

**2021 CONGRESSIONAL JUSTIFICATIONS – RURAL UTILITIES SERVICE**

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## 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 helping to improve rural economies.

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; improve 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:

Direct Loans — 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 — Authorized by section 4 of the RE Act (7 U.S.C. 904) to finance electric system improvements for qualified borrowers that meet thresholds for retail rate disparity and for customer per capita and household incomes, or that have suffered a severe, unavoidable hardship, such as a natural disaster. 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 — Authorized by section 305 of the RE Act (7 U.S.C. 935) 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 of the total loan is required for most projects.

Guaranteed Loans — Authorized by section 306 of the RE Act (7 U.S.C. 936) to finance electric distribution, transmission and generation systems (including renewable energy), headquarters facilities, and programs for energy efficiency, conservation and demand side management. The Federal Financing Bank (FFB) is the primary source of guaranteed loans and have interest rates

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.

Guarantees for Bonds and Notes Issued for Utility Infrastructure Loans — 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) 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 with interest rates equal to the Treasury rate for notes of similar maturities plus an annual fee of 30 basis points on any unpaid principal balance.

Energy Efficiency and Conservation Loan Program — 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) 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 — 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) 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.

High Energy Cost Grants — Authorized by section 19 of the RE Act (7 U.S.C. 918a) 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:

Hardship (direct loans) — 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 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, have a very low number of subscribers for each mile of telecommunications

line constructed and cannot typically afford higher interest rate loans. This low subscriber “density” inherently increases the cost to serve the most sparsely populated rural areas.

Direct Loans (or Treasury rate loans) — 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 — 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 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 — 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 — Authorized by section 306(a)(20)(E) CONACT and 7 U.S.C. 1926(a)(20)(E) 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 critical community facilities for 2 years.

Distance Learning and Telemedicine Loans and Grants — Authorized by 7 U.S.C. 950aaa 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. 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.

Broadband Pilot Loans and Grants (ReConnect) Program — 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 — 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 — Authorized by section 306 CONACT and 7 U.S.C. 1926 for the same purpose as direct loans. The loans are made and serviced by private lenders, such as banks, and savings and loan associations with the guarantee for up to 90 percent of an 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 — 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.

Water and Waste Facility Loans and Grants to alleviate health risks are authorized by section 306C CONACT and 7 U.S.C. 1926 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 and 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) — 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.

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 — Authorized by section 306 CONACT and 7 U.S.C. 1926 to enable 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 — Authorized by section 306E CONACT and 7 U.S.C. 1926(e) to help 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 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 — Authorized by section 310B CONACT and 7 U.S.C. 1932 to assist eligible organizations to address solid waste management issues and threats to water resources from solid waste in rural communities. Assistance may be provided to enhance operator skills in operations and maintenance, identify threats to water resources, reduce or eliminate pollution of water resources, improve planning and management of solid waste disposal facilities in rural areas, and reduce the solid waste stream.

Technical Assistance and Training Grants — 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. 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.

RD is comprised of three programs: Housing and Community Facilities, Utilities, and Business and Cooperative Development. RD's headquarters is located in Washington, DC. As of September 30, 2019, there were 4,194 permanent full-time employees, including 1,607 in the headquarters office and 2,587 in the field offices.

*Completed OIG Reports*

ID	Date	Title	Result
09601-0002-41	June 2019	Infrastructure Funding for Substantially Underserved Trust Areas (SUTA)	OIG concluded that RUS has adequate controls in place regarding its implementation of the SUTA provisions and did not identify any instances of ineligible applicants receiving benefits designated for the SUTAs. OIG also identified areas where RUS and RD can better track their efforts to meet the SUTA goals. RUS generally agreed with the OIG finding and recommendations, and OIG accepted management decision on two of three recommendations. Management decision on the remaining recommendation is under review.

## 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 Loan Programs**

#### Electric 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 to improve service in rural areas. 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.

Specific areas being addressed by the electric program include 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.

In 2019, the electric loan programs approved a total of \$5.78 billion in loans for rural infrastructure. This total includes 102 direct Federal Financing Bank (FFB) electric loans to local utilities, totaling over \$5 billion in obligations and a total of \$750 million in bond and note guarantees to two non-profit cooperative lenders, the National Rural Cooperative Finance Corporation, Inc. and CoBank, for relending for eligible utility purposes. This includes RUS approval of six zero interest Rural Energy Savings Program loans totaling \$34.2 million to help rural homes and businesses save energy and money. Over \$2.4 billion of the electric programs total obligations were in counties designated as having persistent poverty.

RUS approved 84 FFB loan guarantees for distribution borrowers totaling \$2.9 billion, and 18 power supply (generation and transmission) FFB loan guarantees totaling nearly \$2.1 billion, including 5 loans totaling \$150 million for renewable energy generation. These FFB electric loans approved in 2019 will provide new or improved electric service to over 7.7 million retail customers in rural America.

In Kentucky, Licking Valley Rural Electric Cooperative will use a \$19.7 million loan to build and upgrade 84 miles of line and install nearly \$338,000 in smart grid technologies to improve system operations and security. The project will serve 17,300 residential and business

consumers over 2,072 miles of line in Breathitt, Elliot, Lee, Magoffin, Menifee, Morgan, Rowan and Wolfe counties.

In Wisconsin, OE WI Solar 1, LLC will use a \$935,000 loan to build a solar photovoltaic farm on 6.5 acres in the town of Portland. The farm will provide electricity to Northern States Power Company, which will provide renewable energy to its customers.

#### Telecommunications Program

The telecommunications loan program provides direct loan and loan guarantees for broadband capable construction, expansion, and upgrades of telecommunications facilities.

Specific areas being addressed by the telecommunications program include financing projects to improve telecommunications service in rural areas. The program priorities are to ensure that rural communities have access to advanced telecommunications services, such as high-speed Internet services; and advanced communications services such as distance learning and telemedicine. Access to high-speed Internet and other quality telecommunications services is essential for a healthy and growing rural economy. The infrastructure increases educational opportunities, improves availability of healthcare, job creation and retention, and enhances continued economic growth. Program outreach efforts are focused on identifying rural areas that do not have access to these services.

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. Broadband infrastructure remains a vital source of capital, to sustain existing rural areas infrastructure and upgrades for high-capacity bandwidth needed to maintain the pace of investment in health, education, public safety, and economic growth.

During 2019, RUS approved 12 infrastructure loans for telecommunication investments in rural communities. The total amount obligated in 2019 was \$181.5 million. These projects, upon completion, will deliver new or improved broadband service to 56,008 businesses and households. Demand for the program was down in 2019 due to the \$600 million in loan and grant funding made available through USDA's ReConnect pilot program.

In Tennessee, Ben Lomand Rural Telephone Cooperative, Inc will use a \$24.9 million loan to convert the borrower's remaining exchanges of Monteagle, Laager, Tracy City, Doyle, Viola, half of Dibrell and the remainder of Beech Grove from copper to a Fiber-to-the-Premises (FTTP) network. The deployment of this project will provide enhanced internet speeds and bandwidth to subscribers. This will substantially improve the quality of life for 22,901 proposed subscribers

as it will allow for enhanced telehealth, educational, telecommuting, and home-based business services.

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

Specific areas being addressed by the DLT Program include 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.

In 2019, the program received 225 applications and 147 applicants were awarded grants. A total of \$45.9 million was obligated for DLT Grants. Of the awards made, 78 received special emphasis points for projects related to STEM education and Opioid addiction treatment and prevention.

In Oregon, Willamina School District 30J will use a \$340,000 grant to implement a distance learning project. The project will provide e-connectivity for the school, staff, and community which will include STEM focus in the classroom, telemedicine training, and dual on-line credit options to students in three Oregon counties: Yamhill, Polk and Tillamook. Approximately 3,100 rural residents will benefit from this project.

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

The Community Connect Grant Program provides financial assistance to eligible applicants that will provide, on a "community-oriented connectivity" basis, broadband service that fosters economic growth and delivers enhanced educational, health care, and public safety benefits. Priority is given to the most rural and economically challenged communities.

Specific areas being addressed by the Community Connect Program include serving 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.

In 2019, the Community Connect program received 62 applications and approved 12 projects that will deliver broadband to rural areas currently without high-speed Internet service. The grants totaled nearly \$24.3 million in funding, which will provide broadband service in nine states and are projected to reach a total of 3,074 subscribers and cover a total of 510 fiber miles.

In North Dakota, USDA is partnering with BEK Communications Cooperative by providing an \$844,000 Community Connect Program grant to help spark economic and educational opportunities, enhance health care and bolster public safety in Morton County. This Rural Development investment will allow BEK to deploy a 49-mile Fiber-to-the Home (FTTH) network. This project will bring high-speed broadband to 125 underserved households who

otherwise have no broadband or lesser quality services such as dial-up or satellite. The proposed fiber network will be very flexible for future growth and will support the implementation of new technologies and new services anticipated in the future.

### **Broadband Program**

The Broadband program finances advanced telecommunications networks capable of delivering broadband service to rural residents and businesses that provides access to high-speed Internet services. Broadband access is essential for the economic and social development of rural communities. This loan program provides funding for infrastructure in communities with populations of 20,000 or less, with priority given for rural communities that do not have access to broadband services.

Specific areas being addressed by the Broadband Program include 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, creates and retains jobs, and enhances continued economic growth. Program outreach efforts are focused on identifying rural areas that do not have access to these services.

In 2019, RUS approved three broadband loans for high speed internet investments in rural areas. The total amount obligated in 2019 was \$47.8 million. These projects, upon completion, will deliver new or improved broadband service to 8,594 subscribers.

