

2018 President's Budget
Rural Utilities Service

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RURAL UTILITIES SERVICE

Purpose Statement

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

Authorization and Program Descriptions

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

Electric Programs:

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

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

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

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

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

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

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

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

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

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

Telecommunications Program:

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

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

Direct loans (or Treasury rate loans) bear interest at the government’s cost of money (or the current Treasury rate).

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

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

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

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

projects provide funding for Internet-based educational services in schools and libraries and promote confidence in, and understanding of, the Internet and its benefits to students and young entrepreneurs. Loans, made at the Treasury rate of interest, and grants will encourage, improve, and make affordable the use of advanced telecommunications.

Water and Waste Disposal Loans and Grants:

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

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

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

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

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

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

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

Solid waste management grants - Section 310B CONACT and 7 U.S.C. 1932. Grants are made available to eligible organizations to address solid waste management issues and threats to water resources from solid waste in rural communities. Assistance may be provided to enhance operator skills in operations and maintenance, identify threats to water resources, reduce or eliminate pollution of water resources, improve planning and management of solid waste disposal facilities in rural areas, and reduce the solid waste stream.

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

Geographic dispersion of offices and employees:

Rural Development programs are administered by the three programs representing RD: Housing and Community Facilities, Utilities, Business and Cooperative Development. RD headquarters is located in Washington, D.C. As of September 30, 2016, there were 4,702 permanent full-time employees, including 1,460 in the headquarters and 3,242 in the field offices.

OIG Reports – Completed

#09703-002-32-TE		Broadband Initiatives Program (ARRA) pre and post-award controls. RUS received a closure memo dated March 8, 2017, from the Office of the Chief Financial Officer accepting the final action on the recommendation. The audit is now closed.
#09703-0001-22	2/17/2016	RUS's Controls Over American Recovery and Reinvestment Act of 2009 (ARRA) water and waste disposal loan and grant expenditures and program measures. The Office of Inspector General (OIG) is beginning the next phase of the audit to review bidding, construction, and/or disbursement of funds for projects that have progressed to the construction and completion phases. RUS has implemented the remaining recommendations and, on November 19, 2015, submitted a request to OIG for closure of the audit.
#09703-0002-22	2/17/2016	OIG initiated this review to determine if a water and sewer company appropriately used USDA funds related to its most recent projects, to include its adherence to regulations pertaining to expenditures, contracts, and conflicts of interest. RUS has reached management decision on four of the seven recommendations. RUS has implemented the remaining recommendations and, on November 19, 2015, submitted a request to OIG for closure of the audit.

GAO Reports - Completed

#GAO-12-938R	9/14/12	The Distribution of Federal Economic Development Grants to Communities with High Rates of Poverty and Unemployment. GAO's objectives are to determine the amount of funding provided by Federal programs for economic development and describe the mechanisms for targeting these funds to communities. WEP responded to opening questions regarding Federal Economic Development Grants to Poverty Communities on March 29, 2012. GAO released a final report on September 14, 2012. No actions were recommended for RUS.
#GAO-12-937	12/14/12	Broadband Programs are Ongoing, and Agencies' Efforts Would Benefit from Improved Data Quality. The Government Accountability Office (GAO) reviewed the Broadband Initiatives Program (BIP) under ARRA, focusing on the progress of 10 broadband projects and their effect on expanding access to and adoption of broadband. GAO found that data limitations make it difficult to fully measure the effect of BIP on expanding access to broadband and made recommendations to improve the data, which RUS has already begun the process of implementing. GAO also noted some of the challenges facing awardees in completing projects.

GAO-13-279SP Jan 2013 GAO Annual Report on Duplication in Federal Programs. This is a follow-up to GAO Report No. GAO-13-111. In January 2013, RUS responded to a GAO regarding GAO's 2013 Annual Report on Rural Water Infrastructure.

#GAO-13-136 4-16-2013 Wind Energy: Additional actions could help insure effective use of Federal financial support. GAO examined Federal wind-related initiatives across Federal agencies using surveys and follow up interviews. GAO recommended "That to the extent possible within their statutory authority Department of Energy (DOE) and USDA formally assess and document whether the Federal financial support of their initiatives is needed for applicants' wind projects to be built." RD in its consolidated response noted that disclosure of other funds used to support the project is included in application review and approval, but that USDA is constrained by statute in its consideration of need for funding.

GAO Reports – In Progress

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

RURAL UTILITIES SERVICE

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

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

[For the cost of direct loans, loan guarantees, and grants for the rural water, waste water, waste disposal, and solid waste management programs authorized by sections 306, 306A, 306C, 306D, 306E, and 310B and described in sections 306C(a)(2), 306D, 306E, and 381E(d)(2) of the Consolidated Farm and Rural Development Act, \$522,365,000, to remain available until expended, of which not to exceed \$1,000,000 shall be available for the rural utilities program described in section 306(a)(2)(B) of such Act, and of which not to exceed \$993,000 shall be available for the rural utilities program described in section 306E of such Act: *Provided*, That not to exceed \$10,000,000 of the amount appropriated under this heading shall be for grants authorized by section 306A(i)(2) of the Consolidated Farm and Rural Development Act in addition to funding authorized by section 306A(i)(1) of such Act: *Provided further*, That \$64,000,000 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): *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 \$20,000,000 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 \$6,500,000 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 \$16,397,000 of the amount appropriated under this heading shall be for contracting with qualified national organizations for a circuit rider program to provide technical assistance for rural water systems: *Provided further*, That not to exceed \$4,000,000 shall be for solid waste management grants: *Provided further*, That \$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.]

This change removes the language for water and waste disposal programs which are not proposed in the budget.

RURAL UTILITIES SERVICE

RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT

Lead-Off Tabular Statement

	Loan Level	Subsidy	Grants
Budget Estimate, 2018.....	-	-	-
2017 Annualized Continuing Resolution.....	\$777,470,000	\$31,535,000	\$479,857,000
Change in Appropriation.....	<u>-777,470,000</u>	<u>-31,535,000</u>	<u>-479,857,000</u>

Summary of Increases and Decreases
(Dollars in thousands)

Program	2015 Actual	2016 Change	2017 Change	2018 Change	2018 President's Budget
Discretionary Appropriations:					
Direct rural water and waste disposal loans.....	-	+\$31,320	-\$60	-\$31,260	-
Guaranteed rural water and waste disposal loans.....	\$295	-20	-	-275	-
Rural water and waste disposal grants.....	336,150	+17,230	-672	-352,708	-
Technical assistance grants for rural waste systems.....	19,000	+1,000	-38	-19,962	-
Circuit rider - technical assistance grants for rural water systems....	15,919	+478	-31	-16,366	-
WWD grants, Alaskan villages.....	23,000	-7,000	-30	-15,970	-
WWD grants, native American tribes.....	16,000	+8,000	-46	-23,954	-
Water and waste disposal grants, Colonias.....	26,500	-2,500	-46	-23,954	-
WWD grants, Hawaiian Homelands.....	1,000	-1,000	-	-	-
Water well system grants.....	993	-	-2	-991	-
Water and wastewater revolving funds.....	1,000	-	-2	-998	-
Solid waste management grants.....	4,000	-	-8	-3,992	-
Emergency community water assistance grants.....	11,000	-	-21	-10,979	-
Emergency community water assistance grants, appropriated.....	-	+10,000	-19	-9,981	-
Total Appropriations.....	<u>454,857</u>	<u>+57,508</u>	<u>-973</u>	<u>-511,392</u>	<u>-</u>

RURAL UTILITIES SERVICE

RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT

Project Statement
Adjusted Appropriations Detail
(Dollars in thousands)

Program	2015 Actual		2016 Actual		2017 Estimate		Inc. or Dec.		2018 President's		
	Program	Budget	Program	Budget	Program	Budget	Program	Budget	Program	Budget	
	Level	Authority	Level	Authority	Level	Authority	Level	Authority	Level	Authority	
Discretionary Appropriations:											
Direct rural water and waste disposal loans.....	a/	\$1,200,000	-	\$1,200,000	\$31,320	\$720,287	\$31,260	-\$720,287 (1)	-\$31,260 (5)	-	-
Guaranteed rural water and waste disposal loans.....		50,000	\$295	50,000	275	57,183	275	-57,183 (2)	-275 (5)	-	-
Rural water and waste disposal grants.....		336,150	336,150	353,380	353,380	352,708	352,708	-352,708 (3)	-352,708	-	-
Technical assistance grants for rural waste systems.....		19,000	19,000	20,000	20,000	19,962	19,962	-19,962 (3)	-19,962	-	-
Circuit rider - technical assistance grants for rural water systems.....		15,919	15,919	16,397	16,397	16,366	16,366	-16,366 (3)	-16,366	-	-
WWD grants, Alaskan villages.....		23,000	23,000	16,000	16,000	15,970	15,970	-15,970 (3)	-15,970	-	-
WWD grants, native American tribes.....		16,000	16,000	24,000	24,000	23,954	23,954	-23,954 (3)	-23,954	-	-
Water and waste disposal grants, Colonias.....		26,500	26,500	24,000	24,000	23,954	23,954	-23,954 (3)	-23,954	-	-
WWD grants, Hawaiian Homelands.....		1,000	1,000	-	-	-	-	-	-	-	-
Water well system grants.....		993	993	993	993	991	991	-991 (3)	-991	-	-
Water and wastewater revolving funds.....		1,000	1,000	1,000	1,000	998	998	-998 (3)	-998	-	-
Solid waste management grants.....		4,000	4,000	4,000	4,000	3,992	3,992	-3,992 (4)	-3,992	-	-
Emergency community water assistance grants.....		11,000	11,000	11,000	11,000	10,979	10,979	-10,979 (3)	-10,979	-	-
Emergency community water assistance grants, appropriated.....		-	-	10,000	10,000	9,981	9,981	-9,981 (3)	-9,981	-	-
Total Adjusted Approp.....		1,704,562	454,857	1,730,770	512,365	1,257,326	511,392	-1,257,326	-511,392	-	-
Rescissions and Transfers (Net).....		10,000	10,000	10,000	10,000	9,981	9,981	-9,981	-9,981	-	-
Total Appropriation.....		1,714,562	464,857	1,740,770	522,365	1,267,307	521,373	-1,267,307	-521,373	-	-
Transfers Out:											
High energy cost grants.....	b/	-10,000	-10,000	-10,000	-10,000	-9,981	-9,981	+9,981	+9,981	-	-
Subtotal.....		-10,000	-10,000	-10,000	-10,000	-9,981	-9,981	9,981	9,981	-	-
Bal. Available, SOY.....		501,057	108,084	591,996	92,376	515,560	65,399	+34,955	-1,381	\$550,515	\$64,018
Recoveries, Other (Net).....		379,087	63,293	57,060	53,761	209,156	49,375	-161,477	-2,562	47,679	46,813
Total Available.....		2,584,706	626,234	2,379,826	658,502	1,982,042	626,166	-1,383,849	-515,335	598,194	110,831
Lapsing Balances.....		-93,008	-	-	-	-	-	-	-	-	-
Unobligated balances rescinded.....	c/d/	-	-	-13,000	-13,000	-13,000	-13,000	-537,515	-51,000	-550,515	-64,000
Bal. Available, EOY.....		-837,263	-92,376	-607,070	-65,399	-703,607	-64,018	+655,928	+17,187	-47,679	-46,831
Total Obligations.....		1,654,435	533,858	1,759,756	580,103	1,265,435	549,148	-1,265,435	-549,148	-	-

