

**RURAL DEVELOPMENT  
AND ENERGY PROGRAMS:  
PERSPECTIVES FOR THE  
2018 FARM BILL**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON AGRICULTURE,  
NUTRITION, AND FORESTRY**  
**UNITED STATES SENATE**

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

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SEPTEMBER 28, 2017  
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**RURAL DEVELOPMENT  
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PERSPECTIVES FOR THE  
2018 FARM BILL**

**Thursday, September 28, 2017**

UNITED STATES SENATE,  
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,  
*Washington, DC*

The committee met, pursuant to notice, at 9:34 a.m., in room 216, Hart Senate Office Building, Hon. Pat Roberts, Chairman of the committee, presiding.

Present or submitting a statement: Senators Roberts, Boozman, Hoeven, Ernst, Grassley, Thune, Daines, Stabenow, Leahy, Brown, Klobuchar, Bennet, Gillibrand, Donnelly, Heitkamp, Casey, and Van Hollen.

**STATEMENT OF HON. PAT ROBERTS, U.S. SENATOR FROM THE  
STATE OF KANSAS, CHAIRMAN, U.S. COMMITTEE ON AGRICULTURE,  
NUTRITION, AND FORESTRY**

Chairman ROBERTS. Good morning, members of the Committee. I call this hearing of the Senate Committee on Agriculture, Nutrition, and Forestry to order.

Today's hearing marks this Committee's ninth hearing this year, dedicated to listening to our stakeholders from around the country on how our authorized programs are currently working or need improvement, as we work towards farm bill reauthorization during this Congress. This includes taking a look at spending requests and proposals for 39 programs in the farm bill that do not have a budget baseline, and as I have said at each of these hearings, our Committee must be mindful of the very tough budgetary environment that we have to face.

While it is a principal duty of this Committee to ensure the next farm bill provides our nation's agriculture producers with the necessary tools and resources to feed a growing and hungry world, our responsibilities and the role of the USDA do not stop there. It is also critical the next farm bill works to support rural businesses and cooperatives and health clinics and schools, renewable energy, and bio-based product manufacturers and other essential service providers. They all serve as the backbone of the communities our farmers and ranchers call home.

Earlier this year, at our Committee's first field hearing in Manhattan, Kansas, home of the ever-optimistic and fighting Wildcats, we had the opportunity to hear from a number of stakeholders that

I believe share much of the same passion and commitment to rural America as our witnesses today—and to the witnesses, I apologize for the lateness of the hearing. Thank you for being very patient.

We listened to the manager at the Nemaha-Marshall Electric Cooperative explain how low-interest, utility service electric loans make it possible for small cooperatives to provide rural Kansas with affordable and reliable energy. A Kansas biofuels producer spoke about the important role renewable energy plays in helping to create rural jobs and a new market demand for a number of commodities important to all of our member states. We heard a rural telecom provider discuss daily challenges that she faces in working to provide high-speed broadband to an area in western Kansas roughly the size of Connecticut and Vermont—the distinguished Ranking Member from the—the Senator from Vermont has departed—but with 3 million fewer people.

I hope today's hearing will continue that conversation and provide our Committee opportunities to hear a broader perspective of the needs throughout farm country.

On our first panel today we are pleased to have the Assistant to the Secretary of Agriculture for Rural Development and the three Acting Administrators for the Rural Utility Service, Rural Housing Service, and Rural Business Cooperative Service. They will discuss Secretary Perdue's vision for fostering growth and economic prosperity throughout rural America and provide an update on program functions within the USDA Rural Development.

For our second witness of panels—or, pardon me, witnesses—we will hear from a broad set of private sector stakeholders, including representatives of rural cooperatives who work every day to provide essential utility services to farmers, ranchers, and small towns all across the country. They include a non-profit organization that provides training and other support for small business development, a university professor leading state-of-the-art research in renewable chemical product development, and finally, an entrepreneur whose business model is helping farmers and other small businesses save on energy costs through the installation of renewable energy systems.

Again, I look forward to our discussions today regarding the rural development and energy titles of the farm bill, and to hearing from our witnesses about their recommendations to improve these programs and provide our rural communities with the necessary economic tools they need to grow and thrive.

It is my privilege now to present Senator Stabenow for any opening remarks she would like to make.

**STATEMENT OF HON. DEBBIE STABENOW, U.S. SENATOR  
FROM THE STATE OF MICHIGAN**

Senator STABENOW. Well, thank you so much, Mr. Chairman, for holding this hearing to discuss issues that are so critically important to small towns and rural communities in Michigan and Kansas, and all across the country. I want to welcome our witnesses today. Thank you for your work.

Earlier this year we held a hearing to examine the state the farm and rural economy. There we heard, loudly and clearly, that those who live and work in rural America are facing tough economic

times. But we also learned that there are many opportunities to invest in the future of our small towns and rural communities, create good-paying jobs, and help them get back on a good track.

Rural communities are often the first to feel the effects of an economic downturn and the last to see the impacts of an improving economy. As a result, we should be making more investments in rural America, not less.

Looking ahead to the next farm bill, we need to think strategically about how we can achieve long-term economic growth in every region of the country. I have always said that the farm bill is a jobs bill. The rural development and energy titles that we are discussing today have a wealth of opportunities to provide a bright future for rural America. I grew up in one of those small towns in northern Michigan and I know how important it is that we have robust economic development efforts, support for agriculture, and support for business expansion. So strengthening our rural communities and ensuring a high quality of life that young people will want to go home to is very personal for me.

In order for our communities to thrive they need to be able to compete in the 21st century economy. Improving access to high-speed Internet is one of the top ways to make sure that happens. USDA provides critical support and capital to expand broadband access. We need to strengthen the tools available to extend high-speed Internet to every corner of the country.

We also need to continue investing in other forms of rural infrastructure. It is unacceptable that there are small towns that cannot afford to modernize their water systems to provide clean drinking water.

Small businesses need access to capital as well. Rural business loans help entrepreneurs grow their businesses, while also offering new employment opportunities for the community at large. We need to continue to invest in innovation that will keep driving these economies forward.

In Michigan, agriculture and manufacturing are the heart of our economy. We do not have a middle class unless we make things and grow things. That is why we created opportunities in the last farm bill to support bio-based manufacturing. Instead of using petroleum, companies are creating new products from American-grown crops. The economic benefit is twofold—new markets for our farmers, and new jobs and manufacturing opportunities for our businesses.

Additionally, the farm bill invests in renewable energy which also leads to job creation. According to a new report, there are now 92,000 clean energy jobs in Michigan alone. The popular Rural Energy for America Program, known as REAP, helps producers and businesses lower their utility bills through installing renewable energy systems and making energy efficiency upgrades. Innovations in advanced biofuels are helping us to become more energy independent and pay less at the pump.

It is the clear the opportunities we created in the 2014 Farm Bill are helping our small towns create jobs and support communities where parents want to raise their children. So as we begin work on the next farm bill, I look forward to building on that progress to help rural America reach its full potential.

Thank you, Mr. Chairman.

Chairman ROBERTS. I thank the Senator.

Senator THUNE. Mr. Chairman.

Chairman ROBERTS. The distinguished Senator is recognized.

Senator THUNE. Mr. Chairman, in the event I cannot get back or have a witness I would like to introduce, is that possible—that is on the second panel?

Chairman ROBERTS. I think that is certainly possible.

Senator THUNE. Well, Mr. Chairman, I just want to first off thank you and Senator Stabenow for having this hearing. This is an important title in the farm bill. I have a panelist today from South Dakota, a good friend, Denny Law, a very incredibly capable general manager and CEO of Golden West Telecommunications Cooperative, which is headquartered in Wall, South Dakota.

His company serves my hometown of Murdo, South Dakota, where my dad still lives. He will be 98 in December. He spends a lot of time watching cable and on the Internet, and he is probably one of my most-informed and least-patient constituents, because, inevitably, he calls me to complain about whatever it is he is seeing that we are doing.