In Missouri, Total Highspeed LLC will use a \$17.7 million loan to build a FTTH gigabit passive optical network for a 90-square-mile area located east of Springfield in Greene County. The fiber network will pass 4,183 homes and businesses. Along with the residents in the community, this investment is expected to support business growth, and improve public services and public safety in Green County.

### **Rural eConnectivity Pilot Program (ReConnect Program)**

The ReConnect Program is an innovative new pilot program initially funded by the 2018 Consolidated Appropriations Act that offers unique federal financing and funding options in the form of loans, grants, and loan/grant combinations to facilitate broadband deployment in areas of rural America that don't currently have sufficient access to broadband. This pilot program will generate private sector investment to deploy broadband infrastructure to provide high-speed internet e-Connectivity to as many rural premises as possible, including homes, community facilities for healthcare and public safety, schools, libraries, farms, ranches, factories, and other production sites.

Specific areas being addressed by the ReConnect Program focus on building infrastructure for essential internet e-Connectivity services to rural areas without sufficient access to broadband, defined by the new law as 10 Mbps (megabits per second) downstream and 1 Mbps upstream.

In 2019, RUS approved \$7.2 million in ReConnect Program grant funding for Heartland Telecommunications of Iowa to build state-of-the-art fiber optic cable infrastructure in rural Iowa and South Dakota. The funded service areas include 868 households, 17 businesses, and 27 farms spread over 518 square miles. The project will help facilitate new educational and economic opportunities for local residents and it will help improve the overall quality of life for people in the community.

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

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. This includes rural water and waste systems that are poverty-stricken, face health or sanitary issues, or other obstacles hindering their ability to provide safe and reliable services. 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.

Specific areas being addressed by WEP focus on process improvements for program delivery and services to its customers and include: 1) the Preliminary Engineering Report (ePER), launched in 2018, is an easy-to-use web application for consulting engineers based on an interagency template adopted by WEP, the Environmental Protection Agency, the Indian Health Service, and Housing and Urban Development; 2) RD Apply, launched in 2015 and improved upon thereafter, is an online application program which has facilitated the successful submission of over 1,400 WEP applications; 3) RD's Environmental Policies and Procedures in 2016 that cover how environmental reviews are conducted received expansive updates through the release of RD Instruction 1970, Environmental Policies; and 4) the Nationwide Programmatic Agreement, launched in 2018 in collaboration with the Advisory Council on Historic Preservation, National Conference of State Historic Preservation Officers, and tribal signatories, to align program delivery to Section 106 of the National Historic Preservation Act.

In 2019, RUS invested \$1.79 billion in direct and guaranteed loans and grants to help rural communities develop or otherwise improve their WWD facilities. Through its investments, RUS delivered new and improved services to 2.3 million rural residents, exceeding the goal of 2.2 million for the fiscal year. Some highlights of the 2019 investments in critical infrastructure include:

- \$1.6 billion in WWD direct and guaranteed loans and grants to bring clean drinking water and safe sanitary waste services to rural residents through 605 loans and grants, including 502 direct loans and 12 guaranteed loans. Over \$203 million was for projects located in persistent poverty counties across 22 States;

- \$79.2 million assisted 46 projects in disadvantaged communities, including Native American tribes, Colonia, and rural Alaskan natives and villages;
- \$13.7 million assisted 37 projects in communities qualifying for emergency assistance;
- \$56.8 million was for 61 grants to technical assistance providers; and
- \$3.1 million was used to obligate eight projects that will be administered by RUS for partner organizations.

In Ohio, Tuscarawas County received a \$2.2 million loan and a \$1.4 million grant to modernize the Wilkshire Hills water treatment facility, first constructed in the late 1970s. A third supply well will be added, and new pressure filtration equipment and master meters will be installed. These improvements will support current operations and accommodate future growth, including a planned expansion into the neighboring village of Bolivar.

In West Virginia, the Town of Winfield will use an \$8.8 million loan to upgrade the wastewater treatment plant. The project involves new construction and equipment. Site work will include grading, piping, storm drainage, sidewalks, fencing, bollards and all other work-related items. The work shall include all necessary mechanical, electrical, instrumentation and controls, supervisory control and data acquisition (SCADA), spare parts and accessories, civil structural, architectural, and other items needed to provide a complete, fully tested and operable system. This investment will benefit 1,055 residential users and 64 businesses.

**RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT**

**LEAD-OFF TABULAR STATEMENT**

<u>Rural Water and Waste Account</u>	<u>Grants</u>	<u>Loan Level</u>	<u>Subsidy</u>
2020 Appropriation.....	\$585,570,000	\$1,450,000,000	\$63,910,000
Change in Appropriation.....	28,430,000	-121,667,000	-63,840,000
<b>2021 Budget Estimate.....</b>	<b>614,000,000</b>	<b>1,328,333,000</b>	<b>70,000</b>

**APPROPRIATIONS LANGUAGE**

The appropriations language follows (new language underscored; deleted matter enclosed in brackets):

For gross obligations for the principal amount of direct and guaranteed loans as authorized by section 306 and described in section 381E(d)(2) of the Consolidated Farm and Rural Development Act, as follows: \$1,270,000,000 for direct loans; and \$58,333,000 for guaranteed loans.

For the cost of direct loans, loan guarantees and grants, including the cost of modifying loans, as defined in section 502 of the Congressional Budget Act of 1974, for 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, [~~\$659,480,000~~]\$614,070,000, 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 [~~\$5,000,000~~]\$1,000,000 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; *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 [~~\$30,000,000~~]\$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 [\$19,570,000] \$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 of the amounts made available under this heading shall be for solid waste management grants[: *Provided further*, That \$10,000,000 of the amount appropriated under this heading shall be transferred to, and merged with, the Rural Utilities Service, High Energy Cost Grants Account to provide grants authorized under section 19 of the Rural Electrification Act of 1936 (7 U.S.C. 918a): *Provided further*, That any prior year balances for high-energy cost grants authorized by section 19 of the Rural Electrification Act of 1936 (7 U.S.C. 918a) shall be transferred to and merged with the Rural Utilities Service, High Energy Cost Grants Account[: *Provided further*, That sections 381E–H and 381N of the Consolidated Farm and Rural Development Act are not applicable to the funds made available under this heading.

The first change includes the loan level for the water and waste direct loans. For 2021 the budget requests a loan level of \$1,270,000,000 for the water and waste direct loan program. This program has a negative subsidy rate for 2021.

The second change deletes the funding provided for the High Energy Costs Grants. The budget is not requesting funding for this program.

2021 CONGRESSIONAL JUSTIFICATIONS – RURAL UTILITIES SERVICE

PROJECT STATEMENT (thousands of dollars)