RURAL UTILITIES SERVICE

RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT

Project Statement
Obligations Detail
(Dollars in thousands)

Program	2015 Actual		2016 Actual		2017 Estimate		Inc. or Dec.		2018 President's Budget		
	Program Level	Budget Authority	Program Level	Budget Authority							
Discretionary Obligations:											
Direct rural water and waste disposal loans.....	a/	\$1,105,989	-	\$1,199,999	\$31,320	\$732,097	\$31,773	-\$732,097 (1)	-\$31,773 (5)	-	-
Guaranteed rural water and waste disposal loans.....		14,674	\$87	7,118	39	16,042	77	-16,042 (2)	-77 (5)	-	-
Rural water and waste disposal grants.....		413,111	413,111	383,965	383,965	373,964	373,964	-373,964 (3)	-373,964	-	-
Technical assistance grants for rural waste systems.....		19,214	19,214	20,119	20,119	20,070	20,070	-20,070 (3)	-20,070	-	-
Circuit rider - technical assistance grants for rural water systems.....		15,918	15,918	16,279	16,279	16,881	16,881	-16,881 (3)	-16,881	-	-
WWD grants, Alaskan villages.....		23,627	23,627	32,761	32,761	24,982	24,982	-24,982 (3)	-24,982	-	-
WWD grants, native American tribes.....		26,558	26,558	25,079	25,079	24,116	24,116	-24,116 (3)	-24,116	-	-
Water and waste disposal grants, colonias.....		26,608	26,608	33,234	33,234	25,721	25,721	-25,721 (3)	-25,721	-	-
WWD grants, Hawaiian homelands.....		-	-	16,022	16,022	3,592	3,592	-3,592	-3,592	-	-
Water well system grants.....		1,285	1,285	1,192	1,192	991	991	-991 (3)	-991	-	-
Water and wastewater revolving funds.....		1,000	1,000	1,000	1,000	998	998	-998 (3)	-998	-	-
Solid waste management grants.....		4,000	4,000	4,285	4,285	4,336	4,336	-4,336 (4)	-4,336	-	-
Emergency community water assistance grants.....		2,451	2,451	3,521	3,521	10,979	10,979	-10,979 (3)	-10,979	-	-
Emergency community water assistance grants, appropriated.....		-	-	9,987	9,987	9,993	9,993	-9,993 (3)	-9,993	-	-
Subtotal.....		1,654,435	533,858	1,754,562	578,804	1,264,761	548,474	-1,264,761	-548,474	-	-
Mandatory Obligations:											
Rural water and waste disposal grants.....		-	-	94	94	674	674	-674	-674	-	-
Subtotal.....		-	-	94	94	674	674	-	-	-	-
Supplemental Obligations:											
Direct rural water and waste disposal loans, 2008 disasters.....		-	-	4,000	104	-	-	-	-	-	-
Rural water and waste disposal grants, 2008 disasters.....		-	-	1,100	1,100	-	-	-	-	-	-
Subtotal.....		-	-	5,100	1,204	-	-	-	-	-	-
Total Obligations.....		1,654,435	533,858	1,759,756	580,103	1,265,435	549,148	-1,265,435	-549,148	-	-
Lapsing Balances.....											
Unobligated balances rescinded.....	c/d/	93,008	-	-	-	-	-	-	-	-	-
Bal. Available, EOY.....		837,263	92,376	607,070	65,399	703,607	64,018	-655,928	-17,187	\$550,515	\$64,000
Total Available.....		2,584,706	626,234	2,379,826	658,502	1,982,042	626,166	-1,383,849	-515,335	598,194	110,831
Transfers Out.....											
Bal. Available, SOY.....	b/	10,000	10,000	10,000	10,000	9,981	9,981	-9,981	-9,981	-	-
Other Adjustments (Net).....		-379,087	-63,293	-57,060	-53,761	-209,156	-49,375	+161,477	+2,562	-47,679	-46,813
Total Appropriation.....		1,714,562	464,857	1,740,770	522,365	1,267,307	521,373	-1,267,307	-521,373	-	-

Project Statement Footnotes

- a/ Negative subsidy rate of .61% was calculated for 2015. Therefore, corresponding budget authority is not required to support the program levels.
- b/ This program was transferred to the Rural Utilities Service, High Energy Cost Grant Account in accordance with the Consolidated Appropriations Act, 2014, P.L. 113-76, the Consolidated and Further Continuing Appropriations Act, 2015, P.L. 113-235, and the Consolidated Appropriations Act, 2016, P.L. 114-113.
- c/ Unobligated balances in the amount of \$13,000,000 was rescinded in accordance to section 738 of Title VI of the Consolidated Appropriations Act, 2016, PL 114-113.
- d/ A rescission of unobligated balances in the amount of \$64,000,000 is proposed for this account in FY 2018.

Justification of Increases and Decreases

- (1) A decrease of \$720,287,000 in funding for direct water and waste disposal loans (\$720,287,000 available in 2017).

No funding is requested for this program. The budget eliminates the Water and Wastewater loan and grant program which is deemed duplicative. Rural communities can be served by private sector financing or other Federal investments in rural water infrastructure, such as the Environmental Protection Agency's State Revolving Funds.

- (2) A decrease of \$57,183,000 for guaranteed water and waste disposal loans (\$57,183,000 available in 2017).

No funding is requested for this program. The budget eliminates the Water and Wastewater loan and grant program which is deemed duplicative. Rural communities can be served by private sector financing or other Federal investments in rural water infrastructure, such as the Environmental Protection Agency's State Revolving Funds.

- (3) A decrease of \$475,865,000 in funding for water and waste disposal grants (\$475,865,000 available in 2017).

No funding is requested for this program. The budget eliminates the Water and Wastewater loan and grant program which is deemed duplicative. Rural communities can be served by private sector financing or other Federal investments in rural water infrastructure, such as the Environmental Protection Agency's State Revolving Funds.

The budget includes a cancellation of \$64 million in obligated balances from this account. This is authorized through a general purpose provision that collectively cancels a total of \$108 million from five Rural Development accounts.

- (4) A decrease of \$3,992,000 in funding for solid waste management grants (\$3,992,000 available in 2017).

No funding is requested for this program. The budget eliminates the Water and Wastewater loan and grant program which is deemed duplicative. Rural communities can be served by private sector financing or other Federal investments in rural water infrastructure, such as the Environmental Protection Agency's State Revolving Funds.

- (5) A decrease of \$31,535,000 for water and waste disposal loan subsidy (\$31,535,000 available in 2017).

The decrease in subsidy budget authority is required due to the termination of these programs.

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	\$8,167	\$14,538	-	-
Alaska.....	339	1,727	-	-
Arizona.....	2,005	3,604	-	-
Arkansas.....	20,548	23,126	-	-
California.....	15,298	8,183	-	-
Colorado.....	4,479	1,573	-	-
Connecticut.....	14,786	16,917	-	-
Delaware.....	1,515	7,900	-	-
Florida.....	3,178	19,042	-	-
Georgia.....	23,443	34,183	-	-
Idaho.....	38,827	18,775	-	-
Illinois.....	33,583	58,860	-	-
Indiana.....	3,517	67,465	-	-
Iowa.....	8,671	37,709	-	-
Kansas.....	16,803	10,562	-	-
Kentucky.....	58,853	31,900	-	-
Louisiana.....	38,185	28,693	-	-
Maine.....	13,325	18,469	-	-
Maryland.....	17,237	10,762	-	-
Massachusetts.....	9,440	11,250	-	-
Michigan.....	56,656	56,006	-	-
Minnesota.....	23,690	34,542	-	-
Mississippi.....	23,348	34,281	-	-
Missouri.....	46,142	33,156	-	-
Montana.....	22,707	32,189	-	-
Nebraska.....	7,952	10,865	-	-
Nevada.....	10,341	18,195	-	-
New Hampshire.....	7,707	6,160	-	-
New Jersey.....	10,466	14,329	-	-
New Mexico.....	7,249	1,788	-	-
New York.....	27,166	23,307	-	-
North Carolina.....	24,584	41,662	-	-
North Dakota.....	9,747	16,076	-	-
Ohio.....	27,900	44,561	-	-
Oklahoma.....	18,537	29,353	-	-
Oregon.....	29,963	10,794	-	-
Pennsylvania.....	57,262	38,655	-	-
Rhode Island.....	4,760	6,247	-	-
South Carolina.....	49,236	62,977	-	-
South Dakota.....	13,238	13,148	-	-
Tennessee.....	22,414	26,772	-	-
Texas.....	132,825	67,092	-	-
Utah.....	4,672	4,809	-	-
Vermont.....	9,309	11,331	-	-
Virginia.....	24,034	40,955	-	-
Washington.....	16,174	9,674	-	-
West Virginia.....	48,470	24,184	-	-
Wisconsin.....	25,435	46,900	-	-
Wyoming.....	93	3,849	-	-
Puerto Rico.....	11,714	10,905	-	-
Undistributed.....	-	-	\$732,097 ^{a/}	-
Obligations.....	1,105,989	1,199,999	732,097	-

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

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

State/Territory	2015 Actual Amount	2016 Actual Amount	2017 Estimate Amount	2018 President's Budget Amount
Illinois.....	\$8,440	\$479	-	-
Iowa.....	4,880	-	-	-
Mississippi.....	328	-	-	-
Montana.....	-	2,534	-	-
Oklahoma.....	1,026	205	-	-
South Carolina.....	-	3,100	-	-
Texas.....	-	800	-	-
Undistributed.....	-	-	\$16,042 <u>a/</u>	-
Obligations.....	14,674	7,118	16,042	-

a/ Totals cannot be distributed at this time.

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	\$14,896	\$9,307	-	-
Alaska.....	1,204	3,069	-	-
Arizona.....	3,602	2,176	-	-
Arkansas.....	9,401	9,382	-	-
California.....	7,263	5,711	-	-
Colorado.....	2,883	3,186	-	-
Connecticut.....	4,093	4,045	-	-
Delaware.....	2,607	2,315	-	-
Florida.....	3,679	9,135	-	-
Georgia.....	7,414	11,084	-	-
Hawaii.....	-	180	-	-
Idaho.....	15,750	7,071	-	-
Illinois.....	12,079	13,889	-	-
Indiana.....	12,308	17,107	-	-
Iowa.....	7,205	8,859	-	-
Kansas.....	8,064	5,215	-	-
Kentucky.....	13,095	9,609	-	-
Louisiana.....	8,889	6,230	-	-
Maine.....	7,267	10,709	-	-
Maryland.....	6,811	3,918	-	-
Massachusetts.....	3,374	3,016	-	-
Michigan.....	15,727	15,601	-	-
Minnesota.....	12,067	13,406	-	-
Mississippi.....	11,656	12,698	-	-
Missouri.....	14,230	16,126	-	-
Montana.....	5,766	12,519	-	-
Nebraska.....	2,626	4,071	-	-
Nevada.....	11,717	2,403	-	-
New Hampshire.....	5,715	4,080	-	-
New Jersey.....	2,900	2,873	-	-
New Mexico.....	5,073	214	-	-
New York.....	11,567	7,679	-	-
North Carolina.....	16,365	10,525	-	-
North Dakota.....	3,827	4,672	-	-
Ohio.....	11,903	12,793	-	-
Oklahoma.....	6,073	7,369	-	-
Oregon.....	7,521	5,818	-	-
Pennsylvania.....	16,865	16,344	-	-
Rhode Island.....	1,780	1,842	-	-
South Carolina.....	12,691	9,145	-	-
South Dakota.....	6,226	3,717	-	-
Tennessee.....	11,716	8,643	-	-
Texas.....	15,170	16,339	-	-
Utah.....	4,574	4,329	-	-
Vermont.....	6,067	7,308	-	-
Virginia.....	11,483	10,336	-	-
Washington.....	5,774	5,446	-	-
West Virginia.....	10,736	6,346	-	-
Wisconsin.....	9,364	10,418	-	-
Wyoming.....	819	2,488	-	-
Puerto Rico.....	3,209	3,175	-	-
Other Countries.....	25	30	-	-
Undistributed.....	-	-	\$373,964 ^{a/}	-
Obligations.....	413,111	383,965	373,964	-