But Golden West has been around for a long time, since 1916. They provided telephone, Internet, and cable services across the state, and Denny has a 27-year history in that industry, all in South Dakota, serving both East and West River. What makes his current job as CEO of Golden West Telecommunications Cooperative so challenging is his company's location in one of the most rural areas of the country, with ranch and farming operations positioned miles apart and often one to two hours from a larger city like Rapid City. Yet Denny has managed to meet the rural broadband challenges by developing reliable broadband in this area, providing access for jobs, education, and health care. Denny has helped keep a large part of rural South Dakota in touch with the necessities and benefits of the telecommunications industry that most of us in other parts of the country take for granted.

Denny has served as General Manager of Sioux Valley Telephone Company and Hills Telephone Company in Dell Rapids, South Dakota. He went on to become the Eastern Region Manager at Golden West, and he has served as CEO of Golden West since 2008. He has got a bachelor's degree in science and journalism from South Dakota State University, and went on to receive his master's in administrative studies in human resources from the University of South Dakota, which means he is very conflicted when it comes to the football season.

But I want to thank Denny for appearing before this Committee and for sharing your recommendations on how this Committee, through the next farm bill, can help you and your company improve access to broadband in rural areas. So welcome. I thank you, Mr. Chairman, for that indulgence and appreciate having Denny Law here today.

Chairman ROBERTS. Well, thank you, Senator. I know you are very busy and urge you to keep working on tax reform as a very important member of the Finance Committee, more especially on behalf of the Thune-Roberts Amendment, as it is known in South



Dakota, or the Roberts-Thune Amendment as it is known in Kansas.

[Laughter.]

Chairman ROBERTS. We are going to introduce the first panel of witnesses today. Ms. Anne Hazlett currently serves as Assistant to the Secretary for USDA Rural Development. An Indiana native, Anne has worked in agriculture for over 15 years, working in both the U.S. House and Senate, and has most recently served as Republican Chief Counsel for the Senate Committee on Agriculture, Nutrition, and Forestry, in addition to her public service in Washington.

Anne was Director of Agriculture for her home state where she managed the Indiana State Department of Agriculture and was an advisor to the governor at that time, Governor Mitch Daniels, on agriculture and also rural issues. Outside of public service, Anne was in private law practice where she advised clients on agricultural and environmental regulatory matters. She is a graduate of Kansas State University, graduating magna cum laude with a bachelor of science degree in agriculture communications. In addition, she holds a law degree from Indiana University and a master's degree in agriculture law from the University of Arkansas.

Anne, we are delighted to have you before our Committee today. Welcome back.

The next witness is Mr. Rich Davis. Rich has been serving as the Deputy Administrator for Community Programs and Rural Development since August of 2010. The community programs provide direct and guaranteed loans and grants to help our rural communities develop or improve their essential community facilities for public use in rural areas. These facilities include health care, schools, public safety, and a variety of other project types.

Sir, we thank you for your service and thank you for being here today.

Joining us next is Mr. Chad Parker. Mr. Parker currently serves as Deputy Administrator for Cooperative Programs and has worked in the Department of Agriculture Rural Development for more than 26 years. In his current capacity, Mr. Parker manages a team that provides assistance to rural communities in the areas of cooperative development, research and education, cooperative statistics, regional strategic planning, and place-based initiatives. That is quite a list. It is hard to pronounce all of those things with the T's in them.

Thank you for your service, sir.

Our last witness on this panel is Mr. Christopher McLean. Mr. McLean is the Acting Director of the Rural Utility Service, RUS. He oversees the operations of the planning, policy, and finance agency, focused on rural electric, telecommunications, broadband, water, and sewer systems.

Thanks to all the witnesses for being here today.

Anne, why don't you kick off?

**STATEMENT OF ANNE HAZLETT, ASSISTANT TO THE SECRETARY FOR RURAL DEVELOPMENT, UNITED STATES DEPARTMENT OF AGRICULTURE, WASHINGTON, DC**

Ms. HAZLETT. Good morning, Chairman Roberts, Ranking Member Stabenow, and members of the Committee. I am truly honored with this opportunity to discuss prosperity in rural America, a passion that I know that I share with each of you here today and a topic that is of critical importance as you write the next farm bill.

Growing up in Indiana, agriculture and small towns have been my life's calling. Starting in the 4-H program as a young girl, I followed my love of farming and rural places through college and into law school, so I could be an advocate for rural America. Over the course of my career I have been blessed to serve as counsel to both the House and Senate Agriculture Committees during drafting of the 2002, 2008, and 2014 Farm Bills. I have also had a chance to represent the rural interest in my home state as Director of Agriculture.

In each of these chapters I have developed a sincere appreciation for the role of policy and partnerships in assisting rural communities craft and execute a vision for their future. I also have a deep respect for each of you as chief advocates for the rural interests of your state, and an understanding of the monumental challenges that you face in writing a single bill that will meet so many different needs.

As you prepare to begin writing the next farm bill, I will start with what you already know from many of the states that you represent, which is the fact that conditions in many rural communities are incredibly challenging. Today, 85 percent of the poorest counties in America are in rural areas. When kids get older and look to begin their careers, very few come home to the towns in which they grew up, and in many small towns there is simply not the access to critical infrastructure that folks need to stay connected to a modern economy.

When we look at these challenges, whether in Kansas or Michigan, North Dakota or Indiana, we are asking, what can we, at USDA, do to make a difference to help build prosperity in these treasured places? In answering that important question, I have found that the best answers come from the ground outside of D.C.

Just last week I made a visit to Olivia, Minnesota, which is a small city that has recently built a daycare facility. Asking how the town had come to make this forward-looking investment, I was told by a local official that the reason was simple. When any site selector comes to visit their town, they are always looking for four things, he told me: daycare, high-speed Internet, good roads, and rail access.

At USDA Rural Development, we want to be a partner to communities like Olivia, in building prosperity. Through the farm bill, Congress has provided tools to assist in many of these needs. As we look to enhance the use of these resources, Secretary Perdue has set several priorities for our team at USDA.

First, we are focused on partnerships and coordination. Secretary Perdue is leading a task force on Agriculture and Rural Prosperity that has brought together the many federal agencies and departments that impact rural communities. In this effort, we are devel-

oping action-based solutions for four key issues that are impacting rural America: quality of life, the rural workforce, innovation, and economic development. With these federal resources, we will then be looking to work in strong collaboration with our many partners at the state and local level who are on the front lines making difference in these communities.

Second, we are tackling infrastructure needs that I know are a key issue in many of your states. Put simply, robust, modern infrastructure is a necessity, not an amenity, for rural America. With that, the administration has proposed the creation of a new infrastructure fund that would offer a more flexible source of investment tools to respond to the needs of rural America, such as broadband connectivity.

Finally, we are focused on innovation, finding new ways to assist rural communities in addressing the many challenges and opportunities they face. Earlier this month, Secretary Perdue announced his intention to create a Rural Development Innovation Center. Led by an innovation officer, this team will house several important functions such as data policy and trend analysis. We hope, with this addition, that the Center will help our agency become more forward-focused and better equipped to assist communities in developing effective grass-roots solutions.

In closing, I want to extend a heartfelt thank you for what you do each day to be a strong voice for rural America. As you move forward in writing this next farm bill, Secretary Perdue and I are committed to working with each of you to ensure that rural America is a place of prosperity for generations to come.

Thank you.

[The prepared statement of Ms. Hazlett can be found on page 64 in the appendix.]

Chairman ROBERTS. Thank you, Anne.

Mr. Davis.

**STATEMENT OF RICHARD DAVIS, ACTING ADMINISTRATOR,  
RURAL HOUSING SERVICE, UNITED STATES DEPARTMENT  
OF AGRICULTURE, WASHINGTON, DC**

Mr. DAVIS. Good morning. Chairman Roberts, Ranking Member Stabenow, and members of the Committee, I appreciate this opportunity to testify before you today.

Let me begin by thanking Congress for its ongoing support of rural communities. With your support, the Rural Housing Service, or RHS, has made significant and transformative investments to strengthen the nation's small towns and rural communities.