Program/Activity	2018		2019		2020		2021		Chg Key	Change from 2020 Estimate	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.		P.L.	B.A.
<b>Direct Appropriations:</b>											
Direct rural water and waste disposal loans .....	\$1,200,000	\$7,040	\$1,400,000	0	\$1,400,000	\$63,840	\$1,270,000	0	(1)	-\$130,000	-\$63,840
Guaranteed rural water and waste disposal loans .....	50,000	230	50,000	\$190	50,000	70	58,333	\$70	(2)	8,333	0
Rural water and waste disposal grants .....	860,350	860,350	456,000	456,000	443,000	443,000	463,350	463,350	(3)	20,350	20,350
Technical assistance grants for rural waste systems.....	40,000	40,000	30,000	30,000	30,000	30,000	40,000	40,000	(3)	10,000	10,000
Circuit rider - technical assistance grants for rural water systems .....	19,000	19,000	19,000	19,000	19,570	19,570	19,000	19,000	(3)	-570	-570
WWD grants, Alaskan villages .....	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	(3)	0	0
WWD grants, native American tribes .....	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	(3)	0	0
Water and waste disposal grants, Colonias .....	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	(3)	0	0
Water well system grants .....	993	993	1,500	1,500	5,000	5,000	1,000	1,000	(3)	-4,000	-4,000
Water and wastewater revolving funds .....	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	(3)	0	0
Solid waste management grants .....	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	(3)	0	0
Emergency community water assistance grants .....	32,000	32,000	19,000	19,000	0	0	2,650	2,650	(3)	2,650	2,650
Emergency community water assistance grants, appropriated .....	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	(3)	0	0
American Iron and Steelworkers .....	2,650	2,650	0	0	0	0	0	0	(3)	0	0
<b>Subtotal, Direct Appropriations .....</b>	<b>2,292,993</b>	<b>1,050,263</b>	<b>2,063,500</b>	<b>613,690</b>	<b>2,035,570</b>	<b>649,480</b>	<b>1,942,333</b>	<b>614,070</b>		<b>-93,237</b>	<b>-35,410</b>
<b>General Provisions:</b>											
Section 783: Water and Waste grants pilot program.....	0	0	0	0	5,000	5,000	0	0	(4)	-5,000	-5,000
<b>Supplemental Appropriations:</b>											
Hurricanes HIM Emergency Grants .....	164,475	164,475	0	0	0	0	0	0		0	0
Hurricanes HIM Emergency Circuit Rider Contracts .....	1,000	1,000	0	0	0	0	0	0		0	0
<b>Subtotal, Supplemental Appropriations .....</b>	<b>165,475</b>	<b>165,475</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>
<b>Transfers In:</b>											
Net .....	10,000	10,000	10,000	10,000	10,000	10,000	0	0		-10,000	-10,000
<b>Subtotal, Transfers In.....</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>0</b>	<b>0</b>		<b>-10,000</b>	<b>-10,000</b>
<b>Total, Discretionary Funding.....</b>	<b>2,468,468</b>	<b>1,225,738</b>	<b>2,073,500</b>	<b>623,690</b>	<b>2,050,570</b>	<b>664,480</b>	<b>1,942,333</b>	<b>614,070</b>		<b>-108,237</b>	<b>-50,410</b>
<b>Carryover from Prior Years:</b>											
Direct rural water and waste disposal loans .....	642,604	1,092	0	6,983	68,667	3,131	0	6,699		-68,667	3,568
Direct rural water and waste disposal loans 2008 disasters .....	356,244	606	0	0	0	0	0	0		0	0
Guaranteed rural water and waste disposal loans .....	492,036	2,263	625,297	2,376	1,802,725	2,524	2,094,846	2,514		292,121	-10
Rural water and waste disposal grants .....	2,761	2,761	97,221	97,221	65,155	65,155	62,832	62,832		-2,323	-2,323
Rural water and waste disposal grants, 2008 disasters .....	3,589	3,589	0	0	0	0	0	0		0	0
Rural water and waste disposal grants, 2003/2004 Hurricanes .....	931	931	27	27	0	0	0	0		0	0
2005 Hurricane Grants .....	4,081	4,081	18	18	0	0	0	0		0	0
Technical assistance grants for rural waste systems .....	165	165	83	83	2	2	116	116		114	114
Rural water and waste disposal grants - Farm Bill Mandatory .....	104	104	1,286	1,286	5,340	5,340	340	340		-5,000	-5,000
Circuit rider - technical assistance grants for rural water systems .....	1,430	1,430	4,040	4,040	5,321	5,321	891	891		-4,430	-4,430
WWD grants, Alaskan villages .....	6,726	6,726	9,469	9,469	5,947	5,947	3,612	3,612		-2,335	-2,335
WWD grants, native American tribes .....	57	57	515	515	331	331	413	413		82	82
Water and waste disposal grants, colonias .....	6,966	6,966	5,491	5,491	1,310	1,310	4,461	4,461		3,151	3,151
WWD grants, Hawaiian homelands .....	3,592	3,592	0	0	0	0	0	0		0	0
Water well systems grants .....	172	172	827	827	1,422	1,422	681	681		-741	-741
Solid waste management grants .....	203	203	76	76	244	244	207	207		-37	-37
Emergency community water assistance grants .....	1,866	1,866	1,020	1,020	60	60	843	843		783	783
Emergency community water assistance grants, appropriated .....	373	373	1,009	1,009	735	735	735	735		0	0
Hurricanes Harvey, Irma, Maria Natural Disaster Grants .....	0	0	164,475	164,475	163,507	163,507	7	7		-163,500	-163,500
Hurricanes Harvey, Irma, Maria Circuit Rider Contract .....	0	0	1,000	1,000	1,000	1,000	0	0		-1,000	-1,000
American Iron and Steelworkers .....	1,265	1,265	0	0	0	0	0	0		0	0
Other .....	3,449	3,449	5,712	5,712	11,222	11,222	11,222	11,222		0	0
<b>Subtotal, Carryover .....</b>	<b>1,528,614</b>	<b>41,691</b>	<b>917,564</b>	<b>301,626</b>	<b>2,132,987</b>	<b>267,250</b>	<b>2,181,205</b>	<b>95,572</b>		<b>48,218</b>	<b>-171,678</b>
<b>Transfers out High Energy Cost Grants a/.....</b>	<b>-10,000</b>	<b>-10,000</b>	<b>-10,000</b>	<b>-10,000</b>	<b>-10,000</b>	<b>-10,000</b>	<b>0</b>	<b>0</b>		<b>10,000</b>	<b>10,000</b>
Recoveries, Other .....	1,230,030	61,258	191,370	35,877	170,058	50,172	42,092	42,092		-127,966	-8,080
<b>Total Available.....</b>	<b>5,217,112</b>	<b>1,318,687</b>	<b>3,172,433</b>	<b>951,193</b>	<b>4,343,615</b>	<b>971,902</b>	<b>4,165,630</b>	<b>751,734</b>		<b>-177,985</b>	<b>-220,168</b>
Transferred Balances b/.....	-363,844	-8,206	0	0	0	0	0	0		0	0
Balances, Available End of Year.....	-1,969,820	-301,626	-1,385,021	-267,250	-2,028,854	-95,572	-2,167,763	-90,454		-138,910	5,118
<b>Total Obligations .....</b>	<b>\$2,883,448</b>	<b>\$1,008,855</b>	<b>\$1,787,412</b>	<b>\$683,943</b>	<b>\$2,314,761</b>	<b>\$876,330</b>	<b>\$1,997,867</b>	<b>\$661,280</b>		<b>-\$316,895</b>	<b>-\$215,050</b>

a/ this funding is appropriated in the Water and Waste program account but it gets transferred to the High Energy Cost Grant account.

b/ 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.

## JUSTIFICATIONS OF INCREASES/DECREASES

The Water and Waste programs support USDA Strategic Goal 4 mentioned above. 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) Direct Water and Waste Disposal Loans: A decrease of \$130,000,000 in program level from the FY 2020 Appropriations**

This program provides loan funds for water and waste projects serving the most financially needy communities. The level of funding is expected to meet the expected demand, given that some demand will shift to Guarantees now that the population limit has been expanded to 50,000 in the most recent Farm Bill.

The funding request of \$1.27 billion for FY 2021 is expected to support approximately 610 direct loans that will assist an estimated 1.02 million rural residents in obtaining decent, safe, and sanitary water and wastewater services. If the program is not funded, there is little private funding or support available to maintain sanitary water and waste water disposal services in rural America if federal assistance is not available.

### **(2) Guaranteed Water and Waste Disposal Loans: An increase of \$8,333,000 in program level at the FY 2020 Appropriations**

The 2018 Agriculture Improvement Act of 2018 (2018 Farm Bill) increased the population eligibility limit for the program to 50,000. The requested funding, along with an expected carryover of \$664 million from 2020 into 2021 for the guaranteed water and waste disposal program, will enable the agency to meet the anticipated increase in demand for the program generated this increase of rural communities eligible for the program through the 2018 Farm Bill.

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. 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. If the program is not funded, there is little private funding or support available to maintain sanitary water and waste water disposal services in rural America if Federal assistance is not available.

This funding level for 2021 is expected to support approximately 39 guaranteed loans that will assist an estimated 64,000 rural residents in obtaining decent, safe, and sanitary water and wastewater services.

**(3) Water and Waste Disposal Grants: An increase of \$28,430,000 from the FY 2020 Appropriations**

This program provides grant funds in conjunction with direct 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. Water and waste disposal grants funds are used in conjunction with loans for water and waste projects serving the most financially needy communities. The funding request increase will enable WEP to meet the needs of those communities that are most rural and most poor that need higher levels of grant funding per project to be successful.

Set asides under this program provide grant funds for targeted groups to develop and construct water and waste systems in disadvantaged communities, including programs that address emergencies, alleviate health-risks, and provide vital technical assistance. This funding provides the ability of rural Americans to build and maintain decent, safe and sanitary water and waste services.

This funding request in 2021 is expected to support 700 grants in the water and waste disposal grant program to assist approximately 1,000,000 rural residents in obtaining decent, safe, and sanitary water and waste water services.

**(4) Rural Water Technical Assistance Grants: A decrease of \$5,000,000 from the FY 2020 Appropriations**

This program is not requested in FY 2021 and was a one-time general provision.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS

Water and Waste Direct Loans (thousands of dollars)

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Alabama	\$29,694	\$34,511	-	-
Alaska	9,109	-	-	-
Arizona	13,600	9,438	-	-
Arkansas	18,967	25,311	-	-
California	52,223	30,532	-	-
Colorado	19,276	14,370	-	-
Connecticut	4,770	-	-	-
Delaware	23,950	4,647	-	-
Florida	22,655	17,754	-	-
Georgia	34,656	6,628	-	-
Hawaii	15,254	-	-	-
Idaho	20,998	15,983	-	-
Illinois	94,614	30,400	-	-
Indiana	49,484	38,555	-	-
Iowa	104,092	24,559	-	-
Kansas	78,245	19,860	-	-
Kentucky	47,805	40,349	-	-
Louisiana	64,712	4,905	-	-
Maine	36,418	43,597	-	-
Maryland	6,703	1,371	-	-
Massachusetts	3,173	23,915	-	-
Michigan	113,975	78,183	-	-
Minnesota	53,614	18,403	-	-
Mississippi	28,458	32,034	-	-
Missouri	31,119	23,343	-	-
Montana	21,588	19,394	-	-
Nebraska	10,151	9,820	-	-
Nevada	1,825	2,791	-	-
New Hampshire	11,515	25,313	-	-
New Jersey	6,949	2,922	-	-
New Mexico	40,214	30,886	-	-
New York	101,097	60,056	-	-
North Carolina	50,225	20,500	-	-
North Dakota	19,072	7,575	-	-
Ohio	74,082	33,836	-	-
Oklahoma	35,782	9,824	-	-
Oregon	1,427	14,478	-	-
Pennsylvania	36,611	49,388	-	-
Rhode Island	-	1,592	-	-
South Carolina	89,706	13,670	-	-
South Dakota	95,315	31,270	-	-
Tennessee	56,603	23,802	-	-
Texas	101,863	26,327	-	-
Utah	6,541	16,503	-	-
Vermont	11,132	20,443	-	-
Virginia	39,789	27,828	-	-
Washington	36,188	9,295	-	-
West Virginia	29,144	55,489	-	-
Wisconsin	50,093	40,679	-	-
Wyoming	4,301	39	-	-
Distribution Unknown a/ Obligations	- 1,908,775	- 1,092,368	\$1,447,368 1,447,368	\$1,270,000 1,270,000

a/ Totals cannot be distributed at this time for 2020 and 2021.