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

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alaska.....	\$818	\$828	-	-
Arizona.....	680	715	-	-
Arkansas.....	175	180	-	-
California.....	100	115	-	-
Colorado.....	213	215	-	-
Kentucky.....	91	-	-	-
Maine.....	102	-	-	-
Maryland.....	6,414	6,850	-	-
Nevada.....	220	-	-	-
New York.....	100	100	-	-
Oklahoma.....	9,900	10,666	-	-
Tennessee.....	100	200	-	-
West Virginia.....	200	250	-	-
Puerto Rico.....	100	-	-	-
Undistributed.....	-	-	\$20,070 a/	-
Obligations.....	19,214	20,119	20,070	-

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Oklahoma.....	\$15,918	\$16,279	-	-
Undistributed.....	-	-	\$16,881 a/	-
Obligations.....	15,918	16,279	16,881	-

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alaska.....	\$23,598	\$32,761	-	-
Undistributed.....	-	-	\$24,982 a/	-
Obligations.....	23,627	32,761	24,982	-

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Arizona.....	-	\$2,000	-	-
California.....	\$4,884	-	-	-
Colorado.....	-	5,484	-	-
Maine.....	-	705	-	-
Minnesota.....	2,182	1,666	-	-
Montana.....	2,435	552	-	-
Nevada.....	5,340	-	-	-
New Mexico.....	3,114	-	-	-
North Dakota.....	-	3,378	-	-
Oklahoma.....	-	2,000	-	-
South Dakota.....	3,022	2,745	-	-
Texas.....	-	1,680	-	-
Utah.....	-	3,535	-	-
Wisconsin.....	5,581	-	-	-
Wyoming.....	-	1,333	-	-
Undistributed.....	-	-	\$24,116 a/	-
Obligations.....	26,558	25,079	24,116	-

a/ Totals cannot be distributed at this time.

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Arizona.....	\$3,495	\$6,926	-	-
California.....	-	\$5,840	-	-
New Mexico.....	8,860	10,448	-	-
Texas.....	14,253	\$10,020	-	-
Undistributed.....	-	-	\$25,721 a/	-
Obligations.....	26,608	33,234	25,721	-

Hawaiian Homelands
Geographic Breakdown of Obligations

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Hawaii.....	-	\$16,022	-	-
Undistributed.....	-	-	\$3,592 a/	-
Obligations.....	-	16,022	3,592	-

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
California.....	\$730	\$550	-	-
Georgia.....	175	175	-	-
Illinois.....	50	-	-	-
Minnesota.....	50	-	-	-
North Carolina.....	140	192	-	-
Ohio.....	139	275	-	-
Undistributed.....	-	-	\$991 a/	-
Obligations.....	1,285	1,192	991	-

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Arkansas.....	\$250	\$250	-	-
California.....	250	250	-	-
Oklahoma.....	500	500	-	-
Undistributed.....	-	-	\$998 a/	-
Obligations.....	1,000	1,000	998	-

a/ Totals cannot be distributed at this time.

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alaska.....	\$732	\$868	-	-
Arizona.....	154	259	-	-
Arkansas.....	60	-	-	-
Colorado.....	143	-	-	-
Iowa.....	138	80	-	-
Kentucky.....	70	80	-	-
Maine.....	175	143	-	-
Maryland.....	880	900	-	-
Massachusetts.....	160	171	-	-
Michigan.....	95	96	-	-
Missouri.....	30	-	-	-
Nebraska.....	99	-	-	-
New Hampshire.....	256	510	-	-
New Jersey.....	-	150	-	-
New Mexico.....	40	-	-	-
New York.....	-	287	-	-
North Carolina.....	120	119	-	-
Ohio.....	91	100	-	-
Oklahoma.....	88	92	-	-
Texas.....	90	152	-	-
Utah.....	89	-	-	-
Vermont.....	239	44	-	-
Washington.....	-	50	-	-
Puerto Rico.....	-	54	-	-
Virgin Islands.....	251	131	-	-
Undistributed.....	-	-	\$4,336 a/	-
Obligations.....	4,000	4,285	4,336	-

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Arizona.....	\$150	-	-	-
Arkansas.....	96	-	-	-
California.....	-	\$500	-	-
Delaware.....	340	-	-	-
Hawaii.....	36	-	-	-
Idaho.....	75	477	-	-
Illinois.....	-	229	-	-
Iowa.....	-	500	-	-
Maryland.....	175	-	-	-
Minnesota.....	49	-	-	-
Nebraska.....	266	500	-	-
New York.....	50	-	-	-
North Carolina.....	150	-	-	-
North Dakota.....	-	50	-	-
Ohio.....	-	724	-	-
Oklahoma.....	199	-	-	-
Oregon.....	-	129	-	-
Texas.....	-	299	-	-
Vermont.....	138	112	-	-
West Virginia.....	500	-	-	-
Wisconsin.....	228	-	-	-
Undistributed.....	-	-	\$10,979 a/	-
Obligations.....	2,451	3,521	10,979	-

a/ Totals cannot be distributed at this time.

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
California.....	-	\$2,534	-	-
Delaware.....	-	500	-	-
Georgia.....	-	377	-	-
Idaho.....	-	74	-	-
Illinois.....	-	249	-	-
Kentucky.....	-	300	-	-
Michigan.....	-	500	-	-
Missouri.....	-	500	-	-
Montana.....	-	140	-	-
Nebraska.....	-	670	-	-
New Hampshire.....	-	151	-	-
New Jersey.....	-	500	-	-
New York.....	-	147	-	-
Ohio.....	-	150	-	-
Oklahoma.....	-	411	-	-
Oregon.....	-	650	-	-
Tennessee.....	-	1,046	-	-
Texas.....	-	665	-	-
Vermont.....	-	12	-	-
Washington.....	-	412	-	-
Undistributed.....	-	-	\$9,993 ^{a/}	-
Obligations.....	-	9,987	9,993	-

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Idaho.....	-	\$94	-	-
Undistributed.....	-	-	\$674 ^{a/}	-
Obligations.....	-	94	674	-

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Iowa.....	-	\$4,000	-	-
Obligations.....	-	4,000	-	-

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Iowa.....	-	\$1,100	-	-
Obligations.....	-	1,100	-	-

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

Classification by Objects
(Dollars in thousands)

	2015 Actual	2016 Actual	2017 Estimate	2018 President's Budget
41.0 Grants, subsidies, and contributions....	\$533,858	\$580,103	\$549,148	-
99.9 Total, new obligations.....	533,858	580,103	549,148	-

RURAL UTILITIES SERVICE

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

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

- 1 The principal amount of direct and guaranteed loans as authorized by sections 305, [and]306, and 317 of the Rural Electrification Act of 1936 (7 U.S.C. 935 [and] 936,and 940g) shall be made as follows: loans made pursuant to [section]sections 305, 306, and 317, notwithstanding 317 (c), of that Act, rural electric,
- 2 \$5,500,000,000; [guaranteed underwriting loans pursuant to section 313A, \$750,000,000; 5 percent rural telecommunications loans,] cost of money rural telecommunications loans, \$345,000,000; and for loans made pursuant to section 306 of that Act, rural telecommunications loans, [\$690,000,000]\$345,000,000[: *Provided*,
- 3 That up to \$2,000,000,000 shall be used for the construction, acquisition, or improvement of fossil-fueled electric generating plants (whether new or existing) that utilize carbon sequestration systems].

For the cost of direct loans as authorized by section 305 of the Rural Electrification Act of 1936 (7 U.S.C. 935), including the cost of modifying loans, as defined in section 502 of the Congressional Budget Act of 1974, cost of money rural telecommunications loans, [\$104,000]\$863,000.

- In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs,
- 4 [\$34,707,000]\$38,027,000, which shall be [transferred to and merged with]paid to the appropriation for “Rural Development, Salaries and Expenses”.

The first change expands eligibility for renewable generation loans by adding language to permit RUS to utilize existing statutory authority to finance renewable energy generation except utilizing the existing FFB loan guarantee program in lieu of a separate municipal rate loan program. This will allow RUS to consider and fund financially feasible requests for renewable generation loans that serve rural and non-rural customers that might not be fully eligible under section 306 alone but would be eligible under section 317.

The second change deletes language concerning the guaranteed underwriting and the 5 percent rural telecommunications programs for which no funding is requested in the 2018 Budget.

The third change deletes the language requiring a priority for specific funding for Federal Financing Bank (FFB) loans.

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

RURAL UTILITIES SERVICE

RURAL ELECTRIFICATION AND TELECOMMUNICATION PROGRAM ACCOUNT

Lead-Off Tabular Statement

	Loan Level	Subsidy	Administrative Expenses
Budget Estimate, 2018.....	\$6,190,000,000	\$863,000	\$38,027,000
2017 Annualized Continuing Resolution.....	6,661,960,000	8,089,000	34,641,000
Change in Appropriation.....	<u>-471,960,000</u>	<u>-7,226,000</u>	<u>+3,386,000</u>

Note: The subsidy for the annualized continuing resolution includes \$8,000,000 from GP 744 in PL 114-113.

Summary of Increases and Decreases

(Dollars in thousands)

Program	2015 Actual	2016 Change	2017 Change	2018 Change	2018 Presidents Budget
Discretionary Appropriations:					
Telecommunications Direct, Treasury Rate.....	-	+\$104	-\$0	+\$759	\$863
Rural Energy Savings Program.....	-	+8,000	-15	-7,985	-
Administrative Expenses.....	\$34,478	+229	-66	+3,386	38,027
Total.....	<u>34,478</u>	<u>8,333</u>	<u>-81</u>	<u>-3,840</u>	<u>38,890</u>

RURAL UTILITIES SERVICE

RURAL ELECTRIFICATION AND TELECOMMUNICATION PROGRAM ACCOUNT

Project Statement
Adjusted Appropriations Detail
(Dollars in thousands)