Rural Development's fundamental mission is to increase economic opportunity and improve the quality of life in rural America. A Community Facilities program, a key part of the RHS portfolio, supports this mission by investing in critically needed community infrastructure. Our program provides rural America with access to much-needed capital, where financial options are limited or non-existent.

In recent years, demand for the low-cost, long-term financing has surged, and the direct program has experienced a nine-fold increase in funding level. Community Facilities expects to utilize 100

percent of all of its appropriated funds this fiscal year, and continues to maintain a strong pipeline of projects for next year.

Currently, the total portfolio of Community Facilities investments is \$8.8 billion, with the majority invested in the rural health care sector, educational facilities, public buildings, and public safety infrastructure. The financial health of our portfolio remains strong, and the direct loan program will have a negative credit subsidy rate in Fiscal Year '18.

The unique flexibility of Community Facilities also lends itself well to addressing current issues and challenges facing rural America. As you know, rural towns and communities have been hit hard by the opioid crisis. RHS can play an important role in mitigating the impact of the opioid crisis in rural America by strengthening investment in mental and behavioral health care and other facilities that provide treatment, prevention, and recovery support.

Community Facilities also continues to prioritize investment in the future of rural America's children by supporting a wide range of daycare and educational facilities, including charter schools. A positive start will provide rural children with opportunities to further education and achievement. Building on this foundation, this program also strongly supports rural higher education institutions to meet critical regional industry needs and physician and other skilled professional shortages across rural America.

In recent years, as the size and complexity of our projects has grown, Community Facilities has taken a leadership role in facilitating public-private partnerships to leverage critical financial, project management, technical expertise, and innovation to leverage large, complex, community infrastructure projects. Public-private partnerships enable our programs to serve more rural communities and assist more rural residents with economic growth, job creation, and access to critical services. As we move forward, RHS is confident that it will successfully implement the programs needed for a thriving rural America.

Thank you again for this opportunity to share with you how RHS expands economic opportunity in rural America through improving the quality of life for rural residents every day. Thank you.

[The prepared statement of Mr. Davis can be found on page 60 in the appendix.]

Chairman ROBERTS. We thank you, Mr. Davis, especially for being on time.

Mr. Parker.

**STATEMENT OF CHADWICK PARKER, ACTING ADMINISTRATOR, RURAL BUSINESS-COOPERATIVE SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE, WASHINGTON, DC**

Mr. PARKER. Good morning.

Chairman ROBERTS. Good morning.

Mr. PARKER. Chairman Roberts and members of the Committee, thank you for this opportunity to discuss our programs at the Rural Business-Cooperative Service. Rural Development has consistently been the leading advocate for strengthening our nation's rural economies through increasing access to capital in rural areas, and expanding the bioeconomy, including supporting opportunities for biofuels and renewable energy.

Rural Development's programs and services, in partnership with other public and private sector funding, are at the forefront of improving the lives of rural Americans. Our programs not only promote rural business employment opportunities, they keep jobs in rural America and help rural economies compete in the global marketplace.

To date, in Fiscal Year 2017, the Rural Business-Cooperative Service has successfully delivered approximately \$1.7 billion in funding to rural Americans, that help 12,500 businesses create or save about 55,000 jobs. Our path forward is to focus on our ability to efficiently and responsibly provide government services that meet the needs of rural Americans.

Rural Business-Cooperative Service remains committed to revitalizing rural communities by expanding economic opportunities, creating jobs, improving rural infrastructure, and expanding markets for existing rural businesses in order to ensure a vibrant economy. We administer numerous direct loan, guaranteed loan, and grant programs that not only directly make capital available but, more importantly, attract investment capital to rural areas that might not otherwise see such investments.

Rural Business-Cooperative Service continues to be a leader in helping ensure America's independence and security, promoting the creation and expansion of renewable energy projects and jobs in rural America. We currently administer a suite of programs that promote a more sustainable energy future.

The Rural Energy for America Program, or REAP, is our most successful and competitive renewable energy program. REAP promote energy efficiency and renewable energy development for agricultural producers and rural small businesses. In Fiscal Year 2017 alone, REAP will provide funding for over 1,200 projects, with total project costs over \$1 billion, and leverage nearly 18 times the amount of REAP budget authority provided for the year.

Cooperatives are an important business model and the cornerstone for business development in many rural communities. Cooperatives provide rural residents with job opportunities, enhanced educational and health care services, and products that enable them to compete in the global economy. Cooperatives create local job opportunities and cooperative revenues are maintained and recirculated locally.

One of the largest and most popular opportunities for cooperatives is the Value Added Producer Grant Program. The Value Added Producer Grant Program provides grants to agricultural cooperatives and producers. The grant funds may be used for planning activities and for working capital for marketing value-added agricultural products and for farm-based renewable energy, enabling America's producers to compete in the global economy.

The Rural Business-Cooperative Service is committed to promoting economic prosperity in rural communities through improved access to capital and economic development on a regional scale. As we move forward in the new fiscal year, we continue to examine our operations and look for opportunities to create efficiencies and seek opportunities to target and leverage resources for the greatest impact.

Thank you for the time, Mr. Chairman and members of the Committee. It is truly an honor to be here today and I hope my testimony proves to be informative.

[The prepared statement of Mr. Parker can be found on page 102 in the appendix.]

Chairman ROBERTS. I am sure it will. Thank you, Mr. Parker. Thank you for your 26 years.

Mr. McLean.

**STATEMENT OF CHRISTOPHER McLEAN, ACTING ADMINISTRATOR, RURAL UTILITIES SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE, WASHINGTON, DC**

Mr. McLEAN. Chairman Roberts, members of the Committee, thank you for the opportunity to testify today and thank you for your support for rural electric, water, telecommunications, and broadband infrastructure investment through the Rural Utilities Service.

The recent storms of this season remind us how important basic utility infrastructure is to the quality of our lives. The heroic response of legions of rural utility workers helping damaged systems restore power, communications, and water illustrates the true spirit of rural America and the long-term success of the public-private partnership that has been nurtured by this Committee and the USDA.

The USDA investments in basic infrastructure help deliver reliable and affordable electricity, faster Internet service, and clean, safe water, to help healthy rural communities grow and prosper.

Today our rural utilities portfolio of loans outstanding is nearly \$60 billion. Our annual program level is approximately \$9 billion. In our electric program, RUS funding is helping utilities strengthen rural electric infrastructure. Our electric partners are replacing aging plants, investing in smart grid technologies to increase efficiency, expanding transmission capacity, and hardening the grid against natural and manmade disaster.

This fiscal year, RUS expects to obligate over \$4 billion in improvements in every element of the electric grid, as well as new investments in energy efficiency and renewable energy.

Our telecommunications program finances broadband and advanced telecommunications services. Data shows that nearly 40 percent of rural Americans lack access to robust, reliable, modern broadband service. During Fiscal Year '17, RUS expects to obligate over \$427 million for state-of-the-art telecommunications and broadband technologies in some of the nation's more remote areas. These investments connect communities to the information age and the world to rural America's talents, services, and products.

The RUS Community Connect and Distance Learning grant programs are making profound differences in the communities they serve. So far this year, RUS has obligated nearly \$6 million to fund first-time broadband service in some of the most under-served communities, and \$24 million for distance learning and telemedicine projects.

In our water and environmental programs, RUS works to maximize limited loan and grant funds to support water and wastewater projects, often serving some of the most financially needy

communities in our nation. We are focused on helping communities provide the quality water and wastewater services that are essential to the health, safety, and economic future of those who live and work in and around small-town America. For Fiscal Year '17, the water program expects to use over \$1.7 billion to build or improve water and waste facilities.

For our entire agency, RUS continues to work to streamline our procedures, better coordinate our efforts, and automate where we can. For example, our new RDApply system is allowing borrowers and the agency to reduce paper, speed approval, and enhance efficiency. We continue to work to improve the customer experience as well as make sound decisions that deliver value to the American taxpayer.