EXPLANATORY NOTES – RURAL UTILITIES SERVICE

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<b>Water and Waste Guaranteed Loans (thousands of dollars)</b>				
<b>State/Territory/Country</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>Actual</b>	<b>Actual</b>	<b>Enacted</b>	<b>Budget</b>
California	-	\$350	-	-
Colorado	\$564	-	-	-
Indiana	1,846	-	-	-
Iowa	2,300	-	-	-
Kansas	2,365	-	-	-
Louisiana	-	510	-	-
Mississippi	1,000	603	-	-
New Mexico	1,500	-	-	-
New York	882	-	-	-
North Carolina	9,180	-	-	-
North Dakota	3,800	170	-	-
Ohio	2,050	-	-	-
South Carolina	-	943	-	-
Texas	-	6,335	-	-
Wyoming	-	2,233	-	-
Distribution Unknown a	-	-	\$57,143	\$66,667
Obligations	25,487	11,144	57,143	66,667

a/ Totals cannot be distributed at this time for 2020 and 2021.

EXPLANATORY NOTES – RURAL UTILITIES SERVICE

**Water and Waste Grants (thousands of dollars)**

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Alabama	\$37,077	\$11,374	-	-
Alaska	8,645	-	-	-
Arizona	4,569	150	-	-
Arkansas	16,085	5,794	-	-
California	24,943	10,287	-	-
Colorado	13,968	16,096	-	-
Connecticut	1,953	-	-	-
Delaware	4,066	2,948	-	-
Florida	13,467	17,031	-	-
Georgia	17,405	3,598	-	-
Hawaii	1,071	7,473	-	-
Idaho	9,511	10,999	-	-
Illinois	49,857	10,999	-	-
Indiana	18,375	26,630	-	-
Iowa	24,596	8,545	-	-
Kansas	21,128	4,402	-	-
Kentucky	15,984	8,717	-	-
Louisiana	29,952	2,138	-	-
Maine	23,228	24,146	-	-
Maryland	8,059	7,109	-	-
Massachusetts	49	12,780	-	-
Michigan	47,221	26,744	-	-
Minnesota	26,036	11,860	-	-
Mississippi	14,275	5,659	-	-
Missouri	17,436	10,360	-	-
Montana	21,801	7,121	-	-
Nebraska	8,362	3,561	-	-
Nevada	3,775	2,823	-	-
New Hampshire	6,862	9,636	-	-
New Jersey	6,360	7,447	-	-
New Mexico	12,781	8,138	-	-
New York	29,346	38,483	-	-
North Carolina	23,264	12,054	-	-
North Dakota	16,568	9,381	-	-
Ohio	31,492	20,693	-	-
Oklahoma	8,504	3,158	-	-
Oregon	1,927	5,774	-	-
Pennsylvania	22,678	13,744	-	-
Puerto Rico	5,486	406	-	-
Rhode Island	-	2,086	-	-
South Carolina	18,107	15,939	-	-
South Dakota	22,653	7,755	-	-
Tennessee	9,011	5,972	-	-
Texas	33,154	8,363	-	-
Utah	5,836	8,096	-	-
Vermont	8,612	5,373	-	-
Virginia	28,128	9,702	-	-
Washington	19,437	6,944	-	-
West Virginia	15,962	17,509	-	-
Wisconsin	28,227	15,606	-	-
Wyoming	4,179	406	-	-
Distribution Unknown a/ Obligations	-	-	\$480,000	\$500,000
	841,464	492,006	480,000	500,000

a/ Totals cannot be distributed at this time for 2020 and 2021.

EXPLANATORY NOTES – RURAL UTILITIES SERVICE

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**Water and Waste Technical Assistance Grants (thousands of dollars)**

State/Territory/Country	2018	2019	2020	2021
	Actual	Actual	Enacted	Budget
Alaska	\$1,265	\$1,391	-	-
Arizona	1,196	1157	-	-
Arkansas	209	-	-	-
California	1,010	256	-	-
Colorado	1,144	2669	-	-
Hawaii	504	-	-	-
Kentucky	-	100	-	-
Maryland	15,264	10011	-	-
Nevada	233	240	-	-
New York	183	172	-	-
Oklahoma	18,216	14176	-	-
Tennessee	217	214	-	-
Utah	151	-	-	-
Virgin Islands	-	137	-	-
Washington	107	170	-	-
West Virginia	466	527	-	-
Distribution Unknown a/	-	-	\$30,000	\$40,100
Obligations	40,165	31,220	30,000	40,100

a/ Totals cannot be distributed at this time for 2020 and 2021.

**Water and Waste Circuit Rider Grants (thousands of dollars)**

State/Territory/Country	2018	2019	2020	2021
	Actual	Actual	Enacted	Budget
Oklahoma	\$16,391	\$19,474	-	-
Distribution Unknown a/	-	-	\$24,000	\$19,800
Obligations	16,391	19,474	24,000	19,800

a/ Totals cannot be distributed at this time for 2020 and 2021.

**Water and Waste Alaskan Villages Grants (thousands of dollars)**

State/Territory/Country	2018	2019	2020	2021
	Actual	Actual	Enacted	Budget
Alaska	\$20,556	\$23,885	-	-
District of Columbia	4	-	-	-
Distribution Unknown a/	-	-	\$23,500	\$22,200
Obligations	20,560	23,885	23,500	22,200

a/ Totals cannot be distributed at this time for 2020 and 2021.

EXPLANATORY NOTES – RURAL UTILITIES SERVICE

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**Water and Waste Native American Grants (thousands of dollars)**

State/Territory/Country	2018	2019	2020	2021
	Actual	Actual	Enacted	Budget
Arizona	-	\$537	-	-
California	\$2,318	1,628	-	-
Kansas	1,159	-	-	-
Maine	52	2,000	-	-
Michigan	5,604	1,990	-	-
Montana	-	664	-	-
Nevada	2,780	1,283	-	-
New Mexico	-	3,272	-	-
North Dakota	2,810	7,184	-	-
Oklahoma	1,967	-	-	-
South Dakota	6,383	4,221	-	-
Utah	248	-	-	-
Washington	530	-	-	-
Wisconsin	1,206	1,780	-	-
Wyoming	-	956	-	-
Distribution Unknown a/ Obligations	-	-	\$25,300	\$25,400
	25,057	25,515	25,300	25,400

a/ Totals cannot be distributed at this time for 2020 and 2021.

**Water and Waste Colonias Grants (thousands of dollars)**

State/Territory/Country	2018	2019	2020	2021
	Actual	Actual	Enacted	Budget
Arizona	\$13,142	\$3,593	-	-
California	4,150	373	-	-
New Mexico	8,030	8,388	-	-
Texas	5,946	17,527	-	-
Distribution Unknown a/ Obligations	-	-	\$26,000	\$28,000
	31,269	29,881	26,000	28,000

a/ Totals cannot be distributed at this time for 2020 and 2021.

**Water and Waste Individually Owned Water Well System Grants (thousands of dollars)**

State/Territory/Country	2018	2019	2020	2021
	Actual	Actual	Enacted	Budget
California	\$308	\$225	-	-
Georgia	-	132	-	-
Michigan	190	189	-	-
North Carolina	150	-	-	-
Ohio	200	300	-	-
Virginia	150	200	-	-
Distribution Unknown a/ Obligations	-	-	\$6,000	\$1,200
	1,118	1,166	6,000	1,200

a/ Totals cannot be distributed at this time for 2020 and 2021.

EXPLANATORY NOTES – RURAL UTILITIES SERVICE

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**Water and Wastewater Revolving Funds Grants (thousands of dollars)**

State/Territory/Country	2018	2019	2020	2021
	Actual	Actual	Enacted	Budget
Arkansas	\$250	\$400	-	-
California	250	200	-	-
Oklahoma	500	400	-	-
Distribution Unknown a/ Obligations	-	-	\$1,000	\$1,000
	1,000	1,000	1,000	1,000

a/ Totals cannot be distributed at this time for 2020 and 2021.

**Water and Waste Solid Waste Management Grants (thousands of dollars)**

State/Territory/Country	2018	2019	2020	2021
	Actual	Actual	Enacted	Budget
Alaska	\$356	\$467	-	-
Arizona	80	123	-	-
California	-	116	-	-
Kentucky	148	-	-	-
Maine	900	146	-	-
Maryland	369	898	-	-
Massachusetts	103	118	-	-
Missouri	227	-	-	-
Nevada	-	268	-	-
New Hampshire	244	523	-	-
New Jersey	-	192	-	-
New York	106	265	-	-
North Carolina	91	110	-	-
Ohio	900	80	-	-
Oklahoma	149	94	-	-
Puerto Rico	265	-	-	-
Texas	100	336	-	-
Utah	89	38	-	-
Vermont	77	117	-	-
Washington	-	-	-	-
Distribution Unknown a/ Obligations	-	-	\$4,200	\$4,200
	4,203	3,891	4,200	4,200

a/ Totals cannot be distributed at this time for 2020 and 2021.

