2018 due to the significant amount of funding made available through the Federal Communications Commission (FCC) Connect America Fund II Auction. The borrowers are also waiting for the additional \$600 million in funding from the 2018 Omnibus for the USDA Broadband Pilot Program. The funding announcement for this program was published on December 13, 2018.

In Wisconsin, the Chibardun Telephone Cooperative, Inc. will use a \$21.4 million loan to construct 670 miles of fiber-to-the-premises (FTTP) and improve outside plant facilities in four of its six exchanges. The cooperative plans to build a FTTH network capable of sustaining customer demands in broadband connectivity for the foreseeable future. Approximately 2,700 subscribers will receive improved service as a result of this loan.

In Missouri, the Northeast Missouri Rural Telephone Company will use a \$13.7 million loan to convert six exchanges from copper plant to FTTP. The loan will finance the construction of nearly 500 route miles of fiber and will improve service to 1,063 subscribers.

Providing broadband in rural communities poses unique challenges. These include: remote, difficult terrain that makes construction and maintenance costlier; 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.

Program Evaluations

Electric Programs:

The Electric Program recently completed a multi-year business process re-engineering and streamlining initiative intended to reorient and modernize program delivery, fully implement new Farm Bill loan authority, capture efficiencies from enhanced information technology capabilities, and enhance customer service. This internal initiative identified a wide range of process improvements which have been and are being implemented as resources permit. These efforts also support the Electric Programs implementation and compliance with a broad range of new agency requirements for program evaluation, assessment, performance reporting, transparency, E-government, and public engagement.

The Electric Program's streamlining initiative engages the program's staff and partners to seek ideas for reform, vet proposal, discuss options, build consensus and make recommendations for review and approval by leadership. Streamlining processes and procedures will provide a structured approach for revisiting, reviewing, and improving the internal effectiveness, efficiency and customer satisfaction. In addition, streamlining will reduce costs, complexity and time needed to complete the Program's mission and tasks resulting in savings and increased productivity. Evidence garnered so far from the Electric Program's streamlining efforts have provided the basis for numerous process improvements and are providing the foundation for the program to initiate regulation modifications to reduce approval and contract requirements which enhance RUS security and allow the program to better analyze lending risks.

Telecommunications Program:

In April 2017, the Government Accountability Office (GAO) made five recommendations to RUS, regarding RUS's rural broadband deployment programs. In the report GAO-17-301, *Improved Consistency with Leading Practices Could Enhance Management of Loan and Grant Programs*, GAO assessed the extent to which RUS's procedures and activities follow leading practices for federal funding, program management, and broadband deployment.

In response to the report, RUS completed a review and assessment of its program goals and performance measures. The assessment drew on insights from multiple interviews with internal and external stakeholders; analysis of programs, publications, and research documents; and the examination of leading practices and guidance across federal agencies. As a result, RUS established a clear goal for each program and eight performance measures to be collected across our broadband programs. Each goal considers the ultimate impact that RUS strives to achieve with its programs, as well as the intermediate steps it takes to realize these goals (i.e., "access" and "use").

Additionally, RUS recently completed a comprehensive risk assessment of its broadband programs. RUS worked with internal and external stakeholders to identify risks affecting the rural broadband deployment programs. The Agency then consolidated all risk information into a risk register, prioritized the top tier of risks and grouped risks based on interdependencies and causal factors. The agency is now working to develop, implement and monitor the risk response plans and implement a process to conduct recurring risk assessments.

Distance Learning and Telemedicine (DLT)

Current Activities

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.

Specifically Addressed Areas

Assisting rural schools and learning centers in gaining access to improved educational 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. Grants through this program are also being utilized to address the nation's need for additional science, technology, engineering and mathematics (STEM) educational resources.

Assisting rural hospitals and health care centers in gaining access to improved medical resources. Telemedicine 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. Grants through this program are also being utilized to address two of the Nation's most urgent needs: Opioid abuse treatment and mental health counseling.

Selected Examples of Recent Progress

In 2018, the program received 224 applications and 145 applicants were awarded grants, the remaining of the obligations were not eligible. A total of \$44.9 million was obligated for DLT Grants. Of the awards made, 114 received special emphasis points for projects related to STEM education and Opioid addiction treatment and prevention. Of the total, almost \$10 million was obligated for 37 telemedicine projects which have a focus on opioids addiction treatment and prevention.