Thank you again for the opportunity to discuss how RUS works to support increased economic opportunity and the quality of life in rural America. Thank you.

[The prepared statement of Mr. McLean can be found on page 84 in the appendix.]

Chairman ROBERTS. Thank you, Mr. McLean, and thanks to all of the witnesses. Anne, let us start off with you.

Share with us your vision under Secretary Perdue's leadership—this is new—for the Rural Development Innovation Center. Is there a particular example you could tell us about regarding how the Center would improve the assistance provided to our rural communities?

Ms. HAZLETT. Thank you for that question, Chairman Roberts. Secretary Perdue's vision is that we use our resources at Rural Development, both our programs and people, to partner with rural communities in rural prosperity, and one of the ways that we want to do that is through innovation. I mentioned this Innovation Center that he has announced his intention to create. This is a team that is going to work alongside the three agency administrators and carry out a number of important activities, such as data analysis and program outcomes measurement. We are also looking to drive some other activity from the Center that would be designed to foster capacity building and partnership development.

A specific example I think that I can give is in the area of trend analysis and partnerships. When we think about communities in rural America, and some of the challenges that they face, whether it is the loss of a particular sector of its economy or the rise of a new health challenge such as the opioid epidemic, we hope that a team of folks devoted to innovation can help those communities by identifying best practices that have been successful in other communities addressing that same issue and link them, where appropriate, to other program tools or other partnerships.

I have a specific example I guess I can share recently from Kansas. I had an opportunity to visit on rural health care with Secretary Jackie McClaskey as well as Mr. Holdren from the Kansas Farm Bureau. They were interested in the challenge of recruiting doctors to rural communities. We had a discussion about best practices and pilot initiatives that could be driven, and I think that is a specific example of an issue that is in many other states as well, that the innovation team could help with.

Chairman ROBERTS. I appreciate that very much.

Mr. Davis, I co-sponsored a bill earlier this year which would prioritize community facility funding for the construction of, or improvements to, addiction treatment facilities, as mentioned by Anne. Could you comment on the demand your agency has seen over the past couple of years for projects focused on addiction treatment? I think we have a big problem out there.

Mr. DAVIS. Yes, sir. Thank you for that question, Chairman Roberts. I agree. We have seen an uptick in the interest in these facilities. In the past fiscal year, checking our numbers, we have invested in \$300 million of substance abuse, substance use disorder type facilities to treat folks with those issues, and currently we are seeing a pipeline going into Fiscal Year '18 of about \$400 million in these—in the needs for these facilities. So I would say yes, we are seeing that need and thank you for the funding we have received to help invest in those types of facilities.

Chairman ROBERTS. I appreciate that very much.

Mr. Parker, you oversee a wide variety, to say the least, of programs that assist rural businesses. Can you discuss how the particular programs currently within your purview are geared towards stimulating rural economies in a targeted way?

Mr. PARKER. Thank you for the question, Chairman Roberts. Yes, our Rural Business Cooperative Service programs provide loans, grants, and guarantees, but they also do numerous other targeted ways to improve rural America and rural business lives.

Some of the ways are we provide, one, by having that field staff working in each of our rural communities. They can work with the business organizations. They can work with the local lenders to make sure there is access to capital and that they understand how to reach those pieces of capital.

Some of our programs allow community lenders, banks and other types of lenders, to—because we put a guarantee on those loans they are able to sell portions of those loans out to the secondary market, allowing them to continue to lend in their community beyond what their normal lending limit would be.

We also have programs that reduce energy cost, for the ag producers and rural small businesses, through energy efficiency and renewable energy, allowing those businesses to prosper and be more viable in the rural economy. We have programs that help create new markets for our ag producers, allowing them to gain the revenues from value-added products. We have programs that allow farm credit institutions to gather funds and invest in a strategic manner through investment funds into rural communities.

We have ways that provide resources and activities around the development of cooperatives and the development of new businesses, providing funding to organizations that assist in those ways. We have programs that provide technical assistance, job training, and feasibility studies, so that our rural businesses are not wasting the capital that they go in and invest.

Thank you, sir.

Chairman ROBERTS. Thank you. I have one real quick question for you. Mr. McLean—and this was for the entire panel but time does not permit me to ask this one question to all of you.



Mr. McLean, what would be the key challenge that you face administering rural development programs that are authorized in the farm bill? Can you name me—give me your key challenge.

Mr. MCLEAN. Thank you, Senator. I would say that the key issue for RUS, we have a passion for broadband deployment. We are anxious to be able to connect all of rural America. Our primary tool that we have available to us are loan dollars, and those loans depend significantly on revenue streams that are under the jurisdiction of the Federal Communications Commission.

The key challenge for us is to be able to make long-term lending, based on the promise of the Telecom Act of 1996, of specific, predictable, and sufficient universal service support, and where we see stability in those support levels we see growth in demand for our loan products. Where we have uncertainty of the predictability there is a hesitancy of the private sector to be able to invest in telecommunications in rural areas.

The good news is, in Kansas, they are figuring it out. We have some of our finest borrowers and great examples. In fact, we recently approved a Kraw-Can Kansas loan in our Senior Loan Committee and we have RTC in western Kansas that is doing wonderful things there. But it is a big, big challenge and it depends very much on revenue sources that are beyond the control of the service provider and beyond the control of the agency.

Chairman ROBERTS. Thank you very much. Senator Stabenow.

Senator STABENOW. Thank you, Mr. Chairman, and welcome again to all of you and I appreciate your work.

Ms. Hazlett, first of all, welcome back to the Committee. It is wonderful to have you with us. Broadly, before getting into specifics, I know that you said in your testimony that the USDA Rural Development, thanks, in part, to the farm bill, is the only agency in the Federal Government that has the distinct mission of creating jobs in rural areas by supporting small businesses, basic infrastructure, and providing access to high-speed Internet.

That is why I was very concerned—I know you were not there at the time—when the President released his budget that targeted cuts in all of those areas at USDA. I wonder if you could speak to, in broad measures where you see us going on rural development and if you think we need more resources to support rural development programs or less?

Ms. HAZLETT. Thank you, Ranking Member Stabenow, for raising that important concern. I would simply respond that I understand that rural is different, that no two rural communities are the same, and while they may face similar challenges they may need different resources to address that challenge. I am committed to serving the needs of rural America and to being a partner in rural prosperity. I am committed to working with you and the members of this Committee to meet the needs of your rural constituents, and lastly, I am committed to making effective and efficient use of the resources that Congress provides to meet those needs.

Senator STABENOW. Thank you very much. I look forward to working with you on that as well, and I would just say, from our side, there is bipartisan concern about making sure we are not cutting back on significant things like rural water infrastructure or

small business, and so on. I look forward to working with you on that.

I would like to talk about broadband, which is a passion of mine, and, Mr. McLean, you were talking about that being a passion of yours and your agency's as well. When we think about how we move forward quality of life in small towns, whether it is the small businesses I have talked to that want to sell their products around the world but still be in northern Michigan, looking at the Great Lakes and enjoying the beautiful quality of life that we have in Michigan. Whether it is our hospitals that want to be able to connect and provide the highest quality medical care, or it is the connectivity of rural schools, and so on, we know that this is the piece—at least I believe it is the piece. I would like you to speak to this and would welcome each of the panelists to speak about the priority right now of making sure that we are connecting and not leaving rural America behind, as technology is advancing so fast.

I would also like to know your comments further about rural broadband, high-speed Internet, and whether or not you will commit to using every tool at your disposal to expand high-speed Internet to small towns and rural communities in Michigan, as well as all across the country.

Mr. McLean.

Mr. McLEAN. Well, thank you very much. Absolutely, we are taking a by-any-means-necessary approach in the Rural Utility Service, using every tool that we do have available to us. My colleague, Keith Adams, who heads the telecom program, works with other federal agencies to coordinate our efforts. In our electric program we are seeing rural electric cooperatives deploy smart-grid technologies using fiber assets, which then can be leveraged in partnership with local telcos or the co-ops themselves, to be able to provide consumer-based broadband services.