EXPLANATORY NOTES – RURAL UTILITIES SERVICE

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**Water and Waste Emergency Community Water Assistance Grants (thousands of dollars)**

State/Territory/Country	2018	2019	2020	2021
	Actual	Estimate	Enacted	Budget
Alabama	\$1,000	\$150	-	-
Arizona	499	150	-	-
Arkansas	104	1,011	-	-
California	1,116	1,472	-	-
Florida	-	139	-	-
Georgia	1,500	-	-	-
Idaho	2,274	150	-	-
Illinois	500	294	-	-
Iowa	-	1,478	-	-
Kansas	1,000	-	-	-
Louisiana	150	-	-	-
Michigan	250	-	-	-
Minnesota	150	118	-	-
Mississippi	-	24	-	-
Montana	1,146	-	-	-
Nebraska	373	1,130	-	-
Nevada	75	138	-	-
New Hampshire	-	500	-	-
Oregon	1,388	1,000	-	-
South Dakota	-	81	-	-
Tennessee	150	669	-	-
Texas	500	-	-	-
Utah	2,582	4,146	-	-
Virginia	-	106	-	-
Washington	640	20	-	-
West Virginia	-	958	-	-
Wyoming	65	-	-	-
Distribution Unknown a/	-	-	\$15,700	\$15,700
Obligations	15,760	13,734	15,700	15,700

a/ Totals cannot be distributed at this time for 2020 and 2021.

**Water and Waste American Iron and Steel Grants (thousands of dollars)**

State/Territory/Country	2018	2019	2020	2021
	Actual	Actual	Enacted	Budget
District of Columbia	\$3,915	-	-	-
Obligations	3,915	-	-	-

**Water and Waste Hawaiian Homelands Grants (thousands of dollars)**

State/Territory/Country	2018	2019	2020	2021
	Actual	Actual	Enacted	Budget
Hawaii	\$3,592	-	-	-
Obligations	3,592	-	-	-

EXPLANATORY NOTES – RURAL UTILITIES SERVICE

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**Water and Waste Farm Bill Grants (thousands of dollars)**

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Distribution Unknown a/	-	-	\$5,000	\$300
Obligations	-	-	5,000	300

a/ Totals cannot be distributed at this time for 2020 and 2021.

**Water and Waste 2017 Disaster Grants (thousands of dollars)**

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
District of Columbia	\$1,000	\$968	-	-
Distribution Unknown a	-	-	\$163,500	-
Obligations	1,000	968	163,500	-

a/ Totals cannot be distributed at this time for 2020 and 2021.

**General Provision 783 Water and Waste Grants Pilot Program (thousands of dollars)**

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Distribution Unknown a/	-	-	\$5,000	-
Obligations	-	-	5,000	-

a/ Totals cannot be distributed at this time for 2020.

**CLASSIFICATION BY OBJECTS (thousands of dollars)**

Item No.	Item	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
41	Grants, subsidies, and contributions	\$1,008,855	\$683,943	\$876,330	\$661,280
	Total, Other Objects	1,008,855	683,943	876,330	661,280
99.9	Total, new obligations	1,008,855	683,943	876,330	661,280

**RURAL ELECTRIFICATION AND TELECOMMUNICATIONS LOANS PROGRAM ACCOUNT**

**LEAD-OFF TABULAR STATEMENT**

Rural Electrification and Telecommunications Loans	Program Level	Budget Authority	Administrative Expenses
2020 Appropriations.....	\$6,940,000,000	3,795,000	33,270,000
Change in Appropriation.....	-750,000,000	759,000	4,730,000
2021 budget estimate.....	<u>6,190,000,000</u>	<u>4,554,000</u>	<u>38,000,000</u>

**APPROPRIATIONS LANGUAGE**

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

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

The principal amount of direct [and guaranteed] loans as authorized by sections 4, 305[, 306], and 317 of the Rural Electrification Act of 1936 (7 U.S.C. 904, 935[, 936], and 940g) shall be made as follows: loans made pursuant to sections 4(c)(2), 305(d)(2)[, 306], and 317, notwithstanding 317(c), of that Act, direct rural electric loans, \$5,500,000,000; [guaranteed underwriting loans pursuant to section 313A of that Act, \$750,000,000; 5 percent rural telecommunications loans,]cost of money rural telecommunications loans[, and for loans made pursuant to section 306 of that Act, rural telecommunications loans], \$690,000,000 [*Provided*, That up to \$2,000,000,000 shall be used for the construction, acquisition, design and engineering or improvement of fossil-fueled electric generating plants (whether new or existing) that utilize carbon subsurface utilization and storage systems].

For the cost of direct loans as authorized by section 305(d)(2)) of the Rural Electrification Act of 1936 (7 U.S.C. 935(d)(2)), including the cost of modifying loans, as defined in section 502 of the Congressional Budget Act of 1974, cost of money rural telecommunications loans, [~~\$3,795,000~~] \$4,554,000.

In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, [~~\$33,270,000~~]\$38,000,000, which shall be transferred to and merged with the appropriations for “Rural Development, Salaries and Expenses”.

The first change is to include the authority for Electric direct loans and to eliminate the Guaranteed loans and the electric Federal Financing Bank (FFB) loans as the budget is not requesting funding for these loans.

The second change is to include the authority for Direct Treasury Telecommunication Loans.

The third change is to delete funding provided for the Telecommunication FFB loan program. The budget is not requesting funding for this program. All funding is requested under the Direct Treasury Telecommunication loan program.

The fourth change is to include the authority for the Direct Treasury Telecommunication loan program.

The fifth change deletes the set aside for carbon sequestration.

EXPLANATORY NOTES – RURAL UTILITIES SERVICE

PROJECT STATEMENT (thousands of dollars)

Program/Activity	2018		2019		2020		2021		Chg Key	Change from	
	Actual		Enacted		Enacted		Budget Request			2020 Enacted	
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.		P.L.	B.A.
Direct Appropriations:											
Electric Direct, FFB .....	\$4,900,000	0	\$5,133,200	0	\$5,500,000	0	0	0	(1)	-\$5,500,000	0
Pilot Program for refiancing electric loans .....	600,000	\$5,000	0	0	0	0	0	0	0	0	0
Electric Direct, Treasury Rate.....	0	0	0	0	0	0	\$5,500,000	0	(1)	5,500,000	0
Electric Underwriting Loans.....	750,000	0	750,000	0	750,000	0	0	0	(2)	-750,000	0
Telecommunications Direct, Treasury Rate .....	344,954	248	359,375	\$1,725	345,000	\$3,795	690,000	\$4,554	(3)	345,000	\$759
Telecommunications Direct, FFB.....	345,000	0	330,625	0	345,000	0	0	0	(3)	-345,000	0
Administration Expenses .....	0	33,270	0	33,270	0	33,270	0	38,000		0	4,730
Subtotal, Direct Appropriations .....	6,939,954	38,518	6,573,200	34,995	6,940,000	37,065	6,190,000	42,554		-750,000	5,489
General Provisions:											
Section 735 and 732: Rural Energy Savings Program.....	60,015	8,000	71,276	10,000	69,565	12,000	0	0	(4)	-69,565	-12,000
Working Capital Fund .....	246,194	615	143,750	690	0	0	0	0		0	0
Subtotal, Transfers In.....	246,194	615	143,750	690	0	0	0	0		0	0
<b>Total, Discretionary Funding.....</b>	<b>7,246,163</b>	<b>47,133</b>	<b>6,788,226</b>	<b>45,685</b>	<b>7,009,565</b>	<b>49,065</b>	<b>6,190,000</b>	<b>42,554</b>		<b>-819,565</b>	<b>-6,511</b>
Carryover from Prior Years:											
Rural Energy Savings Program (No Year) .....	0	4,495	68,632	9,629	108,911	18,787	162,471	16,653		53,559	-2,134
Rural Energy Savings Program (Multi-Year) .....	0	8,000	57,021	8,000	0	0	0	0		0	0
Pilot Program for refinancing electric loans .....	93,736	13,800	366,799	16,325	1,644	15,444	4	13,804		-1,640	-1,640
Subtotal, Carryover .....	93,736	26,295	492,452	33,954	110,555	34,231	162,475	30,457		51,919	-3,774
Transfers Out .....	-246,194	-615	-143,750	-690	0	0	0	0		0	0
<b>Total Available.....</b>	<b>7,093,705</b>	<b>72,813</b>	<b>7,136,928</b>	<b>78,949</b>	<b>7,120,120</b>	<b>83,296</b>	<b>6,352,475</b>	<b>73,011</b>		<b>-767,646</b>	<b>-10,285</b>
Lapsing Balances.....	-2,869,683	-2,475	-1,420,820	-5,858	-2,769,035	0	0	0		2,769,035	0
Balances, Available End of Year.....	-132,310	-33,954	-135,481	-34,231	-98,184	-30,457	-2,987,905	-26,457		-2,889,721	4,000
<b>Total Obligations .....</b>	<b>\$4,091,712</b>	<b>\$36,384</b>	<b>\$5,580,627</b>	<b>\$38,860</b>	<b>\$4,252,901</b>	<b>\$52,839</b>	<b>\$3,364,570</b>	<b>\$46,554</b>		<b>-\$888,332</b>	<b>-\$6,285</b>

a/ In 2018, \$33,270,000 was appropriated and transferred to the Rural Development Salaries and Expenses account; in 2019, \$33,270,000 was appropriated and transferred to Development Salaries and Expenses account; in 2020 \$33,270,000 was appropriated and transferred to the Rural Development Salaries and Expenses account. The 2021 budget requests \$38,000,000 to be transferred and merged with the Rural Development Salaries and Expenses account . Any justifications for the administrative expenses can be found in the Rural Development Salaries and Expenses account.

## JUSTIFICATIONS OF INCREASES/DECREASES

All electric programs support USDA Strategic Goal 4. 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) Direct Treasury Rate Electric Loans: An increase of \$5,500,000,000 from the FY 2020 Appropriations**

This program provides electric financing loans at the government's cost of money (or the current Treasury rate) under section 4 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, and renewable energy systems to service rural areas. The long-term, low interest rate financing helps non-profit electric borrowers provide reliable, affordable electric service for rural homes and businesses.