In Colorado, Lincoln Community Hospital and Nursing Home will use a \$265,622 grant to establish a telemedicine network between hospitals and clinics in Colorado serving more than 200,000 residents in Adams, Cheyenne, Kit Carson, Lincoln and Phillips counties. Improved medical services include behavioral health, post-operative care and care management for chronic conditions. Mobile clinics will provide medical services at patient's homes and will provide access to specialty care and tele-stroke services. Additionally, the telemedicine connections will help emergency departments at Lincoln Community Hospital's behavioral health providers assess behavioral health issues more rapidly and move patients in crisis out of the departments and into more appropriate care settings.

In New York, Southern Tier Health Care Systems, Inc. will use a \$132,399 grant to deploy telecommunications equipment to help train and certify emergency responders dealing with opioid overdoses. Southern Tier will connect to four end-user sites in Salamanca, Cuba, Franklin and Gerry. The project will support education for emergency response personnel at the Allegany Indian Reservation Volunteer Fire Department and at community service agencies in Allegany, Cattaraugus and Chautauqua counties.

Program Evaluations

See Telecommunications Program above.

Community Connect Broadband Grant Program***Current Activities***

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.

Specifically Addressed Areas

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 2018, the Community Connect program received 124 applications and approved 22 projects that will deliver broadband to rural areas currently without high-speed Internet service, the rest of the applications were not eligible. The grants totaled nearly \$47 million in funding and will provide broadband service in 11 States; and also included was one grant for \$2.5 million to a borrower serving persistent poverty counties.

In Oklahoma, the Osage Innovative Solutions, LLC will use a \$2.7 million grant to construct hybrid FTTP and fixed wireless system in an unserved and economically depressed portion of the Osage Nation in Osage County. The company will offer speeds of up to 100 megabits per second (Mbps) download and 10 Mbps upload to 139 households and 22 businesses. This project will give customers access to high-quality telecommunications services

to improve economic, education and health care opportunities. Osage will provide a community center where residents can access the Internet free of charge.

Program Evaluations

See Telecommunications Program above.

Broadband Program

Current Activities

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.

Specifically Addressed Areas

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. Broadband 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

In 2018, RUS approved one broadband loan for nearly \$20 million to Arkansas Rural Internet Services, Inc. (ARIS). ARIS was formed in June of 2016 and is wholly owned by Ouachita Electric Services, Inc. and AIRECAST LLC. The company is a unique partnership between an electric cooperative and telephone company, with the electric coop providing the equity funding needed for the project and the telephone company providing in-kind operations, management, and support services. The loan will finance the construction of a FTTP network to serve residents and businesses in Dallas, Calhoun and Ouachita counties in southern Arkansas. The project will include approximately 426 miles of aerial and buried fiber optic cable and is projected to serve over 5,000 customers.

Demand for the program was down in 2018 due to the significant amount of funding made available through the FCC Connect America Fund II Auction. The borrowers are also waiting for the additional \$600 million in funding from the 2018 Omnibus for the USDA Broadband Pilot Program. The funding announcement for this program was published on December 13, 2018.

Program Evaluations

See Telecommunications Program above.

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. With a focus on underserved communities, WEP directs its technical and financial resources to rural communities with the greatest need. These communities may be poverty-stricken as a result of out-migration, economic factors, or even natural disasters. That said, rural communities can sustain economic development and improve the quality of life for their residents through providing dependable water and waste services.

Specifically Addressed Areas

- Developing vital infrastructure by directing resources to the neediest projects and communities;
- Increasing rural prosperity by focusing on maintaining sustainable water systems in rural communities;
- Making prudent and efficient use of the funding through a structured underwriting and technical review process that adjusts the level of loan and, when necessary, grant mix to ensure users maintain affordable rates;
- Assisting rural communities through innovative approaches; and
- Building partnerships to increase the availability of affordable financing for rural water infrastructure.