We are seeing some amazing projects come before our loan committee where we have reliable revenues and reliable levels of universal service support, where we are seeing fiber to the home. We just recently approved a batch of loans in South Dakota that are some of the more remote areas that are bringing fiber to the home technology.

So it is possible to be able to do this, but there are segments of the rural market that the story is still being written as to what levels of support will be available. There is a major proceeding at the Federal Communications Commission to address those rural areas of large telecom providers that need levels of support, and we are watching very, very closely and, where appropriate, providing advice on how those new support mechanisms will reveal themselves and inspire investors, rural electric cooperatives, local telco cooperatives, small-town telecom companies, and new providers to be able to invest in broadband services in those underserved areas.

Senator STABENOW. Thank you. I know my time is up, but would anyone else like to speak from their perspective?

Ms. Hazlett.

Ms. HAZLETT. Thank you, Ranking Member Stabenow. I would add, just stepping out from the program side for a second, I would just raise the opportunity for collaboration here. I mentioned the Agriculture and Rural Prosperity Task Force that Secretary Perdue

is leading. I think a lot of this, from his perspective, also comes down to leadership and just needing to see the different federal agencies that play a role in this important issue, working together. I know that he and Chairman Pai are in close contact and looking at how our policies can be driving towards that common goal.

Senator STABENOW. I would just say, I think this is the issue of the moment. At one point, it was connecting the farmhouse at the end of the road with a phone, and with electricity, and now it is high-speed Internet. If we do not fix that we are not going to see the quality of life that we want in our rural communities. Thank you.

Chairman ROBERTS. Senator Boozman.

Senator BOOZMAN. Well, it is interesting. This, really—I just echo what the Ranking Member just said. This is so, so very important. I think, in Arkansas, 84 percent—we are not doing as well as Kansas, evidently, so I need to visit with the Chairman about that. But 84 percent, lack access to quality broadband, which is 30 percent, higher than the national average. So it is something that really is very, very important.

I guess the question I would have, Ms. Hazlett and Mr. McLean, is we are getting ready to write the farm bill. You know, what policies do we need to change? What do we need to do differently to make it such that it is easier, to get these things done?

Ms. HAZLETT. Thank you, Senator Boozman, for that question, and thank you for your leadership on this issue.

As we look at the importance of broadband infrastructure and the tool, the lifeline it is for quality of life and economic prosperity, we are really looking at this at USDA from three different pieces. I mentioned looking at the different agencies that were working on this topic at the federal level and making sure there is better collaboration there, also looking at how to increase innovation in the deployment of this technology, and then the third piece is what you are touching on. What are those internal processes and programs that we have at USDA and how can we make our tools easier to use, easier to apply for? We look forward to working with the Committee in the coming months, as you are writing this bill, to offer specific improvements to the farm bill broadband programs.

Mr. MCLEAN. I would say that the key issue is bringing revenues up and stable, whether it is through the customer base or state and federal universal support mechanisms, and bringing costs down, and one of the ways that we can help here in Rural Utility Service, is bringing costs down, is by providing affordable finance and long-term finance to those that do invest, and then looking for opportunities for partnership and leveraging. If we can find multiple uses for the same infrastructure it brings the cost down for all of those users.

So we are seeing synergies between smart grid and broadband. We are seeing synergies between public safety and broadband deployment. When rural providers deploy broadband, we are also seeing wireless providers take advantage of that capacity along the highway.

So it is finding multiple uses for the same infrastructure to bring the cost of the infrastructure down and having a reliable source of

financing and revenues for those who are actually putting—those investors who are putting their dollars at stake.

Senator BOOZMAN. Good. Very good. Well, I know that—I know you all are committed. I know the Secretary, Secretary Perdue is committed and understands the importance of this. As you are hearing from the Committee, it is something that is our minds, the minds of our constituents. You simply cannot go forward in this day and age that we live without having that ability.

I would like to switch gears a little bit. Ms. Hazlett, as you know, RUS's water and wastewater loans and grants are very important to rural America, including rural Arkansas. Earlier this year, in a Water, Fisheries, and Wildlife EPW Subcommittee hearing that I chaired, one of my constituents testified about his struggles with a lack of running water. However, with the assistance of a USDA grant they were able to drill wells to bring fresh, reliable drinking water to their home and the homes of their neighbors.

As we look to write legislation to address our nation's crumbling infrastructure and write the next farm bill, these two are not mutually exclusive. Can you, or Mr. McLean, talk about USDA's water and wastewater programs and what more can be done to ensure that rural America has access to safe, reliable water?

Ms. HAZLETT. Thank you for—Senator Boozman, for raising this important issue. I understand that the water resources in rural communities are great. I have seen it in my own travels. We will certainly steward the resources that you provide to meet these challenges. If you provide funding, we will build infrastructure with the dollars that are provided.

Certainly there is always opportunity for improvement in our programs and I would allow Administrator McLean to elaborate on some specific opportunities that we might have to make this program even stronger.

Senator BOOZMAN. It is interesting. This gentleman that I referenced was right outside of Fayetteville, which you know very, very well.

Ms. HAZLETT. I do.

Senator BOOZMAN. Yes, sir.

Mr. MCLEAN. Yes. Well, thank you very much, and this year alone the Rural Utilities Service has obligated about \$35 million of investments in rural water in the state of Arkansas, and we are very, very proud of that.

Senator BOOZMAN. We appreciate that very much.

Mr. MCLEAN. Very, very innovative municipalities that are bringing water and sewer systems to their communities. But it is hard. It is tough.

Our loan and grant programs are focused on communities of 10,000 or less, and we have to mix that loan and grant combination in order to try to target the grant dollars to those areas that need it the most. There is always more demand for resources than we have available, and we just—we work really hard to be able to spend down to the very last penny in order to invest those resources wisely.

Senator BOOZMAN. Yes. Thank you and thank you, Mr. Chairman.

Chairman ROBERTS. Senator Leahy.

Senator LEAHY. Thank you, Mr. Chairman, and I thank the panelists. As I mentioned, we have a Judiciary Committee meeting going on two doors away and I am trying to be at both of them. But I am always concerned on rural development matters. It is one of the reasons I have stayed on this Committee all these years. Coming from as rural a state as you are going to find, we have an opioid epidemic that is devastating our communities, including rural areas in Vermont.

Chairman Roberts and Senator Donnelly, to their credit, have introduced a bill requiring USDA to make a priority of community facility direct loans and grants for substance abuse disorder treatment services, including telemedicine facilities and so on. I think we should make a priority for substance abuse disorder treatment. However, we also have to find new resources to combat it. We need to find a way, in the farm bill, to increase funding for community facilities to combat opioid addiction.

Ms. Hazlett, I know you are looking at this very closely and I will ask you this. Will you support efforts not only to prioritize grants that will combat the opioid epidemic but to increase our investment in community facilities, direct loans and grants to continue serving communities, as loans and grants do now, and what can the Department do to strengthen and improve rural development programs to help those struggling with opioid addiction? I mean, it has become, in some places, an epidemic, and this is not a Democratic or a Republican issue. It is something that I think it is fair to say every single Senator on this panel worries about.

Ms. HAZLETT. Thank you, Senator Leahy, for raising this important issue, and thank you for your leadership.

Secretary Perdue recently held a listening session in New Hampshire where he heard from various stakeholders about this crisis, and we had an opportunity to see some of the things that are working in the Northeast very well to address this issue.

I think USDA's role in this topic, we certainly have that—the immediate, short-term programs for communities to access, as they are helping build that immediate response. Our Community Facilities Program is certainly one of them. We also have the Distance Learning Program as well as some prevention grant resources.

I think another significant opportunity for USDA really is that longer horizon. However, we are well positioned to be a strong partner in addressing some of the root challenges that are often at the heart of this issue.

Senator LEAHY. But you are going to need more money in these programs to do that. Is that correct?

Ms. HAZLETT. Certainly resources will be needed.

Senator LEAHY. Are you going to push for those resources?