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.

The funding request of \$5.5 billion in 2021 is projected to provide improved electric facilities benefitting an estimated 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. The direct treasury rate does not have a prepayment penalty and a lower paperwork burden on the borrower than the Electric Federal Financing Bank program. Loans made through the Electric FFB program require the borrower to invest in additional staff or systems to allow them to monitor the interest changes of short- and long-term bonds. This program has a negative subsidy rate for fiscal year 2021.

### **(2) Federal Financing Bank (FFB) Electric Loans: A decrease of \$5,500,000,000 from the FY 2020 Appropriations**

No funding is requested for this program in 2021. The reduction in funding requested for FFB electric loans in 2021 will be offset by the funding requested for direct Treasury rate electric loans. Eligible borrowers will have access to direct financing for rural electrification at Treasury rates and the change will not affect overall capital available for rural electrification investments.

**(3) Guaranteed Electric Underwriting for Bonds and Notes: A decrease of \$750,000,000 from the FY 2020 Appropriations**

The reduction in funding requested for the guaranteed underwriting program in FY 2021 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.

**(4) Direct Treasury Rate Telecommunications Loans: An increase of \$345,000,000 from the FY 2020 Appropriations**

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. The Telecomm direct treasury rate does not have a prepayment penalty and a lower paperwork burden on the borrower than the Telecomm Federal Financing Bank program. Loans made through the Telecomm FFB program require the borrower to invest in additional staff or systems to allow them to monitor the interest changes of short- and long-term bonds. In addition, telecom companies have a historical understanding of the direct treasury rate loans and prefer to utilize this instrument. Historically over 75 percent of the Telecom borrowers choose direct treasury rate over FFB.

The funding request of \$690 million for 2021 is projected to support approximately 20 loans providing improved telecommunication facilities benefitting an estimated 100,000 rural subscribers.

**(5) FFB Telecommunications Loans: A decrease of \$345,000,000 from the FY 2020 Appropriations**

No funding is requested for this program in 2021. The reduction in funding requested for FFB telecommunication loans in 2021 will be offset by the funding requested for the Treasury Rate program which is preferred by borrowers due to its simplicity and security of a fixed interest rate and term for each advance. Furthermore, building broadband assets in high-cost rural areas and the ongoing operation of a network is a substantial undertaking and often profits are low. FFB loans can only be approved if the borrower's projected Times

Interest Earned Ratio (TIER) is at least 1.2, while 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.

**(6) Rural Energy Savings Program (RESP): A decrease of \$12,000,000 from the FY 2020 Appropriations**

RESP requirements closely track to the FFB Electric Energy Efficiency and Conservation Loan Program (EECLP), which is funded through the regular FFB program, and both programs serve similar constituencies, therefore no funding is requested in FY 2021 for RESP.

**GEOGRAPHIC BREAKDOWN OF OBLIGATIONS**

**Rural Electric Federal Financing Bank Loans (thousands of dollars)**

State/Territory/Country	2018	2019	2020	2021
	Actual	Actual	Enacted	Budget
Alabama	\$158,399	-	-	-
Alaska	13,532	-	-	-
Arizona	43,617	\$94,174	-	-
Arkansas	222,035	340,385	-	-
California	15,625	-	-	-
Colorado	143,105	45,628	-	-
Florida	33,241	60,200	-	-
Georgia	263,114	1,228,282	-	-
Hawaii	4,814	-	-	-
Illinois	15,300	-	-	-
Indiana	244,500	41,000	-	-
Iowa	29,000	112,089	-	-
Kansas	34,687	52,956	-	-
Kentucky	47,319	427,519	-	-
Louisiana	14,926	74,542	-	-
Maine	1,510	1,750	-	-
Michigan	8,000	294,650	-	-
Minnesota	164,438	199,019	-	-
Mississippi	-	282,737	-	-
Missouri	171,425	243,922	-	-
Nebraska	-	9,100	-	-
New Mexico	101,240	8,538	-	-
New York	2,629	-	-	-
North Carolina	163,960	134,387	-	-
North Dakota	114,296	98,315	-	-
Ohio	234,776	42,633	-	-
Oklahoma	75,688	20,100	-	-
Oregon	-	51,057	-	-
South Carolina	187,306	161,730	-	-
South Dakota	58,297	320,147	-	-
Tennessee	45,720	110,000	-	-
Texas	79,659	200,075	-	-
Vermont	-	8,130	-	-
Virginia	209,720	182,689	-	-
Washington	18,195	-	-	-
Wisconsin	5,000	103,695	-	-
Wyoming	-	39,805	-	-
Distribution Unknown a/ Obligations	-	-	\$2,993,405	-
	2,925,073	4,989,254	2,993,405	-

a/ Totals cannot be distributed at this time for 2020 and 2021.

EXPLANATORY NOTES – RURAL UTILITIES SERVICE

**Rural Electric Federal Financing Bank Modifications Loans (thousands of dollars)**

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Alabama	\$71,515	-	-	-
Arkansas	20,152	-	-	-
Colorado	11,721	-	-	-
Georgia	32,627	-	-	-
Indiana	6,078	-	-	-
Kentucky	72,144	-	-	-
Minnesota	10,133	\$5,727	-	-
North Dakota	8,832	-	-	-
South Dakota	-	1,150	-	-
Obligations	233,201	6,876	-	-

**Rural Electric Treasury Rate (thousands of dollars)**

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Distribution Unknown a/	-	-	-	\$3,800,000
Obligations	-	-	-	3,800,000

a/ Totals cannot be distributed at this time for 2020 and 2021.

**Rural Electric Underwriter Loans for Notes and Bonds (thousands of dollars)**

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Colorado		\$250,000		
Virginia	\$750,000	\$500,000	-	-
Distribution Unknown a/	-	-	\$750,000	-
Obligations	750,000	750,000	750,000	-

a/ Totals cannot be distributed at this time for 2020.

**Rural Energy Savings Plan Loans (thousands of dollars)**

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Arkansas	\$9,000	-	-	-
Colorado	11,000	\$10,000	-	-
Michigan	-	1,000	-	-
Montana	-	200	-	-
Oregon	1,500		-	-
Tennessee	-	5,000	-	-
Virginia	-	3,000	-	-
Washington	-	15,000	-	-
Distribution Unknown a	-	-	\$81,936	\$39,024
Obligations	21,500	34,200	81,936	39,024

a/ Totals cannot be distributed at this time for 2020 and 2021.

EXPLANATORY NOTES – RURAL UTILITIES SERVICE

**Rural Telecommunication Treasury Rate Loans (thousands of dollars)**

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Arkansas	-	\$16,914	-	-
Arizona	\$5,820	-	-	-
Illinois	-	11,407	-	-
Indiana	-	14,359	-	-
Iowa	12,483	5,000	-	-
Kentucky	20,528	34,453	-	-
Missouri	13,659	-	-	-
Nevada	6,944	-	-	-
New Mexico	5,910	15,000	-	-
South Carolina	-	19,999	-	-
South Dakota	20,760	-	-	-
Tennessee	-	24,879	-	-
Virginia	2,183	-	-	-
Wisconsin	10,719	22,838	-	-
Distribution Unknown a	-	-	\$345,000	\$690,000
Obligations	99,006	164,849	345,000	690,000

a/ Totals cannot be distributed at this time for 2020 and 2021.

**Rural Telecommunication Federal Financing Bank Loans (thousands of dollars)**

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Illinois	-	\$6,914	-	-
Iowa	\$3,000	-	-	-
Minnesota	20,360	-	-	-
New Mexico	5,911	-	-	-
South Dakota	20,759	-	-	-
Virginia	2,183	9,709	-	-
Wisconsin	10,719	-	-	-
Distribution Unknown a	-	-	\$82,561	-
Obligations	62,932	16,623	82,561	-

a/ Totals cannot be distributed at this time for 2020 and 2021.

**CLASSIFICATION BY OBJECTS (thousands of dollars)**

Item No.	Item	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
25.3	Other goods and services from Federal sources	\$5,000	-	-	-
41	Grants, subsidies, and contributions	31,384	\$38,860	\$52,839	\$46,554
99.9	Total, new obligations	36,384	38,860	52,839	46,554

**DISTANCE LEARNING, TELEMEDICINE AND BROADBAND PROGRAM ACCOUNT**

**LEAD-OFF TABULAR STATEMENT**

<u>Distance Learning, Telemedicine and Broadband Program</u>	<u>Grants</u>	<u>Loan Level</u>	<u>Subsidy</u>
2020 Appropriations.....	\$385,000,000	\$11,179,000	\$2,000,000
Change in Appropriation.....	-61,000,000	-11,179,000	-2,000,000
2021 Budget Estimate.....	324,000,000	0	0

**APPROPRIATIONS LANGUAGE**

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

Distance Learning, Telemedicine and Broadband Program:

[For the principal amount of broadband telecommunication loans, \$11,179,000.]

For grants for telemedicine and distance learning services in rural areas, as authorized by 7 U.S.C. 950aaa et seq., [~~\$50,000,000~~]\$44,000,000, to remain available until expended[: *Provided*, That \$3,000,000 shall be made available for grants authorized by 379G of the Consolidated Farm and Rural Development Act: *Provided further*, That funding provided under this heading for grants under 379G of the Consolidated Farm and Rural Development Act may only be provided to entities that meet all of the eligibility criteria for a consortium as established by this section].