Selected Examples of Recent Progress

In 2018, RUS invested approximately \$2.95 billion in direct and guaranteed loans and grants to help rural communities develop or otherwise improve their Water and Waste Disposal (WWD) facilities. Through its investments, RUS delivered new and improved services to 2.9 million rural residents, exceeding the goal of 2.2 million for the fiscal year. Some highlights of the FY 2018 investments in critical infrastructure include:

- \$2.75 billion in WWD direct loans and grants to bring clean drinking water and safe sanitary waste services to rural residents through 1,391 loans and grants, including 799 direct loans.
 - Over \$91 million of the above was for 54 projects located in persistent poverty counties throughout 19 states, not including \$12.7 million in awards made in persistent poverty counties under separate programs (see below);
- \$25.5 million in guarantee loan production, which is a 402 percent increase from 2017;
- \$84.8 million assisted 62 projects in disadvantaged communities, such as Colonia, Empowerment Zone/Enterprise Communities, Hawaiian Homelands, Native American tribes, and rural Alaskan natives and villages. This figure includes \$10 million awarded to eight Native American projects in persistent poverty counties located in four states;
- \$15.8 million benefited 35 projects in communities qualifying for emergency assistance, including \$2.7 million for nine projects located in persistent poverty counties across five states;
- \$3.5 million assisted 136 pre-development grants to public water and waste systems to complete technical documents, such as engineering and environmental reports;
- \$63.9 million was for 63 grants and 2 multi-year contracts to technical assistance providers;
- \$4 million was used to facilitate the American Iron and Steel initiative and other programmatic items; and,
- An additional \$5.1 million was used to obligate 11 projects that will be administered by RUS for partner organizations.

In addition to the historical funding level for this program, the 2018 Omnibus provided an additional \$500 million in April. WEP continued to make efficient use of the provided budget authority (BA) and loan levels through obligating over 96 percent of the 2018 appropriated BA. In comparison to 2017, WEP increased its total obligations by 54 percent and the number of residents receiving new and improved services by 16 percent.

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 roughly 73,105 technical assistance visits or contacts during 2018. Technical assistance and training included: 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. This assistance is invaluable to rural systems throughout the country whom often lack the technical, managerial, and financial (TMF) resources often associated with larger systems. TMF is paramount to the success of RUS, including the long-term sustainability of all program borrowers. The RUS National and RD State offices regularly monitor the national and individual state performance.

In 2018, the WEP continued to demonstrate its effectiveness as approximately 92 percent of the systems in its portfolio met or exceeded 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 that it is a continued trend. Having sustainable and dependable water systems are vital to both the health and economic development of rural communities. The availability of these services positions rural communities to 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 15,440 loans totaling \$12.8 billion as of the end of 2018. The delinquency rate at the end of 2018 was 0.42 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 1.98 percent). USDA entered into a forbearance agreement on July 1, 2016 with the Commonwealth that has continued while debt settlement negotiations have been ongoing.

In South Dakota, the Mid Dakota Rural Water System received a direct loan on \$31.2 million and a guaranteed loan of \$3.8 million to complete a series of upgrades to its water system and refinance loans with high interest rates. Working collaboratively with CoBank, WEP was able to leverage direct loans with guaranteed financing to serve as a prime example of how public and private capital can help enrich the lives of rural Americans. To be more specific, this project will enable the Mid Dakota Rural Water System to replace parallel piping, install a 1.5 million gallon

water storage tank, construct a new pump station, and refinance existing loans with a lower interest rate to free up additional cash flow.

In New York, the Town of Ripley received a \$149,600 Emergency Community Water Assistance Grant (ECWAG) award to replace a wing wall on their Water Reservoir Dam located along Belson Creek. Over the last five years, the Town of Ripley has experienced four major flooding events that have caused erosion and deterioration along the wing walls. Three of the four events were noted through FEMA Disaster Declarations and the fourth event was noted through an SBA Declaration of Disaster, which highlight the severity of the storms. Taking advantage of the Simplified ECWAG application process, the primary water supply for the Town will be stabilized ensuring its structural integrity for years to come.

Program Evaluations

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

WEP officially launched the electronic Preliminary Engineering Report, known as ePER, in FY 2018. This first of its kind web application is an easy-to-use tool for consulting engineers. Use of ePER ensures all pertinent information needed for planning projects and 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. While still in its early stages, the ePER was used for 44 projects in 2018.

RD Apply, RUS' online application system, is continuing to reshape the way WEP does business. Launched in September 2015, RD Apply allows applicants to submit applications online through any device with Internet access. Customers can securely create applications, upload attachments, and digitally sign forms and certifications. To date, more than 1,425 applications were submitted through RD Apply. During 2018, roughly 65 percent of applications were submitted to WEP electronically through RD Apply.