Program	2015 Actual		2016 Actual		2017 Estimate		Inc. or Dec.		2018 President's Budget		
	Program Level	Budget Authority	Program Level	Budget Authority							
Discretionary Appropriations:											
Electric Direct, FFB..... a/	\$5,000,000	-	\$5,500,000	-	\$5,500,000	-	-	(1)	-	\$5,500,000	-
Electric Underwriting Loans..... b/	500,000	-	750,000	-	750,000	-	-\$750,000	(2)	-	-	-
Rural Energy Savings Program..... c/	-	-	-	\$8,000	55,297	\$7,985	-55,297	(3)	-\$7,985	(5)	-
Telecommunications Direct, Treasury Rate..... d/	345,000	-	346,667	104	11,663	104	+333,337	(4)	+759	(5)	345,000
Telecommunications Direct, FFB..... e/	345,000	-	345,000	-	345,000	-	-	(4)	-	-	345,000
Administrative Expenses..... f/	-	\$34,478	-	34,707	-	34,641	-	-	+3,386	(5)	-
Telecom Direct, Treasury Rate Transfer..... g/	-	-	-	-	112,357	1,000	-	-	-	-	-
Subtotal.....	6,190,000	34,478	6,941,667	42,811	6,774,317	43,730	-584,317	-	-4,840	-	6,190,000
Total Adjusted Approp.....	6,190,000	34,478	6,941,667	42,811	6,774,317	43,730	-584,317	-	-4,840	-	6,190,000
Rescissions, Transfers, and Seq. (Net)..... g/	-	-	-	-	-112,357	-1,000	+112,357	-	+1,000	-	-
Total Appropriation.....	6,190,000	34,478	6,941,667	42,811	6,661,960	42,730	-471,960	-	-3,840	-	6,190,000
Transfers In:											
Distance learning and telemedicine grants..... g/	-	-	-	-	112,357	1,000	-	-	-	-	-
Subtotal.....	-	-	-	-	112,357	1,000	-	-	-	-	-
Bal. Available, SOY.....	-	-	-	-	55,402	8,000	-	-	-	-	8,000
Total Available.....	6,190,000	34,478	6,941,667	42,811	6,829,719	51,730	-471,960	-	-3,840	-	6,190,000
Lapsing Balances.....	-2,546,335	-	-2,831,456	-75	-1,685,000	-	-1,088,028	-	-475	-	-2,773,028
Bal. Available, EOY.....	-	-	-	-8,000	-55,402	-8,000	+55,402	-	+8,000	-	-
Total Obligations.....	3,643,665	34,478	4,110,211	34,736	5,089,317	43,730	-1,504,586	-	+3,685	-	3,416,972

a/ Negative subsidy rates of 5.64% was calculated for 2015, 4.97% was calculated for 2016, 4.92% was calculated for 2017, and 5.17% was calculated for 2018. Therefore, corresponding budget authority is not required to support the program levels.

b/ Negative subsidy rates of 3.97% was calculated for 2015, 0.00% was calculated for 2016, and 3.78% was calculated for 2017. Therefore, corresponding budget authority is not required to support the program levels.

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

d/ Negative subsidy rate of 1.17% was calculated for 2015. Therefore, corresponding budget authority is not required to support the program levels.

e/ Negative subsidy rates of 3.49% was calculated for 2015, 2.74% was calculated for 2016, 2.53% was calculated for 2017 and 2.49% was calculated for 2018. Therefore, corresponding budget authority is not required to support the program levels.

f/ In 2015 funding of \$34,478,000 and in 2016, \$34,707,000 was appropriated and transferred to the Rural Development Salaries and Expenses account. In 2017, \$34,641,000 is requested and will be paid and transferred to the Rural Development Salaries and Expenses account, and in 2018, \$38,027,000 is requested and will be paid to the Rural Development Salaries and Expenses account.

g/ In 2017, GP 149 of PL 114-254 provides the authority to transfer for the cost of direct telecommunications loans, \$1,000,000 was transferred from distance learning and telemedicine grants.

RURAL UTILITIES SERVICE

RURAL ELECTRIFICATION AND TELECOMMUNICATION PROGRAM ACCOUNT

Project Statement
Obligations Detail
(Dollars in thousands)

Program	2015 Actual		2016 Actual		2017 Estimate		Inc. or Dec.		2018 President's Budget		
	Program Level	Budget Authority	Program Level	Budget Authority							
Discretionary Obligations:											
Electric Direct, FFB.....	a/	\$2,898,112	-	\$3,165,750	-	\$4,000,000	-	-\$834,250 (1)	-	\$3,165,750	-
Electric Underwriting Loans.....	b/	500,000	-	750,000	-	750,000	-	-750,000 (2)	-	-	-
Rural Energy Savings Program.....	d/	-	-	-	-	55,296	\$7,985	-55,296 (3)	-\$7,985 (5)	-	-
Telecommunications Direct, Treasury Rate.....	d/g/	122,043	-	98,239	\$29	124,021	1,104	+30,979 (4)	-716 (5)	155,000	\$388
Telecommunications Direct, FFB.....	e/	123,510	-	96,222	-	160,000	-	-63,778 (4)	-	96,222	-
Administrative Expenses.....	f/	-	\$34,478	-	34,707	-	34,641	-	+3,386 (5)	-	38,027
Subtotal		3,643,665	34,478	4,110,211	34,736	5,089,317	43,730	-1,672,345	-5,315	3,416,972	38,415
Total Obligations:											
Lapsing Balances.....		2,546,335	-	2,831,456	75	1,685,000	-	+1,088,028	+475	2,773,028	475
Bal. Available, EOY.....		-	-	-	8,000	55,402	8,000	-55,402	-8,000	-	-
Total Available.....		6,190,000	34,478	6,941,667	42,811	6,829,719	51,730	-639,719	-12,840	6,190,000	38,890
Transfers In.....	g/	-	-	-	-	-112,357	-1,000	-	-	-	-
Bal. Available, SOY.....		-	-	-	-	-55,402	-8,000	+55,402	-	-	-8,000
Total Appropriation.....		6,190,000	34,478	6,941,667	42,811	6,661,960	42,730	-584,317	-12,840	6,190,000	30,890

a/ Negative subsidy rates of 5.64% was calculated for 2015, 4.97% was calculated for 2016, 4.92% was calculated for 2017, and 5.17% was calculated for 2018. Therefore, corresponding budget authority is not required to support the program levels.

b/ Negative subsidy rates of 3.97% was calculated for 2015, 0.00% was calculated for 2016, and 3.78% was calculated for 2017. Therefore, corresponding budget authority is not required to support the program levels.

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

d/ Negative subsidy rate of 1.17% was calculated for 2015. Therefore, corresponding budget authority is not required to support the program levels.

e/ Negative subsidy rates of 3.49% was calculated for 2015, 2.74% was calculated for 2016, 2.53% was calculated for 2017 and 2.49% was calculated for 2018. Therefore, corresponding budget authority is not required to support the program levels.

f/ In 2015 funding of \$34,478,000 and in 2016, \$34,707,000 was appropriated and transferred to the Rural Development Salaries and Expenses account. In 2017, \$34,641,000 is requested and will be paid and transferred to the Rural Development Salaries and Expenses account, and in 2018, \$38,027,000 is requested and will be paid to the Rural Development Salaries and Expenses account.

g/ In 2017, GP 149 of PL 114-254 provides the authority to transfer for the cost of direct telecommunications loans, \$1,000,000 was transferred from distance learning and telemedicine grants.

Justification of Increases and Decreases

(1) No change in funding for electric Federal Financing Bank loans (\$5,500,000,000 available in 2017).

Base funds for electric Federal Financing Bank (FFB) loan guarantees provided under section 306 of the Rural Electrification Act support improvements and additions to rural electric distribution, transmission, and generating facilities (including renewable energy systems, fossil generating plants with carbon sequestration systems, and investments in environmental improvements to reduce emissions of pollutants), and the implementation demand side management, energy efficiency and conservation programs. The long-term, low interest rate financing helps non-profit electric borrowers provide reliable, affordable electric service for rural homes and businesses. With \$5.5 billion in base funding in 2017, the program will benefit a projected 5.1 million rural consumers. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

Continuation of the program is critical to the continued success of the rural electrification program. FFB loan guarantees will be the sole source of USDA financing in 2018 for the more than 630 electric systems serving rural customers in 46 States.

The request of \$5.5 billion for 2018 is projected to provide improved electric facilities benefitting 5.1 million rural consumers. The rural electrification loan programs have exceeded their overall performance targets in each of the last four fiscal years. 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.

USDA is proposing appropriations language for 2018 to expand and clarify use of section 306 FFB loans for renewable generation in rural areas for all customers and for other infrastructure investment supporting various renewable goals consistent with the purposes of the Rural Electrification Act. RUS anticipates an increased need for additional investments in renewable energy and other infrastructure to enable rural areas to meet the need for additional generating resources. This program expansion supports Administration goals for additional infrastructure investment.

Funding at a 2018 program level of \$5.5 billion will be adequate to cover existing and anticipated loan requests. This level of funding is projected to benefit 5.1 million customers.

(2) A decrease of \$750,000,000 in funding for guaranteed electric underwriting for bonds and notes (\$750,000,000 available in 2017).

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

The reduction in funding requested for the guaranteed underwriting program in 2018 can be offset by continued access by most of the lenders' eligible borrowers to direct financing for rural electrification and telecommunications under the section 306 Federal Financing Bank loan guarantees from RUS. This change will not affect overall capital available for rural electrification and telecommunication investments.

(3) A decrease of \$55,297,000 in funding for the rural energy savings program (\$55,297,000 available in 2017).

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

Congress first provided funding for the program in 2016 at \$8 million available until expended. Program eligibility and application requirements were established in a request for application in June 2016 which resulted in 33 applications for \$135 million in requests. The first RESP loans were approved in early 2017 and applications are being processed in order received to the extent of available funds. The program funding expands the availability of low-cost financing tools for energy saving measures to help rural families and businesses. RESP requirements closely track to the EECLP and both programs served similar constituencies, therefore no funding is requested for RESP.

(4) An increase of \$333,337,000 in funding for telecommunications loans (\$356,663,000 available in 2017).

Base funding is crucial to support telecommunications loans that finance the improvement or extension of telecommunications service in rural areas. All telecommunications facilities financed must be broadband capable. This program assists communities to improve the quality of life in rural America by enhancing the ability of rural businesses to succeed by providing access to modern telecommunications, improved healthcare, and educational opportunities.

Both Treasury rate and FFB loans are available with different advantages. Borrowers have demonstrated strong interest in both Treasury and FFB programs. Borrowers may select the Treasury rate program when they do not have the financial expertise and resources to follow the interest rate market. They often want the security of a fixed interest rate for the loan term. Other borrowers want the flexibility of the FFB Program. In today's interest rate environment, FFB rates (short-term, even with the fee) are substantially lower than the Treasury direct program rates. Borrowers are requesting FFB financing to keep their borrowing costs as low as possible. FFB financing also includes important features like the ability to refinance borrowers' existing debt with outside lenders. In some cases, the loan application may not be financially feasible without refinancing of debt. The FFB loan program provides flexibility for rural service providers and is an essential tool for capital investment in broadband infrastructure.

Continuation of the program is critical because:

- The development of the Internet-based economy provides unique opportunities for rural America.
- Broadband infrastructure greatly helps to mitigate isolation and the limitations on business development in rural areas caused by geographical distance and a limited customer base.
- Rural areas tend to lag behind urban areas in broadband deployment and speed. Many conditions contribute to this including limited funding sources due to low profitability, challenging terrain, distance, and low population density.
- The environment of continued regulatory uncertainty has been reduced in 2017 which has increased demand for the program.

Base funds of \$356,663,000 support approximately 20 loans and impact nearly 78,000 subscribers (estimated based on previous trends). The base funding is in some rural communities the only funding source for telecommunications loans that will continue to provide residents in rural America with access to modern telecommunications. In addition to the activities and functions specifically described in the budget request, current year and budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

An increase in 2018 of \$333,337,000 in funding for telecommunications loans will support an estimated 20 loans and subscribers and assist about 77,000 rural households and businesses in rural America to obtain modern broadband capable telecommunications services. The increase funding supports the surge in demand demonstrated by the upward trend of applications that are nearly double from the previous year. In 2018 the total base funds and increase will support approximately 40 loans and 155,000 subscribers.

- (5) An increase of \$759,000 for telecommunication direct loan subsidy (\$104,000 available in 2017).