Ms. HAZLETT. You have my commitment to steward whatever resources are provided.

Senator LEAHY. Are you going to push for us providing those resources?

Ms. HAZLETT. You have—

Senator LEAHY. I am wearing my hat as the Vice Chairman of the Appropriations Committee now.

Ms. HAZLETT. You have my commitment to steward the resources that are provided.

Senator LEAHY. Well, I would say to steward them you are going to have to get them, and I realize the restraints. You know, I have talked with Secretary Perdue about this too, but you have got to ask for the money and you have got to push for the money.

Chairman ROBERTS. Senator, I am sure that you and I will receive a call from Anne, if not the Secretary, for adequate funding on this most important topic, and we are united in that effort.

Senator LEAHY. Yes. This is not a Republican or Democratic issue. We are all concerned.

We also have our forest economy. You know, Vermont depends on a \$1.4 billion forest-based economy every year, which is a lot of money in a small state like ours. We have some really nice wealthy forests. But in Vermont, and across New England, we are struggling with the recent loss of important markets for low-grade wood, due to the closure of several pulp and biomass mills. We need a market, of course, for high-grade wood. We see that in construction and furniture and everything else. We also need a market for low-grade wood. We have to have both if we are going to really manage our forests. If you have non-existent or poor forest management, we all know that fire is going to occur.

So how can rural development programs in our existing farm bill help to expand our forest products market and support a strong forest products industry? I mean, we talk a lot about our agricultural crops that we are all used to seeing benefit from these rural development programs, but forests are also an important part of that rural economy, are they not?

Ms. HAZLETT. Thank you, Senator Leahy, for raising an important sector of the Northeast economy. I had an opportunity to travel with Secretary Perdue to the Northeast earlier this month and certainly saw firsthand the importance of this industry in the region.

I am committed to preserving and enhancing the diverse rural economy through Rural Development's many programs. I will let Acting Administrator, Mr. Parker, elaborate on some of the business tools that might be there to help that sector.

Senator LEAHY. Well, and my last question, Mr. Chairman, I was disappointed when I saw that the President's budget proposed to eliminate rural housing service grant programs, including Section 502, 504, and 515. These provide essential affordable housing in rural America. Will you—I am asking Ms. Hazlett, you and Mr. Davis—will you work with the Secretary and this Committee, because we all have rural areas that are affected, to find out how we can create a sustainable housing strategy for rural America, that is sustainable in both affordability and access?

Ms. HAZLETT. Thank you, Senator Leahy. I appreciate the importance of that issue in rural communities and we will work with you ensure innovation and that we leverage the resources provided.

Senator LEAHY. Mr. Davis? Mr. Davis, will you work with us too?

Mr. DAVIS. Absolutely, sir.

Senator LEAHY. Yes, I kind of expected that answer. I just wanted to hear it.

Mr. DAVIS. Well, no, we would be most interested in working with you. It is an important segment of rural America, of the rural

economy, and important to the success of rural America. So absolutely.

Senator LEAHY. Thank you.

Chairman ROBERTS. Senator, I noted that Mr. Davis nodded his head up and down vigorously.

Senator LEAHY. So can you say on the record it was a vigorous nod.

Chairman ROBERTS. That is correct. Senator Daines.

Senator DAINES. Chairman Roberts and Ranking Member Stabenow, thanks for holding this hearing. You know, I spent decades in the private sector before entering public service. In fact, I got to be part of building a world-class cloud computing company in my hometown of Bozeman, Montana. I certainly know the impact that technology has in our communities and how access to broadband can break down geographical barriers.

As we say back home, technology has removed geography as a constraint. With connectivity, a family in rural Montana can start up their own small businesses and have access to global markets. When Oracle acquired our company several years ago, as they were building out their global cloud computing structure, think about this. They have three cloud command centers around the world for their 365, 24 by 7 cloud operations. For the seventh-largest cloud computing company in the world, which is now Oracle, they have three cloud command centers. For Europe, Middle East, and Africa, it is London. For Asia Pacific it is Bangalore. For the Americas it is Bozeman, Montana. So it demonstrates the fact we are not talking about just backwaters players now. This is NBA-level, first-string companies in the technology sector.

But this is going to be impossible to keep moving forward unless we close this rural-urban gap, the gap between high speeds that urban residents have access to and the lack of any speeds that rural residents have. I always find it interesting. Sometimes I hear about that we have got to get from 4G to 5G in some of these areas. There are places in Montana that have not even found the alphabet yet. We are not talking about G.

It is one of the reasons I am hosting a tech summit, in fact, a Montana Tech Summit, in Missoula in early October. We are going to bring industry and government leaders together to talk about how technology can continue to help rural communities grow.

Additionally, programs like the Farm Bill Broadband Loans and Community Connect grants are important to rural areas across the country. However, they only work when they are applied correctly and efficiently in communities that truly have need.

Administrator McLean, RUS broadband loans and grants have helped many rural communities in the United States. However, the impact of some programs like the Community Connect Grant initiative have been limited in my home state of Montana. For example, Montana has not yet received a Community Connect Grant during the program's 15-year tenure.

Could you help explain the criteria for this and similar grants and loans, and how Montana communities and businesses can be better utilizers of this important program?

Mr. McLEAN. Sure. Thank you. I would be delighted to. First of all, Montana has some of the finest rural telecom companies in

America, including Lincoln Telephone recently secured an RUS loan in telecom infrastructure, and so we are really proud of that partnership.

The challenge in the Community Connect program is it is small in number of dollars and highly, highly competitive. The focus on our grant programs, in general, whether it is in telecommunications, electric, or water, are to focus the limited grant dollars on those areas that have the highest need. So the scoring criteria will favor the most remote, the most poor, the most underserved. Community Connect is focused on communities that have zero broadband, no broadband availability at all.

We are able to do right around 10 or so grants a year, based on the dollars that are appropriated. Some years it has been significantly less. A couple of years we have been able to shake out the cushions and get a few extra dollars and make it a little bit more. But it has been typically right around \$10 million and we do about 10 grants, and they are just very, very, very competitive.

We are delighted to work with communities, and we do webinars, and would be happy to help advise community groups on how to apply, and we look forward to working with you and your staff to find ways to improve the success rate.

Senator DAINES. Thank you. I want to shift gears for a moment in the time I have left to talk about tribal broadband issues. Montana is home to 12 federally recognized tribes the state recognized, the Little Shell. We know that access to broadband opens up new possibilities, opportunities truly for our tribal communities.

Unfortunately, according to the FCC's 2016 Fixed Broadband Report, 65 percent of the population on tribal lands lack access to fixed telecommunications services, 65 percent. Many small companies in Montana have stepped up to bring wireless and broadband access—we are grateful for that—including Nemont Wireless and Tribal Communications, but I think the Federal Government does play a role in this.

A question to Mr. McLean, what is RUS doing to expand access to tribal communities?

Mr. McLEAN. Thank you very much. Tribal communities are a key focus of our outreach. We are in frequent contact with tribal organizations and working with the FCC and the NTIA to be able to provide outreach and explain how our programs work.

One of the challenges that we do face in tribal communities are, frankly, rights-of-way where the ownership of land is often a check-board. Some land is privately held, some land is held in trust, and some land is held by families that are dispersed, maybe not even aware of their ownership of the land. I actually worked on a—there was a major project in Montana that ran right up against that problem and it was not able to be completed because there was inability to be able to get consensus on how the rights-of-way would be managed.

Senator DAINES. Yes, thank you. I know I am out of time here. We are good at playing checkers in Montana with the nature of land ownership, that is for sure. So, anyway, thanks for the comments. Thank you.

Chairman ROBERTS. Senator Donnelly.



Senator DONNELLY. Thank you, Mr. Chairman, and I would like to thank Anne Hazlett. Thank you so much for your service. It is always great to see a fellow Hoosier here on the Committee. Before we get into the questions, I want to thank you for your service to the people of Indiana and to the country. I am sure you will make all of us proud in your new position at USDA.