[For the cost of broadband loans, as authorized by section 601 of the Rural Electrification Act, \$2,000,000, to remain available until expended: *Provided*, That the cost of direct loans shall be as defined in section 502 of the Congressional Budget Act of 1974.]

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.), \$250,000,000, 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 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)).

In addition, [~~\$35,000,000~~]\$30,000,000, to remain available until expended, for a grant program to finance broadband transmission in rural areas eligible for Distance Learning and Telemedicine Program benefits authorized by 7 U.S.C. 950aaa et seq.

The first change deleted language related to the set aside for Section 379G of the Consolidated Farm and Rural Development Act. Funding can be provided thru the regular Distance Learning and Telemedicine grant program.

The second change adds funding and language for the Broadband ReConnect pilot program that was first funded in 2018 through a general provision.

EXPLANATORY NOTES – RURAL UTILITIES SERVICE

PROJECT STATEMENT (thousands of dollars)

Program/Activity	2018		2019		2020		2021		Chg Key	Change from 2020 Enacted	
	Actual		Actual		Enacted		Budget Request			P.L.	B.A.
	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.	P.L.	B.A.		P.L.	B.A.
<b>Direct Appropriations:</b>											
Distance learning and telemedicine (DLT) grants ...	\$29,000	\$29,000	\$31,000	31,000	\$47,000	47,000	\$44,000	44,000	(1)	-\$3,000	-\$3,000
DLT Delta healthcare services grants .....	3,000	3,000	3,000	3,000	3,000	3,000	0	0	(1)	-3,000	-3,000
Broadband direct treasury rate loans .....	29,851	5,000	29,852	5,830	11,179	2,000	0	0	(2)	-11,179	-2,000
Broadband grants .....	30,000	30,000	30,000	30,000	35,000	35,000	30,000	30,000		-5,000	-5,000
Reconnect BB 100% grant - Pilot.....	0	0	60,000	60,000	0	0	0	0		0	0
Reconnect BB 100% loan - Pilot.....	0	0	61,015	19,000	0	0	0	0		0	0
Reconnect BB 50% loan - Pilot .....	558,000	558,000	32,179	7,250	279,000	279,000	232,500	232,500	(3)	-46,500	-46,500
Reconnect BB 50% grant - Pilot .....	0	0	30,000	30,000	0	0	0	0		0	0
Reconnect BB Admin and TA - Pilot .....	42,000	42,000	8,750	8,750	21,000	21,000	17,500	17,500	(3)	-3,500	-3,500
Subtotal, Direct Appropriations .....	691,851	667,000	285,796	194,830	396,179	387,000	324,000	324,000		-72,179	-63,000
<b>General Provisions:</b>											
Section 775: DLT Opioid Epidemi .....	20,000	20,000	16,000	16,000	0	0	0	0		0	0
<b>Total, Discretionary Funding.....</b>	<b>711,851</b>	<b>687,000</b>	<b>301,796</b>	<b>210,830</b>	<b>396,179</b>	<b>387,000</b>	<b>324,000</b>	<b>324,000</b>		<b>-72,179</b>	<b>-63,000</b>
<b>Carryover from Prior Years:</b>											
Distance learning and telemedicine (DLT) grants ...	6,059	6,059	6,924	6,924	12,682	12,682	25,919	25,919		13,237	13,237
DLT Delta healthcare services grants .....	3,600	3,600	3,561	3,561	3,113	3,113	3,109	3,109		-4	-4
Broadband grants .....	16,606	16,606	3,016	3,016	9,924	9,924	10,319	10,319		395	395
Broadband direct treasury rate loans .....	90,641	15,182	90,046	16,141	80,720	14,441	43,604	7,801		-37,116	-6,640
Transfer to S&E under Sec. 6207 of Farm Bill	0	0	1,796	1,796	0	0	0	0		0	0
Public Broadcasting System Grants .....	503	503	563	563	604	604	639	639		35	35
Section 775: DLT Opioid Epidemi .....	0	0	10,155	10,155	12,012	12,012	762	762		-11,250	-11,250
Reconnect Technical Assistance Grants.....	0	0	18,000	18,000	12,539	12,539	6,939	6,939		-5,600	-5,600
Reconnect Administrative Expenses.....	0	0	16,800	16,800	9,496	9,496	4,846	4,846		-4,650	-4,650
Reconnect Pilot 50% Loan/Grant.....	0	0	150,000	186,075	342,299	223,325	252,966	177,000		-89,334	-46,325
Reconnect Pilot 100% Loans.....	0	0	283,494	88,280	311,408	107,280	234,485	80,780		-76,923	-26,500
Reconnect Pilot 100% Grants.....	0	0	283,645	283,645	336,435	336,435	435,035	435,035		98,600	98,600
Subtotal, Carryover .....	117,410	41,952	867,999	634,955	1,131,232	741,851	1,018,622	753,149		-112,609	11,298
Recoveries, Other .....	16,437	11,044	10,596	7,841	7,560	6,413	6,344	5,357		-1,216	-1,056
<b>Total Available.....</b>	<b>845,697</b>	<b>739,996</b>	<b>1,180,391</b>	<b>853,626</b>	<b>1,534,971</b>	<b>1,135,264</b>	<b>1,348,966</b>	<b>1,082,506</b>		<b>-186,005</b>	<b>-52,758</b>
Balances, Available End of Year.....	-724,244	-634,955	-1,030,189	-741,851	-898,223	-753,149	-699,074	-678,266		199,149	74,883
<b>Total Obligations .....</b>	<b>\$121,453</b>	<b>\$105,041</b>	<b>\$150,202</b>	<b>\$111,776</b>	<b>\$636,748</b>	<b>\$382,115</b>	<b>\$649,892</b>	<b>\$404,240</b>		<b>\$13,144</b>	<b>\$22,125</b>

a/ In addition to the discretionary funding provided for this program, Congress provided authority to use earnings from the Cushion of Credit amount, \$425 million in 2019 and \$255 million in 2020.

## JUSTIFICATIONS OF INCREASES/DECREASES

Distance Learning and Telemedicine and broadband program support USDA Strategic Goal 4. 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) Distance Learning and Telemedicine Grants: A decrease of \$6,000,000 from the FY 2020 Appropriations**

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. The requested funding increase will enable the Agency to finance telemedicine projects to help address the Nation's opioid epidemic and finance distance learning projects to help address the Nation's need for additional science, technology, engineering and mathematics (STEM) educational resources. The request does not include the set aside for Section 370G, Delta Health care. Funding for this purpose can be provided through the regular grants.

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. If the program was not funded then the ability of rural Americans to access critical telemedicine and distance learning services would diminish.

The funding request of \$44 million for 2021 is projected to provide distance learning and telemedicine services through approximately 90 projects benefitting and estimated 600 counties with healthcare and educational access in unserved rural communities.

### **(2) Direct Broadband Telecommunications Treasury Rate Loans: A decrease of \$11,179,000 in loan level from the FY 2020 Appropriations**

No funding is requested for this program. The reduction in funding requested for direct broadband telecommunications treasury rate loans program in FY 2021 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) ReConnect Pilot Program: A decrease of \$50,000,000 in budget authority from the FY 2020 Appropriations**

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.

The ReConnect Pilot Program expands customer service by providing borrowers with three separate funding categories to choose from: 100 percent (%) loan, 50% loan / 50% grant, or 100% grant for a broad menu of services to finance broadband in rural communities. The funding enhances rural prosperity through access to capital that is often 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.

Given the substantial investment in rural broadband, RUS has worked to ensure that the ReConnect Program is technology neutral. This means that any technology available that can meet RUS' broadband speed threshold (currently set at 25 Mbps download and 3 Mbps upload) is eligible for program funding.

The overwhelming majority of projects funded under Telecom programs in the last 5 years have proposed to deploy a Fiber-to-the-Premise (FTTP) network. This is not surprising given the preference on the part of many rural telecommunications providers and electric cooperatives to deploy fiber-based networks. Such facilities can operate for 20 to 30 years into the future, in contrast to wireless networks whose equipment must be replaced every 3 to 5 years. Additionally, FTTH systems are capable of delivering speeds over 1 Gig to end-users.

However, new and emerging technologies have the potential to significantly alter these preferences. Microsoft's Airband Initiative, which was launched in 2017, utilizes unassigned broadband spectrum known as TV white spaces which has been reported to have connected 2 million unserved rural Americans in under two years. RUS provided a \$8.7 million loan to Declaration Networks Group in 2017 to extend a broadband network utilizing Microsoft's Whitespace Technology to serve rural communities in Virginia.

5G technology also offers new and exciting opportunities to extend service to unserved Americans across the nation. With multi-gigabit speeds and massive capacity, 5G technology is exciting for policy makers and service providers across the nation. Studies

have shown that this technology may be more suited for urban areas as it has limitations and may not be suitable to address the rural broadband gap.

While some providers opt for purely fiber or wireless-based networks, many providers actually choose to utilize a combination of technologies to deliver last-mile service. Newer wireless technologies rely more heavily than their predecessor technologies on strong fiber backbone facilities so such network operators must still make significant investments in fiber-based facilities. When determining the appropriate technology to utilize, service providers must consider the location and terrain of the area for which they intend to serve and weigh the costs of construction and system maintenance against the needs of the rural consumers they serve.

The agency anticipates that the elimination of the Treasury Rate Broadband Loan Program in FY 2021 will increase demand for ReConnect. The requested increase in funding will enable the program to finance service to an estimated 10,000 consumers. Regulation changes for the program are being drafted and will be finalized in FY 2020. Administrative funds provided for within the program authorization will cover the additional staffing and IT enhancements needed to implement and grow the program. If the increase is not provided, rural providers will have fewer options to fund broadband service in rural communities and USDA will fail to offer a full menu of services to finance the need for rural broadband service.