The increase in subsidy budget authority is related primarily to the increase in the direct subsidy rate. The subsidy amount is necessary to support the estimated loan obligations associated with the requested 2018 loan levels for the programs.

Summary of Proposed Legislation

Program: Cushion of Credit
Proposal: Eliminates interest accrual in the “cushion of credit” on future deposits made by rural electric and telecom borrowers. This proposal would amend 7 USC 940c to eliminate both the borrower's interest earnings on future deposits and the interest that is paid to the Rural Economic Development (RED) Grant account to pay for RED grants and loans.
Rationale: Rural electric and telecom cooperatives can find comparable investment options in the private sector
Goal: To eliminate duplication in the Federal government

	2017	2018	2019	2020	2021
Budget Authority	0	-\$131M	-\$136M	-\$136M	-\$140M
Outlays	0	-\$131M	-\$136M	-\$136M	-\$140M

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	\$115,884	\$111,161	-	-
Alaska.....	-	16,462	-	-
Arizona.....	-	39,135	-	-
Arkansas.....	147,590	21,692	-	-
California.....	-	23,826	-	-
Colorado.....	10,849	20,866	-	-
Florida.....	244,401	89,004	-	-
Georgia.....	270,130	740,469	-	-
Idaho.....	13,572	-	-	-
Illinois.....	25,000	-	-	-
Indiana.....	71,500	20,732	-	-
Iowa.....	132,173	80,225	-	-
Kansas.....	32,158	53,818	-	-
Kentucky.....	332,449	334,815	-	-
Michigan.....	84,000	47,652	-	-
Minnesota.....	328,677	78,631	-	-
Mississippi.....	76,076	138,676	-	-
Missouri.....	286,386	108,164	-	-
Montana.....	20,000	15,606	-	-
Nebraska.....	7,919	-	-	-
New Mexico.....	53,428	-	-	-
North Carolina.....	141,860	277,600	-	-
North Dakota.....	116,147	65,975	-	-
Ohio.....	34,500	53,600	-	-
Oklahoma.....	40,397	41,207	-	-
Oregon.....	47,076	-	-	-
Pennsylvania.....	-	18,000	-	-
South Carolina.....	115,704	302,421	-	-
South Dakota.....	7,741	95,109	-	-
Tennessee.....	30,000	17,000	-	-
Texas.....	-	158,660	-	-
Vermont.....	53,141	-	-	-
Virginia.....	4,238	70,462	-	-
Washington.....	23,616	30,782	-	-
Wisconsin.....	31,500	94,000	-	-
Undistributed.....	-	-	\$4,000,000 a/	\$3,165,750 a/
Obligations.....	2,898,112	3,165,750	4,000,000	3,165,750
Lapsing Balances.....	2,101,888	2,334,250	1,500,000	2,334,250
Total, Available.....	5,000,000	5,500,000	5,500,000	5,500,000

a/ Totals cannot be distributed at this time.

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

State/Territory	<u>2015 Actual</u>	<u>2016 Actual</u>	<u>2017 Estimate</u>	2018 President's
	Amount	Amount	Amount	Budget Amount
Colorado.....	\$250,000	\$375,000	-	-
Virginia.....	250,000	375,000	-	-
Undistributed.....	-	-	\$750,000 a/	-
Obligations.....	<u>500,000</u>	<u>750,000</u>	<u>750,000</u>	<u>-</u>

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

State/Territory	<u>2015 Actual</u>	<u>2016 Actual</u>	<u>2017 Estimate</u>	2018 President's
	Amount	Amount	Amount	Budget Amount
Arkansas.....	\$12,634	\$7,250	-	-
Idaho.....	-	12,691	-	-
Iowa.....	32,845	6,950	-	-
Kansas.....	-	11,185	-	-
Nebraska.....	2,110	-	-	-
New Hampshire.....	-	5,473	-	-
New Mexico.....	5,397	13,824	-	-
North Dakota.....	34,939	15,000	-	-
Oklahoma.....	20,668	-	-	-
South Dakota.....	-	11,605	-	-
Texas.....	13,450	14,261	-	-
Undistributed.....	-	-	\$124,021 a/	\$155,000 a/
Obligations.....	<u>122,043</u>	<u>98,239</u>	<u>124,021</u>	<u>155,000</u>
Lapsing Balances.....	<u>222,957</u>	<u>248,428</u>	<u>-112,357</u>	<u>190,000</u>
Total, Available.....	<u>345,000</u>	<u>346,667</u>	<u>11,663</u>	<u>345,000</u>

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

State/Territory	<u>2015 Actual</u>	<u>2016 Actual</u>	<u>2017 Estimate</u>	2018 President's
	Amount	Amount	Amount	Budget Amount
Arkansas.....	\$12,633	-	-	-
Iowa.....	8,073	\$8,231	-	-
Kansas.....	-	11,184	-	-
Minnesota.....	24,896	1,204	-	-
Montana.....	29,951	29,962	-	-
Nebraska.....	2,109	-	-	-
North Dakota.....	24,617	40,279	-	-
South Carolina.....	12,380	-	-	-
South Dakota.....	-	5,362	-	-
Virginia.....	1,238	-	-	-
Wisconsin.....	7,613	-	-	-
Undistributed.....	-	-	\$160,000 a/	\$96,222 a/
Obligations.....	<u>123,510</u>	<u>96,222</u>	<u>160,000</u>	<u>96,222</u>
Lapsing Balances.....	<u>221,490</u>	<u>248,778</u>	<u>185,000</u>	<u>248,778</u>
Total, Available.....	<u>345,000</u>	<u>345,000</u>	<u>345,000</u>	<u>345,000</u>

a/ Totals cannot be distributed at this time.

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

State/Territory	<u>2015 Actual</u>	<u>2016 Actual</u>	<u>2017 Estimate</u>	<u>2018 President's</u> <u>Budget</u>
	Amount	Amount	Amount	Amount
Undistributed.....	-	-	\$55,296 a/	-
Obligations.....	-	-	55,296	-

a/ Totals cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	Actual	Actual	Estimate	Presidents
				Budget
25.0 Other purchases of goods and services from government accounts.....	\$34,478	\$34,707	\$34,641	\$38,027
41.0 Grants, subsidies, and contributions.....	-	29	9,089	388
99.9 Total, new obligations.....	34,478	34,736	43,730	38,415

RURAL UTILITIES SERVICE

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

Distance Learning, Telemedicine and Broadband Program:

For the principal amount of broadband telecommunication loans, [~~\$20,576,000~~]\$26,991,000.

- 1 [For grants for telemedicine distance learning services in rural areas, as authorized by 7 U.S.C. 950aaa et seq., \$22,000,000, 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 the eligibility criteria for a consortium as established by this section.]

For the cost of broadband loans, as authorized by section 601 of the Rural Electrification Act, [~~\$4,500,000,~~]\$4,521,000 to remain available until expended: *Provided*, That the cost of direct loans shall be as defined in section 502 of the Congressional Budget Act of 1974.

- 2 [In addition, \$10,372,000, to remain available until expended, for a grant program to finance broadband transmission in rural areas eligible for Distance Learning and Telemedicine Program benefits authorized by 7 U.S.C. 950aaa.]
- 3 In addition, for administrative expenses necessary to carry out the direct loan program, \$8,057,000 shall be paid to the appropriations for "Rural Development, Salaries and Expenses".

The first change removes language for the distance learning and telemedicine grants which are not proposed in the budget in this account but instead is consolidated and funded under the new rural economic infrastructure grant account.

The second change removes language for the broadband grants which are not proposed in the budget in this account but instead is consolidated and funded under the new Rural Economic Infrastructure account.

The third change adds language for administrative expenses to be paid out of this federal credit reform program account.

RURAL UTILITIES SERVICE

DISTANCE LEARNING, TELEMEDICINE AND BROADBAND PROGRAM ACCOUNT

Lead-Off Tabular Statement

	<u>Loan Level</u>	<u>Subsidy</u>	<u>Grants</u>	<u>Administrative Expenses</u>
Budget Estimate, 2018.....	\$26,991,000	\$4,521,000	-	\$8,057,000
2017 Annualized Continuing Resolution.....	<u>26,992,000</u>	<u>4,491,000</u>	<u>\$32,310,000</u>	<u>-</u>
Change in Appropriation.....	<u>-1,000</u>	<u>+30,000</u>	<u>-32,310,000</u>	<u>+8,057,000</u>

Summary of Increases and Decreases

(Dollars in thousands)

<u>Program</u>	<u>2015 Actual</u>	<u>2016 Change</u>	<u>2017 Change</u>	<u>2018 Change</u>	<u>2018 President's Budget</u>
Discretionary Appropriations:					
Distance learning and telemedicine (DLT) grants.....	\$19,000	-	-\$36	-\$18,964	-
DLT Delta healthcare services grants.....	3,000	-	-6	-2,994	-
Broadband direct treasury rate loans.....	4,500	-	-8	+30	\$4,521
Broadband grants.....	10,372	-	-20	-10,352	-
Administrative Expenses.....	-	-	-	-	8,057
Total.....	<u>36,872</u>	<u>-</u>	<u>-70</u>	<u>-32,281</u>	<u>12,578</u>

RURAL UTILITIES SERVICE

DISTANCE LEARNING, TELEMEDICINE, AND BROADBAND PROGRAM ACCOUNT

Project Statement
Adjusted Appropriations Detail
(Dollars in thousands)

Program	2015 Actual		2016 Actual		2017 Estimate		Inc. or Dec.		2018 President's Budget	
	Program Level	Budget Authority	Program Level	Budget Authority						
Discretionary Appropriations:										
Distance learning and telemedicine (DLT) grants.....	\$19,000	\$19,000	\$19,000	\$19,000	\$18,964	\$18,964	-\$18,964 (1)	-\$18,964	-	-
DLT Delta healthcare services grants.....	3,000	3,000	3,000	3,000	2,994	2,994	-2,994 (2)	-2,994	-	-
Broadband direct treasury rate loans.....	24,077	4,500	19,737	4,500	26,992	4,491	-1 (3)	+30 (5)	\$26,991	\$4,521
Broadband grants.....	10,372	10,372	10,372	10,372	10,352	10,352	-10,352 (4)	-10,352	-	-
Administrative Expenses..... a/	-	-	-	-	-	-	-	+8,057	-	8,057
DLT grants transfer..... b/	-	-	-	-	-1,000	-1,000	+1,000	+1,000	-	-
Total Adjusted Approp.....	56,449	36,872	52,109	36,872	58,302	35,802	-31,311	-23,224	26,991	12,578
Rescissions, Transfers, and Seq. (Net)..... b/	-	-	-	-	1,000	1,000	-1,000	-1,000	-	-
Total Appropriation.....	56,449	36,872	52,109	36,872	59,302	36,802	-32,311	-24,224	26,991	12,578
Transfers Out:										
Treasury telecommunications direct loans..... b/	-	-	-	-	-1,000	-1,000	+1,000	+1,000	-	-
Subtotal.....	-	-	-	-	-1,000	-1,000	+1,000	+1,000	-	-
Bal. Available, SOY.....	39,749	13,793	57,611	22,172	101,438	27,364	-7,958	-5,570	93,479	21,794
Recoveries, Other (Net).....	6,932	6,932	4,783	14,926	4,499	4,499	-1,036	-1,036	3,463	3,463
Total Available.....	103,130	57,597	114,503	73,971	164,239	67,665	-41,306	-30,830	123,933	37,835
Bal. Available, EOY.....	-67,705	-22,172	-64,706	-27,364	-92,443	-21,794	+9,555	-1,109	-82,889	-22,903
Total Obligations.....	35,425	35,425	49,796	46,607	71,796	45,871	-31,751	-31,939	41,045	14,932

a/ In 2018, \$8,057,000 is requested and will be paid to the Rural Development Salaries and Expenses account.

b/ In 2017, GP 149 of PL 114-254 provides the authority to transfer for the cost of direct telecommunications loans.