I want to ask you, also, about an issue that is dear to your heart and mine, and to many Hoosiers and to all of us. I know you are aware of the difficulties that many of our communities are having when responding to the challenges of addiction. I have been working with a number of members on the Committee in trying to assure that USDA has the resources it needs to help our rural communities respond more effectively.

I have been fortunate to introduce a pair of bills with Chairman Roberts and Senator Strange, and I want to thank them both for their partnership, to help provide rural communities with what is needed.

Opioids and substance abuse impact every community but accessing treatment is even more of a challenge in some of our rural areas, as you know, across our state too. Can you discuss how USDA's community facilities and telemedicine programs will help rural families and rural communities address the crisis?

Ms. HAZLETT. Thank you, Senator Donnelly, for raising this important issue and for your leadership on it. Both of the programs that you highlight are certainly being used well right now to address both providing treatment facilities in communities as well as using innovation through telemedicine to access those services that might not be located in the immediate town. Certainly Mr. Davis can go into specific numbers that we have with those programs.

I think one of the things I would like to circle back to that I am excited about, I mentioned in my beginning remarks, the Innovation Center that Secretary Perdue intends to create. I think this is a good example of an issue that, for communities that are finding themselves in the crosshair for the first time and want to know what has worked well in other places, whether it is through treatment resources or some of the other ways that a rural community might have a unique asset that can be leveraged to address this challenge, that is a great example of where best practices are something that the Innovation Center can then disseminate so that communities do not feel alone.

Senator STABENOW. Ms. Hazlett, also, I am sure we both agree that substance abuse and addiction education and prevention programs are really critical to ensure we are not only treating the symptoms but also working to prevent it from occurring in the first place. A program you are aware of, Purdue Extension, which has great reach into our rural communities around the state, they offer family substance abuse prevention programs like Strengthening Families program, which has been shown to lower levels of substance abuse in younger people.

Can you discuss how important for rural communities programs like these are for their families?

Ms. HAZLETT. Absolutely. I have actually had an opportunity to see that program firsthand, on the ground, in Scott County, Indiana, and I think one of the great strengths of a program like that

is that it is looking at some of the underlying causes that lead, for many of these situations, lead families into many of these situations. When we look at those types of programs, I think we are not just changing that immediate situation but we are potentially changing a generation and we are having a broader community conversation about factors that need to be addressed to have prosperity and quality of life in these areas, things like public transportation, food security, literacy rates. It becomes a catalyst for a broader conversation that will result in stronger communities and a stronger rural America for the future.

Senator DONNELLY. Thank you, Ms. Hazlett. Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Casey.

Senator CASEY. Thank you, Mr. Chairman. I wanted to start with a question for Ms. Hazlett on a Pennsylvania initiative that has been replicated in other states, but I want to make two brief comments, first, the broadband focus of this hearing and the, I think, bipartisan concern about that is significant, and I think the problem is urgent.

I spent a lot of time, in August, going to counties in our state that are substantially rural. We have got 67 counties but 48 are rural counties, and I was in counties where 50 percent—Juniata County, 52 percent of the folks that live in that county do not have high-speed Internet. Sullivan County, 69 percent, Susquehanna, 66. Counties all across the state that have 40, 50, 60 percent without broadband. So it is a major impediment for small businesses, kids in school, and the like, so we are grateful that there is a focus on it. We have got to do a lot more.

Secondly, I am hoping that history repeats itself in the appropriations process, where the administration unfortunately made a series of proposals in the budget which would eliminate water and wastewater program, eliminating the rural business program, eliminating interest payments to electronic and telecom utilities, eliminate Rural Economic Development Program, on and on and on.

The appropriators chose to do otherwise. I am grateful for that. I hope history repeats itself, though, when it comes to the administration's proposal with regard to the farm bill, which is to say it is outrageous and obnoxious does not get to the heart of it. Cutting the Supplemental Nutrition Assistance Program by, I think it was \$193 billion over 10 years. So we are hoping that this Committee will be in bipartisan opposition to those kinds of cuts.

There are my comments. I wanted to ask you about, though, the Fresh Food Financing Initiative, which is a success story from Pennsylvania replicated in a number of states around the country. Pennsylvania's program created over 5,000 jobs—or created or retained, I should say—\$190 million of investment, just from that one initiative, by putting down just \$30 million. So put down 30, get 190 in investment. It has helped in food deserts and it is also a program where there is a substantial personal investment up front, but it has worked out well in a lot of states.

My question is, how do you see that initiative in the Department of Agriculture going forward, because it has been battle-tested or road-tested and I want to get your sense of it.

Ms. HAZLETT. Thank you, Senator Casey, for raising an important issue. Food insecurity and hunger in rural communities is certainly a piece of quality of life as well as economic opportunity and prosperity.

When we look at the Healthy Food Financing Initiative, I think you see an exciting model of a public-private partnership, not only a public-private partnership but an innovative way in looking at solving a long-standing challenge in many communities. Rural America is certainly not immune from that.

We are looking forward to working with the national fund manager that has been designated for this program, as they move forward with implementation, really as an opportunity to learn from their experience and to leverage some of the relationships that they have working in this sector, to enhance further investments in this area, particularly in low-income rural communities.

Senator CASEY. Well, I hope as we go forward if there are things that are priorities, funding or otherwise, that the Committee can help with, I hope you alert us to that.

I just had one more question for you, and I know you can probably amplify this in writing, but the Value Added Producer Grant is a valuable resource to assist small businesses and new and beginning veteran farmers with the development in marketing of new products to increase income. In our states, these grants have been awarded to custom beef processing, to create processed milk products, and finished and bottled wines.

Can you elaborate more on the program and how this program can be expanded to reach new audiences?

Ms. HAZLETT. Thank you. This program really touches everything from jam to lotion to everything in between. It has really opened doors to new business opportunities for a broad range of agriculture producers, allowing them to bring new products to market.

As Congress looks to improve the program in the next farm bill, we would be pleased to work with the Committee for any thoughts you have about changes to make to improve its effectiveness.

Senator CASEY. Great. Thanks very much. Thank you, Mr. Chairman.

Chairman ROBERTS. A vote has been called. In the interest of bipartisanship, which is a very strong element of this Committee, I am now yielding the gavel to the distinguished Senator from Michigan, on a temporary basis.

[Laughter.]

Senator STABENOW. I do not know, Mr. Chairman. I may not give it back.

Chairman ROBERTS. There is always that worry.

Senator STABENOW. [Presiding.] Thank you, Mr. Chairman. While you vote and then when you come back I will go do the same. So thank you very much. I think next up we have Senator Bennet.

Senator BENNET. Thank you. Thank you, Mr. Chairman. Thank you, Madam Chair. Thank you for your service, all of you.

I want to express my gratitude to the Secretary of Agriculture, Secretary Perdue, for hosting a meeting earlier this week with Senators that are concerned about the fire borrowing issue, which I

know is not the topic of this hearing. But I just want to say to my colleagues, this is something that—solving this is long overdue. There is strong bipartisan support. The Secretary of Agriculture, much to his credit, is following up on commitments that he made during the confirmation process and I hope that we will come together and finally solve this issue for our states—not just our Western states but states all over the country.

Ms. Hazlett, I just wanted to ask you, actually, a somewhat related question. I have been around Colorado all this year, as I am every year, from La Junta to Alamosa, and everywhere around the state, and it is clear that rural communities, as they are in America, continue to struggle with this challenging commodity environment, farm incomes decreasing, but also, in our part of the world, with prolonged drought and limited access to affordable land and water. At the same time, scientists estimate that new technologies could sequester 30 to 50 percent of carbon emissions across the economy while enhancing soil health and farm resilience, meaning there is additional value in our farmland that is not being taken into account.

I was pleased to hear Mr. Censky last week discuss his commitment to prioritize climate change in the interest of future generations. I agree with his assessment of that as well, and I think Colorado's producers do, as well. We have a unique opportunity to use USDA programs to improve the livelihoods of the next generation through addressing climate change and diversifying economic opportunities for farmers and ranchers.