EXPLANATORY NOTES – RURAL UTILITIES SERVICE

**GEOGRAPHIC BREAKDOWN OF OBLIGATIONS**

**Distance Learning and Telecommunications Grants (thousands of dollars)**

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Alabama	\$489	\$2,225	-	-
Alaska	1,687	997	-	-
Arkansas	-	130	-	-
California	2,023	595	-	-
Colorado	753	395	-	-
Connecticut	-	319	-	-
Florida	968	1,279	-	-
Georgia	3,032	1,428	-	-
Hawaii	674	-	-	-
Idaho	52	154	-	-
Illinois	1,422	1,118	-	-
Indiana	-	698	-	-
Iowa	1,459	-	-	-
Kansas	455	832	-	-
Kentucky	686	1,659	-	-
Louisiana	1,434	659	-	-
Maine	567	2,182	-	-
Michigan	690	1,481	-	-
Minnesota	955	735	-	-
Mississippi	2,442	1,980	-	-
Missouri	1,414	705	-	-
Montana	236	932	-	-
Nebraska	1,862	500	-	-
Nevada	603	944	-	-
New Hampshire	327	-	-	-
New Mexico	178	-	-	-
New York	972	624	-	-
North Carolina	4,044	4,052	-	-
North Dakota	155	605	-	-
Ohio	1,144	2,821	-	-
Oklahoma	1,320	2,220	-	-
Oregon	57	839	-	-
Pennsylvania	2,068	2,352	-	-
Puerto Rico	-	782	-	-
South Carolina	3,552	1,821	-	-
South Dakota	928	1,665	-	-
Tennessee	152	1,856	-	-
Texas	2,222	416	-	-
Utah	1,046	614	-	-
Vermont	-	91	-	-
Virgin Islands	372	1,325	-	-
Virginia	664	1,197	-	-
Washington	74	-	-	-
West Virginia	1,104	437	-	-
Wisconsin	86	175	-	-
Wyoming	209	63	-	-
Other Countries	144	-	-	-
Distribution Unknown /a	-	-	\$50,050	\$45,500
Obligations	44,721	45,901	50,050	45,500

a/ Totals cannot be distributed at this time for 2020 and 2021.

EXPLANATORY NOTES – RURAL UTILITIES SERVICE

**Distance Learning and Telecommunications Delta Health Services Grants** (thousands of dollars)

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Arkansas	\$829	\$999	-	-
Kentucky	445	315	-	-
Louisiana	176	597	-	-
Mississippi	1,116	999	-	-
Tennessee	476	651	-	-
Distribution Unknown /a	-	-	\$3,100	-
Obligations	3,042	3,561	3,100	-

a/ Totals cannot be distributed at this time for 2020 and 2021.

**Direct Broadband Telecommunications Treasury Rate Loans** (thousands of dollars)

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Arkansas	\$19,884	-	-	-
Georgia	-	\$14,345	-	-
Missouri	-	17,665	-	-
Oklahoma	-	15,742	-	-
Distribution Unknown /a	-	-	\$49,692	-
Obligations	19,884	47,752	49,692	-

a/ Totals cannot be distributed at this time for 2020 and 2021.

**Broadband Telecommunications Grants** (thousands of dollars)

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Alabama	\$2,981	-	-	-
Georgia	3,000	-	-	-
Illinois	-	\$2,386	-	-
Kentucky	3,000	2,396	-	-
Maine	1,320	-	-	-
Minnesota	2,148	1,953	-	-
North Carolina	3,000	1,933	-	-
North Dakota	2,829	844	-	-
Oklahoma	14,269	845	-	-
Pennsylvania	-	638	-	-
Tennessee	1,813	-	-	-
Texas	-	2,307	-	-
Utah	3,373	-	-	-
Virginia	7,175	6,000	-	-
Washington	390	-	-	-
West Virginia	-	4,960	-	-
Wyoming	1,309	-	-	-
Distribution Unknown /a	-	-	\$35,600	\$33,890
Obligations	46,606	24,264	35,600	33,890

a/ Totals cannot be distributed at this time for 2020 and 2021.

EXPLANATORY NOTES – RURAL UTILITIES SERVICE

**Broadband Pilot 100% Grants** (thousands of dollars)

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Iowa	-	\$7,210	-	-
Distribution Unknown /a	-	-	\$80,900	\$150,000
Obligations	-	7,210	80,900	150,000

a/ Totals cannot be distributed at this time for 2020 and 2021.

**Broadband Pilot 100% Loans** (thousands of dollars)

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Distribution Unknown /a	-	-	\$204,644	\$250,091
Obligations	-	-	204,644	250,091

a/ Totals cannot be distributed at this time for 2020 and 2021.

**Broadband Pilot 50% Grants** (thousands of dollars)

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Distribution Unknown /a	-	-	\$78,650	\$65,000
Obligations	-	-	78,650	65,000

a/ Totals cannot be distributed at this time for 2020 and 2021.

**Broadband Pilot 50% Loans** (thousands of dollars)

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Distribution Unknown /a	-	-	\$102,862	\$85,261
Obligations	-	-	102,862	85,261

a/ Totals cannot be distributed at this time for 2020 and 2021.

**Broadband Pilot Technical Assistance Grants** (thousands of dollars)

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
District of Columbia	-	\$9,211	\$14,600	\$8,900
Obligations	-	9,211	14,600	8,900

**Broadband Pilot Administrative Expenses Grants** (thousands of dollars)

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
District of Columbia	\$7,200	\$12,304	\$16,650	\$11,250
Obligations	7,200	12,304	16,650	11,250

**CLASSIFICATION BY OBJECTS** (thousands of dollars)

Item No.	Item	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
41.0	Grants, subsidies, and contributions	\$105,041	\$111,776	\$382,115	\$404,240
	Total, Other Objects	105,041	111,776	382,115	404,240
99.9	Total, new obligations	105,041	111,776	382,115	404,240

**HIGH ENERGY COST GRANTS**

**LEAD-OFF TABULAR STATEMENT**

2020 Appropriations.....	\$10,000,000
Change in Appropriation.....	-10,000,000
2021 Budget Estimate.....	0

**PROJECT STATEMENT (thousands of dollars)**

<u>Program/Activity</u>	<u>2018</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>	<u>2020</u> <u>Enacted</u>	<u>2021</u> <u>Budget</u> <u>Request</u>	<u>Chg</u> <u>Key</u>	<u>Change from</u> <u>2020 Enacted</u>
Direct Appropriations:						
High Energy Cost Grants .....	\$0	\$0	\$0	\$0		\$0
Transfers In:						
Water and Waste Disposal Program Account.....	10,000	10,000	10,000	0	(1)	-10,000
<b>Total, Discretionary Funding.....</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>0</b>		<b>-10,000</b>
Carryover from Prior Years:						
High Energy Cost Grants .....	13,276	2,070	3,578	1,178		-2,400
Subtotal, Carryover .....	13,276	2,070	3,578	1,178		-2,400
Transfers Out .....	-10,000	-10,000	-10,000	0		10,000
Recoveries, Other .....	588	3,176	250	100		-150
<b>Total Available.....</b>	<b>23,864</b>	<b>15,246</b>	<b>13,828</b>	<b>1,278</b>		<b>-12,550</b>
Balances, Available End of Year.....	-2,070	-3,578	-1,178	-1,278		-100
<b>Total Obligations .....</b>	<b>\$21,793</b>	<b>\$11,668</b>	<b>\$12,650</b>	<b>\$0</b>		<b>-\$12,650</b>

**JUSTIFICATIONS OF INCREASES/DECREASES**

**(1) High Energy Cost Grants: A decrease of \$10,000,000 in budget authority from the FY 2020 Appropriations**

No new funding is being requested for this program in the 2021 budget. Projects funded with this program can use the funding available in other Rural Development programs.

EXPLANATORY NOTES – RURAL UTILITIES SERVICE

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**GEOGRAPHIC BREAKDOWN OF OBLIGATIONS**

**High Energy Cost Grants** (thousands of dollars)

State/Territory/Country	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
Alaska	\$18,494	\$11,668	-	-
New Mexico	370	-	-	-
Distribution Unknown /a	2,930	-	\$12,650	-
Obligations	21,793	11,668	12,650	-

a/ Total cannot be distributed at this time for 2020.

**CLASSIFICATION BY OBJECTS** (thousands of dollars)

Item No.	Item	2018 Actual	2019 Actual	2020 Enacted	2021 Budget
41.0	Grants, subsidies, and contributions	\$21,793	\$11,668	\$12,650	\$0
	Total, Other Objects	21,793	11,668	12,650	0
99.9	Total, new obligations	21,793	11,668	12,650	0

**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 - 1 KPI**

KPI	2018 Actual	2019 Actual	2019 Target	2019 Result	2020 Target	2021 Target
Number of borrowers’/grantees’ subscribers receiving new and/or improved telecommunication services (thousands) .....	45	68.9	138.5 <sup>a</sup>	Not Met	118.5 <sup>a</sup>	162 <sup>a</sup>
Number of borrowers’ consumers receiving new and/or improved electric facilities (millions) .....	7.5	7.7	5.1	Exceeded	5.1	5.1

<sup>a</sup> 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 2019 due to the \$600 million in loan and grant funding made available through USDA’s ReConnect pilot program. 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.

**SELECTED ACCOMPLISHMENTS EXPECTED AT THE 2021 PROPOSED RESOURCE LEVEL**

The telecommunications program will expand its outreach efforts through 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.