RURAL UTILITIES SERVICE

DISTANCE LEARNING, TELEMEDICINE, AND BROADBAND PROGRAM ACCOUNT

Project Statement
Obligations Detail
(Dollars in thousands)

Program	2015 Actual		2016 Actual		2017 Estimate		Inc. or Dec.		2018 President's Budget	
	Program Level	Budget Authority	Program Level	Budget Authority						
Discretionary Obligations:										
Distance learning and telemedicine (DLT) grants.....	\$23,456	\$23,456	\$27,921	\$27,921	\$20,033	\$20,033	-\$20,033	(1) -\$20,033	-	-
DLT Delta healthcare services grants.....	944	944	4,028	4,028	4,100	4,100	-4,100	(2) -4,100	-	-
Broadband direct treasury rate loans.....	-	-	4,131	942	31,100	5,175	+9,945	(3) +1,700	(5) \$41,045	\$6,875
Broadband grants.....	11,025	11,025	13,716	13,716	16,563	16,563	-16,563	(4) -16,563	-	-
Administrative Expenses..... a/	-	-	-	-	-	-	-	+8,057	-	8,057
Total Obligations.....	35,425	35,425	49,796	46,607	71,796	45,871	-30,751	-30,939	41,045	14,932
Bal. Available, EOY.....	67,705	22,172	64,706	27,364	92,443	21,794	-9,555	+1,109	82,889	22,903
Total Available.....	103,130	57,597	114,503	73,971	164,239	67,665	-40,306	-29,830	123,933	37,835
Transfers Out..... b/	-	-	-	-	1,000	1,000	-1,000	-1,000	-	-
Bal. Available, SOY.....	-39,749	-13,793	-57,611	-22,172	-101,438	-27,364	+7,958	+5,570	-93,479	-21,794
Recoveries, Other (Net).....	-6,932	-6,932	-4,783	-14,926	-4,499	-4,499	+1,036	+1,036	-3,463	-3,463
Total Appropriation.....	56,449	36,872	52,109	36,872	59,302	36,802	-31,311	-23,224	26,991	12,578

a/ In 2018, \$8,057,000 is requested and will be paid to the Rural Development Salaries and Expenses account.

b/ In 2017, GP 149 of PL 114-254 provides the authority to transfer for the cost of direct telecommunications loans.

Justification of Increases and Decreases

- (1) A decrease of \$18,964,000 in funding for distance learning and telemedicine grants (\$18,964,000 available in 2017).

Funding for this program is being requested through the new Rural Economic Infrastructure Grant Account.

- (2) A decrease of \$2,994,000 for Delta healthcare grants (\$2,994,000 available in 2017).

The 2018 budget is not requesting funding for this program as these grants have been deemed duplicative and are terminated.

- (3) A decrease of \$1,000 in funding for direct broadband telecommunications treasury rate loans (\$26,991,000 available in 2017).

Funds for direct broadband treasury rate loans will continue to provide loans in 2018 for the costs of construction, improvement, and acquisition of facilities and equipment to provide broadband service to eligible rural communities. These loans are available to cooperative, nonprofit, limited dividend or mutual associations, limited liability companies, Indian tribes and tribal organizations, and commercial organizations. In addition to the activities and functions specifically described in the budget request, budget year base funds will be used to carry out activities and functions consistent with the full range of authorities and activities delegated to the agency.

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

The 2018 base funds will provide for approximately 3 or more loans for the deployment of broadband infrastructure.

- (4) A decrease of \$10,352,000 in funding for broadband grants (\$10,352,000 available in 2017).

Funding for this program is being requested through the new Rural Economic Infrastructure Grant Account.

- (5) An increase of \$30,000 for broadband telecommunications treasury rate loan subsidy (\$4,491,000 available in 2017).

The increase is required to support the proposed program level.

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	\$1,267	\$455	-	-
Alaska.....	2,338	1,431	-	-
Arizona.....	-	205	-	-
Arkansas.....	478	1,333	-	-
California.....	463	2,071	-	-
Colorado.....	259	184	-	-
Florida.....	347	-	-	-
Georgia.....	903	1,533	-	-
Idaho.....	482	-	-	-
Illinois.....	154	617	-	-
Indiana.....	-	73	-	-
Kansas.....	142	-	-	-
Kentucky.....	563	721	-	-
Louisiana.....	-	791	-	-
Maine.....	2,688	1,645	-	-
Maryland.....	100	-	-	-
Massachusetts.....	-	637	-	-
Michigan.....	977	545	-	-
Minnesota.....	-	623	-	-
Mississippi.....	727	520	-	-
Missouri.....	675	-	-	-
Montana.....	361	725	-	-
Nebraska.....	-	310	-	-
Nevada.....	378	1,362	-	-
New Hampshire.....	919	-	-	-
New Mexico.....	439	606	-	-
New York.....	482	222	-	-
North Carolina.....	-	1,258	-	-
Ohio.....	249	392	-	-
Oklahoma.....	820	1,537	-	-
Oregon.....	203	99	-	-
Pennsylvania.....	-	1,041	-	-
South Carolina.....	1,615	1,275	-	-
South Dakota.....	1,097	611	-	-
Tennessee.....	628	1,065	-	-
Texas.....	-	431	-	-
Utah.....	339	304	-	-
Virginia.....	-	587	-	-
Washington.....	377	457	-	-
West Virginia.....	-	1,188	-	-
Wisconsin.....	1,720	1,070	-	-
Other Countries.....	493	-	-	-
Undistributed.....	-	-	\$20,033 ^{a/}	-
Obligations.....	23,456	27,921	20,033	-

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

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Kentucky.....	-	\$246	-	-
Louisiana.....	-	646	-	-
Mississippi.....	\$944	1,463	-	-
Undistributed.....	-	-	\$4,100 a/	-
Obligations	944	4,028	4,100	-

Broadband Grants
Geographic Breakdown of Obligations
(Dollars in thousands)

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Alabama.....	\$1,419	-	-	-
Indiana.....	-	\$481	-	-
Minnesota.....	6,000	6,000	-	-
Oklahoma.....	1,472	2,986	-	-
Tennessee.....	-	2,424	-	-
Virginia.....	2,135	1,825	-	-
Undistributed.....	-	-	\$16,563 a/	-
Obligations	11,025	13,716	16,563	-

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

State/Territory	2015 Actual	2016 Actual	2017 Estimate	2018 President's
	Amount	Amount	Amount	Budget Amount
Kansas.....	-	\$4,131	-	-
Undistributed.....	-	-	\$31,100 a/	\$41,045 a/
Obligations	-	4,131	31,100	41,045

a/ Total cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

	2015	2016	2017	2018
	Actual	Actual	Estimate	President's Budget
25.0 Other purchases of goods and services from government accounts....	-	-	-	\$8,057
41.0 Grants, subsidies, and contributions.....	\$35,425	\$46,607	\$45,871	6,875
99.9 Total, new obligations.....	35,425	46,607	45,871	14,932

RURAL UTILITIES SERVICE

HIGH ENERGY COST GRANTS

Project Statement

Adjusted Appropriations Detail

(Dollars in thousands)

Program	2015 Actual	2016 Actual	2017	Inc. or Dec.	2018 President's
	Amount	Amount	Estimate	Amount	Budget
Discretionary Appropriations:					
High Energy Cost grants.....	-	-	-	-	-
Total Adjusted Approp.....	-	-	-	-	-
Rescissions, Transfers, and Seq. (Net)..... a/	-\$10,000	-\$10,000	-\$9,981	+\$9,981	-
Total Appropriation.....	-10,000	-10,000	-9,981	+9,981	-
Transfers In:					
Rural Water and Waste Disposal Program.....	10,000	10,000	9,981	-9,981 (1)	-
Total.....	10,000	10,000	9,981	-9,981	-
Bal. Available, SOY.....	17,494	19,010	20,297	-9,469	\$10,828
Recovery of prior year obligations.....	-	182	150	-23	127
Total Available.....	27,494	29,192	30,428	-19,473	10,955
Bal. Available, EOY.....	-19,010	-20,297	-10,828	-127	-10,955
Total Obligations.....	8,484	8,895	19,600	-19,600	-

a/ In 2015 and 2016, \$10,000,000 was provided for this program in the Rural Water and Waste Disposal Program account and transferred to this account.
 In 2017, \$9,981,000 is proposed and will be transferred to this account.

RURAL UTILITIES SERVICE

HIGH ENERGY COST GRANTS

Project Statement
Obligations Detail
(Dollars in thousands)

Program	<u>2015 Actual</u> Amount	<u>2016 Actual</u> Amount	<u>2017 Estimate</u> Amount	<u>Inc. or Dec.</u> Amount	2018 President's <u>Budget</u> Amount
Discretionary Obligations:					
High Energy Cost grants..... a/	\$8,484	\$8,895	19,600	-\$19,600 (1)	-
Total Obligations.....	8,484	8,895	19,600	-19,600	-
Bal. Available, EOY.....	19,010	20,297	10,828	+127	10,955
Total Available.....	27,494	29,192	30,428	-19,473	10,955
Transfers In.....	-10,000	-10,000	-9,981	+9,981	-
Bal. Available, SOY.....	-17,494	-19,010	-20,297	+9,469	-10,828
Other Adjustments (Net).....	-	-182	-150	+23	-127
Total Appropriation.....	-	-	-	-	-

a/ In 2015 and 2016, \$10,000,000 was provided for this program in the Rural Water and Waste Disposal Program account and transferred to this account.
In 2017, \$9,981,000 is proposed and will be transferred to this account.

Justification of Increases and Decreases

- (1) A decrease of \$9,981,000 in high energy cost grants (\$9,981,000 available in 2017).

No new funding is being requested for this program in 2018.

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

State/Territory	2015 Actual Amount	2016 Actual Amount	2017 Estimate Amount	2018 President's Budget Amount
Alaska.....	\$4,475	\$3,975	-	-
California.....	-	1,771	-	-
Maine.....	674	-	-	-
Massachusetts.....	2,146	-	-	-
New Mexico.....	-	1,407	-	-
Other Countries.....	1,189	1,741	-	-
Undistributed.....	-	-	\$19,600 a/	-
Obligations.....	8,484	8,895	19,600	-
Bal. Available, SOY.....	-17,494	-19,010	-20,297	-10,828
Transfers In.....	-10,000	-10,000	-9,981	-
Recoveries.....	-	-	-	-
Bal. Available, EOY.....	19,010	20,297	10,828	10,955
Total, Available.....	-	-	-	-

a/ Total cannot be distributed at this time.

Classification by Objects
(Dollars in thousands)

	2015 Actual	2016 Actual	2017 Estimate	2018 President's Budget
41.0 Grants, subsidies, and contributions.....	\$8,484	\$8,895	\$19,600	-
99.9 Total, new obligations.....	8,484	8,895	19,600	-

RURAL UTILITIES SERVICE

Status of Programs

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

Rural Electrification and Telecommunications Loans Programs

Current Activities:

The RUS provides electric and telecommunications financing through direct loans and loan guarantee programs. The rural electric direct loan and loan guarantee programs provide financing for electric generation, transmission, and distribution facilities. The telecommunications loan program provides direct loan and loan guarantees for construction, expansion, and upgrades of telecommunications facilities.