In 2018, building upon the efficiencies gained with the new environmental regulation, RUS staff worked collaboratively with Advisory Council on Historic Preservation, as well as a number of other vested stakeholders, to enact a Nationwide Programmatic Agreement (NPA). The NPA more closely aligns WEP's program delivery to Section 106 of the National Historic Preservation Act through allowing the obligation of monies for certain projects prior to the completion of the Section 106 process. This enables RUS to obligate monies for certain projects ahead of incurring potential costs associated with the review. Also, it allows for the continued development of technical documents, which helps to ensure that scope of the review is accurate. The NPA was executed in July 2018 and has been used to help facilitate the obligation of 58 projects.

WEP strengthened connections with our partners who help rural communities recover from current and future natural disasters. Last month, Rural Development released a notice of funding availability of \$163,475,000 in grant funds that are available to help communities impacted by Hurricanes Harvey, Irma and Maria rebuild damaged infrastructure. Funding also included monies for Technical Assistance Providers to provide assistance with the development of applications and other needs. In 2018, National Rural Water Association (NRWA) and Rural Community Assistance Partnership (RCAP) provided damage assessments to 1,143 rural systems in 2018 and direct assistance in restoring service to 51 systems impacted by Hurricanes Harvey, Irma and Maria. Two grants for \$500,000 to NRWA and RCAP were awarded to provide the disaster assistance.

AGENCY-WIDE PERFORMANCE**SUMMARY OF PERFORMANCE**

The USDA Rural Utilities Service (RUS) mission is to enhance the quality of life and improve economic opportunity in rural communities by providing financing for the basic infrastructure of modern life. Electricity, telecommunications, and water and waste systems are essential services for individuals and businesses alike that assist communities with creating wealth, supporting self-sustaining and repopulating communities, and thriving economically. RUS is composed of three major programs: Electric, Telecommunications, and Water and Environmental. Electric and telecommunications programs are authorized by the Rural Electrification Act of 1936, as amended, 7 U.S.C. 901 et seq. (RE Act) and related legislation. Water and environmental programs (WEP) are authorized by Section 306 of the Consolidated Farm and Rural Development Act (CONACT), 7 U.S.C. 1926 et seq. Broadband loans were initially authorized by the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) and reauthorized and modified in the 2008 Farm Bill and 2014 Farm Bill. Distance learning and telemedicine grants are authorized by 7 U.S.C. 950aaa. Community connect broadband grants are authorized by section 306(a)(20)(E) CONACT and 7 U.S.C. 1926(a)(20)(E).

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. The following table summarizes the results for the Departmental Key Performance Indicators (KPIs) for which RUS is responsible.

Table RUS - 52 KPI

KPI	2017 Actual	2018 Actual	2018 Target	2018 Result	2019 Target	2020 Target
Number of borrowers'/grantees' subscribers receiving new and/or improved telecommunication services (thousands)	158	45	170	Not Met	138.5 ^a	118.5 ^a
Number of borrowers' consumers receiving new and/or improved electric facilities (millions)	6.6	7.5	4.5	Exceeded	5.1	5.1

^a Includes Infrastructure Loans, Broadband Loans, Broadband Pilot Loans/Grants and Broadband Grants

SELECTED PAST ACCOMPLISHMENTS TOWARD THE ACHIEVEMENT OF THE KPI OUTCOMES

The telecommunications programs did not meet its KPI due to demand for the program being down in 2018 owing to the significant amount of funding made available through the Federal Communications Commission (FCC) Connect America Fund II Auction (held in the summer 2018), and the borrowers expecting the additional \$600 million in funding from the 2018 Omnibus for the USDA Broadband Pilot Program (ReConnect) to become available soon. Additionally, out of the 25 infrastructure loan applications reviewed and processed, 3 were determined to not meet requirements and were returned. As a result, 6,151 subscribers could not be included in the final program subscriber count. Similarly, for the Broadband loan program, of the 11 applications reviewed and processed, 9 were determined to be ineligible and therefore could not be included in the final program subscriber counts.

The electric programs exceeded its KPI due to loans to several power supply borrowers that service large territories; the size of the service territory is driven by system and loan demand. The electric programs supported construction or improvement of 14,500 miles of electric transmission and distribution lines of rural electric infrastructure and streamlining efforts reduced documentation requirements for power supply borrowers.

SELECTED ACCOMPLISHMENTS EXPECTED AT THE 2020 PROPOSED RESOURCE LEVEL

The telecommunications program will expand its outreach efforts through the implementation of the ReConnect program and continue to reduce loan processing times through the streamlining of work process and staff training.

The electric program will continue to make investments in rural electric infrastructure, including transmission and distribution system modernization.