Specific areas being addressed currently include:

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

Selected Examples of Recent Progress:

Electric Programs:

The electric programs make direct loans and loan guarantees to finance electric generation, transmission, and distribution facilities, including system improvements and replacements required for electric service in rural areas, and for demand side management, energy efficiency and conservation programs, and on-grid/off-grid renewable energy systems. Loans are made to corporations, States, territories, subdivisions and agencies such as municipalities, utility districts, cooperatives, tribal utilities, nonprofits, and limited-dividend or mutual associations that provide retail electric service needs to rural areas or power supply needs of distribution borrowers in rural areas. At the end of FY 2016 the Electric Program served 612 active electric borrowers and grantees in 46 States, the Virgin Islands, American Samoa, the Northern Marianas, the Marshall Islands, and the Federated States of Micronesia. Of these borrowers, 549 were rural electric cooperatives.

In FY 2016, the electric programs approved a total of over \$3.9 billion in loans for rural infrastructure. RUS approved 89 direct Federal Financing Bank (FFB) electric loans and loan guarantees to local utilities totaling nearly \$3.166 billion in obligations. RUS approved 71 FFB loan guarantees for distribution borrowers totaling over \$1.82 billion and 18 power supply (generation and transmission) FFB loan guarantees totaling almost \$1.35 billion. In addition, USDA approved \$750 million in bond and note guarantees to two non-profit lenders for relending for eligible electric and telephone purposes.

Rural electric infrastructure loans approved in FY 2016 provided almost \$1.7 billion for new or improved distribution system facilities, over \$443 million for transmission facilities, \$47.5 million for renewable generation facilities, and over \$134 million for headquarters facilities. RUS approved seven loans supporting solar photovoltaic renewable generation projects in California, Iowa, Mississippi, North Carolina, South Dakota, and Texas with a combined total capacity of 28.6 megawatts.

In FY 2016 electric program loans financed over \$338 million in smart grid investments, bringing the total USDA investment in smart grid technology for rural communities since 2010 to \$1.6 billion. In FY 2016, RUS approved one new loan under the Energy Efficiency and Conservation Loan Program. This loan to the Pedernales Electric Cooperative will enable the cooperative to invest in smart meters, customer solar photovoltaic installations, and other system improvements enabling enhanced energy efficiency programs to save money for its customers.

Of the over \$3.9 billion in funding that was provided by the electric program in FY 2016, about \$3.2 billion will provide new or improved electric service to 5.5 million retail customers in rural America. USDA's investments in FY 2016 continue to advance grid modernization with funding for 12,829 miles of new and/or improved transmission and distribution facilities.

In FY 2016 the electric programs obligated \$3.166 billion in FFB loan guarantees made available through appropriations. The continued cautious rate of Federal borrowing by rural electric systems reflects a prudent response to industry conditions of lower demand growth due to the slowdown in the economy and the high levels of uncertainty over implementation of the new Clean Power Plan and other environmental regulations. Since 2009 RUS has approved over \$34.5 billion in new loans to electric distribution and power supply borrowers and an additional \$3.67 billion to non-profit lenders for rural electric and telephone infrastructure investments. The FY 2016 loans support ongoing capital investments in rural infrastructure. In FY 2016, as in FY 2015 there was a modest increase in renewed RUS borrowing to take advantage of very low interest rates for new loans.

In FY 2016 RUS implemented the 2014 Farm Bill's Rural Energy Savings Program zero-interest loan program with funds provided in the 2016 Agriculture Appropriations Act. RUS published a solicitation for applications for \$52 million in available funds and received 33 applications requesting over \$135 million in loans. Applications are being processed in the order received and the first loans are expected to be approved in FY 2017.

Telecommunications Program:

Rural communities tend to lag behind urban and suburban areas in broadband deployment. Rural areas can have conditions that increase the cost of broadband deployment. For example mountains, rivers, and remote areas can have challenging terrain which increases construction costs considerably. 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.

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

With the ongoing changes at the FCC concerning the Universal Service Fund (USF) and Inter-carrier Compensation (ICC) revenue changes, rural telecom carriers must decide on the timing of making new investments in plant to ensure that their customers are receiving the proper level of broadband service. As a result of, obligation rates for telecom funding has been lower in recent years. However, the need to make upgrades still exists, as old copper facilities need to be replaced with fiber facilities and existing 2G and 3G wireless services need to be updated to 4G and Long-Term Evolution (LTE) service. The need to update facilities is now causing the rural carriers to consider new loans or face the possibility of losing existing subscribers. The majority of the loans financed have been for Fiber-To-The-Home (FTTH) projects to provide fiber-optic service to rural homes and businesses.

Telecommunications Infrastructure Loan Program

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

Selected Examples of Recent Progress:

Telecommunications Infrastructure Loan Program

During FY 2016, RUS approved 15 infrastructure loans for telecommunication investments in rural communities. The total amount obligated in FY 2016 is \$194.5 million. These projects, upon completion, will deliver new or improved broadband service to over 77,358 businesses and households.

RUS approved a \$40.3 million loan for Northwest Communications in North Dakota. The investments will complete the conversion to a full Fiber-to-the-Premises system in their 16 exchanges, replacing the remaining 1,493 miles of existing copper plant and constructing an additional 46 miles of fiber. General network improvements will also be made, benefitting all 7,500 access lines proposed in the system.

A \$14.3 million loan was also approved for Alenco Communications, Inc. in Texas. The project is for system improvements, including Fiber to the Premises (FTTP) facilities in the Dolores, Maryneal, McCaulley, Modeana, Sylvester, and West Marietta exchanges. 268 miles of fiber plant will be deployed, providing FTTP service to 639 subscribers. The remaining customers in these exchanges will benefit from enhanced DSL service to most locations as a result of planned system improvements.

RUS approved a loan under Substantially Underserved Tribal Areas (SUTA) provisions to Sacred Wind Communications. The loan for \$13.8 million is for electronic upgrades and to construct a 90 mile fiber route. These improvements will give the New Mexico borrower the capability to provide enhanced services and higher broadband speeds to additional subscribers. The fiber route will improve system redundancy as well and increase system reliability and cost savings when compared to the existing leased connection that is replaced. This loan was granted modified terms (2% rate) under the SUTA provisions.

By the start of third quarter of FY 2016 the Federal Communications Commission (FCC) released an Order with changes to the mechanisms that provide substantial revenue to rate-of-return carriers. Many borrowers delayed loan applications until after the FCC released the Order to analyze the impact on revenue and financial feasibility. After the FCC changes became certain as many as 15 loan applications totaling nearly \$377 million were submitted at the end of FY 2016. Since these applications were received too late in the year to process, they will be completed in FY 2017. The surge in applications demonstrates the continued growing demand for program funding. RUS has taken steps to increase resources and implement efficiencies in the work process to better meet the high loan demand during FY 2017.

Providing broadband in rural communities poses unique challenges. These include remote, difficult terrain that makes construction and maintenance more costly; fewer potential subscribers per mile of infrastructure to support the cost of service; higher rates of unemployment, poverty and outmigration in the subscriber base. Broadband infrastructure remains a vital source of capital to sustain existing rural areas infrastructure and upgrades for high-capacity bandwidth needed to maintain the pace of investment in health, education, public safety, and economic growth.

Distance Learning, Telemedicine (DLT)

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

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

Selected Examples of Recent Progress:

Distance Learning and Telemedicine Program:

In FY 2016 the program received 182 applications and 98 applicants were awarded grants. A total of \$27.8 million was obligated for DLT Grants. This includes 16 awards for \$4.5 million in Telemedicine related to Opioid addiction and prevention. Of the awards received, 76 out of 98 received special emphasis points for high poverty areas and Tribal Trust Areas.

The McLeod Regional Medical Center of Pee Dee, Inc., will use \$420,092 in award funding to connect doctors in Florence, SC to seven centers throughout the state to mental and primary health care. Six of these seven centers are located in a high poverty county.

In Illinois, the Bushnell-Prairie City District #170 will use the grant of \$313,572 to set up a learning network to provide instruction to 14 middle and high schools in Illinois, Wisconsin and Tennessee, and offer vocational training opportunities that support economic growth within each community. Five of the end-user sites are located in high poverty county.

The Mountain States Health Alliance received a grant award for \$133,659 to establish a telemedicine network that connects medical doctors to at Johnson City Medical Center to three hospitals in rural Tennessee and three hospitals in rural Virginia. These six rural hospitals will have increased access to medical specialties and critical care experts in areas such as neurology, medical reconciliation with pharmacy, infectious diseases, pulmonology, and interventional radiology. All participating hospitals in this DLT project are located in high poverty counties.

Community Connect Broadband Grant Program

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

Selected Examples of Recent Progress:

Community Connect Grant Program:

In FY 2016, the Community Connect program received 72 applications and approved 6 projects that will deliver broadband to rural areas currently without high-speed internet service. The grants totaling over \$7.7 million in funding will provide broadband service in Kentucky, Indiana, Oklahoma, Tennessee and Virginia. Additionally, awardees will provide a community center with broadband access and offer free service to critical community facilities in the proposed service area.

For example, Tennessee projects will receive a grant for over \$2.4 million to provide service in four rural counties. Ben Lomand Rural Telephone Cooperative will use a grant of \$850,700 to provide service to Grundy and Marion counties, a rugged area. Highland Communications, LLC will provide broadband service to Morgan County, also a high poverty area, with a grant of \$723,593. A grant of \$850,032 to North Central Communications, Inc. will offer service to Trousdale County, another high poverty area in Tennessee. In Kentucky, Q-Wireless, LLC will receive a \$481,000 grant to serve a high poverty area in Crittenden County and portions of Whitfield County. The project will also offer service to Indiana's Vanderburgh and Bucshon counties. IGo technology, Inc. in Virginia will receive a \$1,825,026 grant to provide service in the counties of Buchanan and Russell.

Additionally based on the grant approved for Pine Telephone, a state-of-the-art fiber to the home system is planned with initial speeds up to 100 Mbps within the Choctaw Nation Tribal Jurisdiction. Pine Telephone will leverage local resources in the community to deploy the broadband system and staff the community center.

Broadband Program

The Broadband program finances advanced telecommunications networks capable of delivering broadband service to rural residents and businesses. Broadband access is crucial to rural communities and this loan program provides funding for infrastructure in communities with populations of 20,000 or less. With the enactment of the Agricultural Act of 2014 (Farm Bill), changes were required to the existing program regulation. This was implemented during as a revision to 7 CFR Part 1738.

1. Financing is extended to projects to provide rural access to high-speed internet services. Priority is given to providing financing for rural communities that do not have access to broadband services. These services are essential for the economic and social development of rural communities.

Selected Examples of Recent Progress:

Broadband Program:

RUS approved a Broadband loan in the amount of \$4.1 million for Home Communications, Inc. in Kansas to construct 153 miles of Fiber-to-the-Premises as well as install a prefab hut central office with a standby generator. These improvements will allow the delivery of voice, video, and data services to all potential subscribers at or above the broadband lending speed.

Demand for the program is high based on the 27 applications submitted totaling more than \$220 million that were considered during the FY 2016. However, since the majority of applications did not meet the new regulatory requirements that were implemented based on changes in the 2014 Farm Bill, only one application was approved and obligated.

Since the implementation of the requirements of the 2014 Farm Bill, RUS held two application windows. After reviewing the applications for eligibility, RUS determined that there is considerable misunderstanding of the revised requirements for the Broadband Program. Under the two previous windows, once an application was submitted, if incorrect or inadequate information was submitted or a regulatory requirement was not met, an applicant did not have the ability to adjust its application and RUS was forced to reject it as incomplete or inadequate.

Water and Environmental Programs (WEP)

Current Activities:

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

Specific areas being addressed currently include:

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

Selected Examples of Recent Progress:

In FY 2016, RUS invested \$1.75 billion in direct and guaranteed loans and grants to help rural communities develop water and waste disposal facilities. Through investments in water and waste disposal infrastructure, RUS delivered new and improved services to 2,240,969 rural residents, exceeding the goal for FY 2016. Examples of loans and grants approved include:

- \$1.52 billion in WWD direct loans and grants made to develop 586 projects, which included:
 - \$1.5 billion in direct loan and grants to develop 582 projects; and
 - \$7.1 million in guaranteed loans to develop four projects.
 - \$162.6 million of the above \$1.5 billion was for 88 projects in persistent poverty counties in 22 States.
- \$178 million assisted 244 projects in disadvantaged communities:
 - \$32.7 million for Alaskan natives and villages
 - \$32.9 million for Colonias
 - \$16 million for Hawaiian Homelands
 - \$25 million for Native Americans
 - \$1.1 million for predevelopment planning grants to assist in preparing applications for WEP funds
 - \$3.6 million for 131 special evaluation assistance for rural communities and household program
 - \$4.4 million for rural economic area partnership (REAP) zones
 - \$54.9 million for Strategic Economic and Community Development
 - \$1.2 million for individually-owned water well systems grants
 - \$1 million for water and wastewater revolving fund grant
 - \$5.2 million for Farm Bill 2014 and 2008 Disaster Funds
- \$13.5 million for 49 projects in communities qualifying for emergency assistance,
- \$40.7 million for 54 grants to technical assistance providers, and
- \$6.6 million for 12 projects administered for partner organizations.

The water programs continued to make efficient use of budget authority (BA) and loan levels appropriated to the program, spending 100 percent of the FY 2016 appropriated BA. Including prior year recoveries, the water programs obligated 108 percent of loan and 109 percent of grant funds. WEP funded 617 loans and 785 grants totaling \$1.75 billion. This represents a 9 percent increase in loan obligations over FY 2015 and a 7 percent increase in total obligations over FY 2015.

WEP obligated \$819.5 in high poverty areas which represents is 48 percent of WEP's total obligations. This is 21 percent more dollars obligated than FY 2015. The program proactively ensured additional outreach and emphasis in these areas.

The RD national and State offices continue to coordinate their strategies to strengthen relationships with partner agencies and organizations.

During FY 2016, interest rates were historically low and fell by over one-third since 2009. The agency promoted the low interest rates via teleconferences, rural water conferences and social media. These rates enticed borrowers to consider upgrades to their systems to maximize the savings for themselves and the rural residents they serve. With the additional outreach, WEP was able to use all available program funds in FY 2016.

The RD national and State offices regularly monitor the national and individual State performance to evaluate program delivery and services to customers. In FY 2016, the water program continued to demonstrate that more than 90 percent of systems met the sustainability ratio (current ratio of 1.5 percent and debt service ratio of 1.1 percent) as shown below:

- Sustainable Systems 2016 – 94 percent of systems evaluated met current and debt service ratios.

The number of sustainable systems has held steady since 2015, showing a positive trend in the sustainability of the program's customers.

The program also actively worked to reduce longstanding delinquencies and maintain a less than one percent delinquency rate for its portfolio of 15,853 loans totaling \$12.6 billion as of the end of 2016. The program resolved 22 delinquencies older than one year, and 33 delinquencies aged 181 days – 1 year. The delinquency rate at the end of FY 2016 was 0.42%. This rate does not include 214 loans to the Puerto Rico Aqueduct and Sewer Authority (PRASA) triggered by the financial crisis in the Commonwealth (the rate with the PRASA loans is 1.77). USDA entered into a forbearance agreement on July 1, 2016 that is ongoing.

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

- In FY 2016, WEP launched an online training center to serve the needs of Rural Development field staff and to build and maintain capacity in the field. Through the WEP Training Center, RD State Offices can choose from a selection of classes, technical assistance and mentoring options or work with the WEP National Office to design a customized training package, tailored to their specific needs. This training will help improve field capacity and improve underwriting, outreach, servicing and utilization of funds.
- In FY 2015, the agency launched RD Apply, an intuitive web-based electronic application system for RD programs. During FY 2016, WEP actively promoted this new online system with webinars and training for employees, live demonstrations at Rural Water meetings, informational flyers and tweets. Hundreds of potential applicants have signed up for RD Apply and will be able to electronically submit their applications when ready. This system is very convenient for its users and is accessible through any internet ready device. Information submitted through this system is safe and secure. With the faster system application process, questions are reduced and a complete application submission is ensured.

RURAL UTILITIES SERVICE

Summary of Budget and Performance

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

The Department will be revising the USDA Strategic Plan later in the spring and expects to release it with the FY 2019 President’s Budget.

Key Performance Measures:

Number of borrowers/subscribers receiving new or improved telecommunication services.							
	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2018 Target
Number	63,899	119,191	83,602	95,056	79,433	100,000	175,000
Program Dollars (thousands)	\$106,585	\$308,445	\$285,613	\$245,553	\$198,592	\$383,654	\$716,991

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

Since 2010, RUS has provided more than \$2.81 billion in financing for improving telecommunications in rural America. During FY 2016, RUS approved 15 infrastructure loans for telecommunication investments in rural communities. The total amount obligated in FY 2016 is \$194.5 million. These projects, upon completion, will deliver new or improved broadband service to over 77,358 businesses and households.

RUS approved a \$40.3 million loan for Northwest Communications in North Dakota. The investments will complete the conversion to a full Fiber-to-the-Premises system in their 16 exchanges, replacing the remaining 1,493 miles of existing copper plant and constructing an additional 46 miles of fiber. General network improvements will also be made, benefitting all 7,500 access lines proposed in the system.

A \$14.3 million loan was also approved for Alenco Communications, Inc. in Texas. The project is for system improvements, including Fiber to the Premises (FTTP) facilities in the Dolores, Maryneal, McCaulley, Modeana, Sylvester, and West Marietta exchanges. The project will deploy 268 miles of fiber providing FTTP service to 639 subscribers. The remaining customers in these exchanges will benefit from enhanced DSL service to most locations as a result of planned system improvements.

RUS approved a loan under Substantially Underserved Tribal Areas (SUTA) provisions to Sacred Wind Communications. The loan for \$13.8 million is for electronic upgrades and to construct a 90 mile fiber route. These improvements will give the New Mexico borrower the capability to provide enhanced services and higher broadband speeds to additional subscribers. The fiber route will improve system redundancy as well and increase system reliability and cost savings when compared to the existing leased connection that is replaced. This loan was granted modified terms (2% rate) under the SUTA provisions.

All telecommunications facilities financed by RUS must be broadband capable. The development of the Internet-based economy provides unique opportunities for rural America. Broadband infrastructure greatly helps to mitigate the limitations on business development in rural areas caused by geographical distance and a limited customer base.

RUS has provided capital to finance access to broadband service for rural communities. This access is critical to enable rural businesses to participate in the developing global economy.

Selected Accomplishments Expected at the FY 2018 Proposed Resource Level:

- 155,000 borrowers' subscribers are estimated to receive new or improved telecommunication services. With this funding 380 rural counties will receive access to distance learning or telemedicine services.
- Loan processing time is expected to be reduced with streamlining work process and training staff.

Number of borrowers' consumers receiving new or improved electric facilities.							
	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2018 Target
Number	8,256,476	8,683,672	4,606,745	5,520,016	5,471,211	5,100,000	5,100,000
Program Dollars (thousands)	\$4,317,791	\$4,410,308	\$2,239,968	\$2,898,112	\$3,165,750	\$5,500,000	\$5,500,000

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

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

Selected Accomplishments Expected at the FY 2018 Proposed Resource Level:

- 5.1 million rural electric customers benefitting from new or improved electric generation, transmission and distribution facilities;
- Continued investment in rural electric infrastructure including renewable electricity and energy efficiency improvements and money-saving energy efficiency measures.

Population receiving new or improved services from agency-funded water and wastewater facilities or projects.							
	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Target	2018 Target
Population	2,455,997	1,799,711	2,188,875	2,380,303	2,240,969	1,700,000	0
Program Dollars (thousands)	\$1,429,686	\$1,331,167	\$1,509,014	\$1,654,435	\$1,744,575	\$1,257,327	\$0

Selected Past Accomplishments Toward the Achievement of the Key Outcome:

In 2016, RUS invested \$1.75 billion in water and waste direct and guaranteed loans and grants to help rural communities develop water and waste disposal facilities. Through investments in water and waste disposal infrastructure, RUS delivered new and improved services to 2,240,969 rural residents, exceeding the goal for 2016. Examples of loans and grants approved include:

- \$1.52 billion in WWD direct loans and grants made to develop 586 projects, which included:

- \$1.5 billion in direct loan and grants to develop 582 projects; and
 - \$7.1 million in guaranteed loans to develop four projects.
 - \$162.6 million of the above \$1.5 billion was for 88 projects in persistent poverty counties in 22 States.
- \$178 million assisted 244 projects in disadvantaged communities:
 - \$32.7 million for Alaskan natives and villages
 - \$33.2 million for Colonias
 - \$25 million for Native Americans
 - \$16 million for Hawaiian Homelands
 - \$1.1 million for predevelopment planning grants to assist in preparing applications for WEP funds
 - \$3.6 million for 131 special evaluation assistance for rural communities and household program
 - \$4.4 million for rural economic area partnership (REAP) zones
 - \$54.9 million for Strategic Economic and Community Development
 - \$1.2 million for individually-owned water well systems grants
 - \$1 million for water and wastewater revolving fund grant
 - \$5.2 million for Farm Bill 2014 and 2008 Disaster Funds
 - \$13.5 million for 49 projects in communities qualifying for emergency assistance,
 - \$40.72 million for 54 grants to technical assistance providers, and
 - \$6.6 million for 12 projects administered for partner organizations.

The water programs continued to make efficient use of budget authority (BA) and loan levels appropriated to the program, spending 100 percent of the FY 2016 appropriated BA. Including prior year recoveries, the water programs obligated 108 percent of loan and 109 percent of grant funds. WEP funded 617 loans and 785 grants totaling \$1.75 billion. This represents a 9 percent increase in loan obligations over FY 2015 and a 7 percent increase in total obligations over FY 2015.

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Program delivery and services to our customers continues to improve.

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Selected Accomplishments Expected at the FY 2018 Proposed Resource Level:

In FY 2018, the program will not continue operations. Rural communities must invest in modern water and wastewater facilities to attract and retain families and businesses vital to thriving communities. The communities must decide how to balance investing in new facilities to serve new and proposed customers with investing in upgrades to facilities that serve existing customers. They must weigh growing their customer base, controlling costs, and modernizing or upgrading aging facilities. Gaining access to credit markets and leveraging funds from Federal, State, and private sources will continue to challenge rural communities, especially when funding opportunities that are specifically targeted at rural America are discontinued. Smaller communities will have to wait to have their projects funded or maybe not obtain financing at all when they have to compete in programs that do not prioritize smaller projects or projects from rural communities.