So I wanted to ask you, Ms. Hazlett, whether you are willing to work with the Committee and our team to identify opportunities to decrease the amount of carbon pollution in our atmosphere while also enhancing farm incomes.

Ms. HAZLETT. Thank you, Senator Bennet, for raising this issue. You know, at USDA, for many years, our motto has been committed to the future of rural communities. Our programs have adapted and adjusted to issues that have been important at the time, and that will not change. Thank you.

Senator BENNET. I am glad to hear that, and I know, in some ways we are on the cutting edge here, but it is so important for us to plan for the future, to be resilient for the future, and where there is the possibility of adding new streams of income to our farmers' and ranchers' operations I think it is critical for us to consider what those look like.

Is there anybody else who would like to say anything about that? Okay.

I wanted to talk about water infrastructure as well, and let me also say, Madam Chair, that I think that the concern about broadband is one that everybody on this Committee shares, and our communities definitely share. When we say that one community can have broadband and another community cannot have broadband, it is tantamount to say one group of students can have textbooks this year and another group of students cannot have textbooks this year. It is entirely unacceptable from the standpoint of rural children in my state, and I know in yours as well. So we have got to stay focused on it.

I also just wanted to talk a little bit about water infrastructure. I was in Cuba, meeting with the Minister of Agriculture, who pointed out to me that they do not have a tractor in Cuba that is newer than 50 years old, and that seemed like a great opportunity for us. But then I left and I thought to myself, well, we do not have water infrastructure that is less than 50 years old, in a lot of parts of rural America, and including in Colorado.

The USDA's Rural Utility Service has a significant backlog, as has been discussed, of applications for loans and grants to repair and rehabilitate rural water infrastructure. Last year, in Colorado, this program provided 13 loans and 6 grants, all to communities of fewer than 5,000 people, yet there is nearly a \$30 million backlog, in Colorado alone. Despite this, the President's budget proposal zeroed out the water infrastructure program.

Mr. McLean, I would like to ask you what you view as the biggest hurdle to reducing this backlog in the program.

Mr. MCLEAN. Well, we execute the laws that Congress passes—

Senator BENNET. Yes.

Mr. MCLEAN. —and the appropriations that Congress provides, and so to our greatest extent possible we try to focus our resources where they can be the most helpful. We typically allocate water funding to our state Offices of Rural Development, and then, at the end of the year, if individual states do not use those dollars, we pool them on the federal level and then target them towards high-priority projects. But at any given time, I do have projects that are awaiting funding, and the ingenuity and creativity of our staff and the rural water and sewer authorities across the country take those resources and leverage them, and we look for every opportunity to be able to stretch those dollars.

Senator BENNET. So would you say the backlog is that there is not enough money?

Mr. MCLEAN. Right. The backlog is projects awaiting funding.

Senator BENNET. Right. So here is another place where we are failing to invest, and I think we have to find a way, because we have to recognize there are budget constraints. We have to find a way to have a more creative approach to financing projects as well. But I think the idea that they would zero out this particular part in the budget is just entirely unacceptable, I would say, to Democrats and Republicans on this panel, and we are going to have to figure out a different solution.

Thank you, Madam Chair, and I thank my colleagues.

Senator STABENOW. Thank you very much, and I would underscore your comments as well, Senator Bennet.

Senator Van Hollen, welcome, and it is your turn.

Senator VAN HOLLEN. Thank you, Madam Chair, and thank all of you for your testimony.

I just want to pick up on the broadband deployment point. I heard, as Senator Bennet was talking, or I saw most of you nodding your heads saying that broadband deployment was essential to economic development in rural areas. Do you all agree with that?

Mr. MCLEAN. Absolutely.

Senator VAN HOLLEN. Would you all agree that we have still got a lot of work to do to make sure that we have adequate deployment to meet the economic needs of rural America?

Mr. MCLEAN. Yes, sir.

Senator VAN HOLLEN. So I wanted to raise with you the issue that is pending right now before the FCC. They have a 706 inquiry. Are you familiar with that inquiry?

Mr. MCLEAN. Yes, sir, I am.

Senator VAN HOLLEN. Because I have been hearing a lot about this from rural parts of my state, and just that inquiry is whether or not, for the purposes of determining whether we have adequate broadband deployment in rural areas, or any area, we can say that wireless deployment is good enough and that we do not also have to look at the deployment of fixed broadband. Are you familiar with that?

Mr. MCLEAN. Yes, sir.

Senator VAN HOLLEN. Okay. The national Rural Electric Cooperative Association is one of many that have filed comments in that case, and on page 2 of their filing they just state, flat out, "The Commission"—meaning the FCC—"should continue to assess fixed and mobile broadband separately in determining whether advanced communications capabilities are being deployed to all Americans in a reasonable and timely fashion."

Do you agree with that statement?

Mr. MCLEAN. Yes.

Senator VAN HOLLEN. You do. So my question now is whether or not the Department of Agriculture has weighed in or commented as well, before the FCC, with respect to the proposal that is pending, the 706 inquiry.

Mr. MCLEAN. So I will defer to Ms. Hazlett, who—to give the answer.

Ms. HAZLETT. Thank you, Senator Van Hollen. I am not aware of this issue but will certainly be happy to follow up today. Secretary Perdue has placed a top priority on broadband deployment and connectivity in America, and we will be happy to get you that information.

Senator VAN HOLLEN.. Well, let me——

Mr. MCLEAN. Senator——

Senator VAN HOLLEN. —okay, I——

Mr. MCLEAN. —Senator——

Senator VAN HOLLEN. —yes.

Mr. MCLEAN. —let me, if I may, address that point. We have not filed as a petitioner with the FCC. We have an ongoing dialog with the FCC, and the Secretary of Agriculture is chairing the Agriculture and Rural Prosperity Task Force, which the Chairman of the FCC is a member. They—I can report that broadband is a key focus of that effort, and that dialog, although not proceeding as a formal petition, is ongoing between the Executive branch agencies.

Senator VAN HOLLEN. Okay. Well, I would just say—and I took the Secretary at his word as well that he is engaged in these issues—but if he is not fully aware and engaged with what is happening at the FCC, the grants that are provided by the Department of Agriculture, the rural communication loans and the rural broadband loans and grants, they are all very important. But what

is happening in the FCC could have an even bigger impact on the deployment of broadband in rural areas, and that is why you have got the National Rural Electric Cooperative Association and all others weighing in.

So I am going to ask you whether or not the Department of Agriculture will weigh in with the FCC and let them know that the position of the Department of Agriculture is to not count wireless deployment as a total substitute for fixed deployment. There are huge differences between the two in terms of the capabilities and the costs.

So I know you cannot answer that today but I would like the Department of Agriculture to get back to us, to get back to me and let me know if you are willing to weigh in formally on this issue, because everyone says, and I believe you, that you care about broadband deployment. This action before the FCC is going to have a really big impact on the future of broadband deployment in rural areas. Thank you.

Senator STABENOW. Thank you very much for those important questions, and Senator Grassley.

Senator GRASSLEY. Senator Stabenow, I am waiting for the second panel to ask questions, so I do not have any.

Senator STABENOW. All right. Very good. Well, I think at this moment then we will thank each of you for being with us on the first panel and move to the second panel. We would ask those folks to come up and we will proceed.

[Pause.]

Senator STABENOW. As we switch, I am going to recess for just a moment so that I can vote before the time runs out. Chairman Roberts, will be back in just a moment. Thank you.

[Recess.]

Chairman ROBERTS. [Presiding.] I call the Committee back to order. Thanks to the first panel, and we appreciate your testimony. I would now like to welcome our second panel of witnesses before the Committee.

First we have Ms. Aleta Botts. Ms. Botts is the Executive Director of the Kentucky Center for Agriculture and Rural Development, a position to which she was named in 2013. She has over 15 years of experience working on agriculture and rural development policy issues and helping individuals in our rural areas understand issues relating to policy and financing. You could be of help to individual Senators, I would imagine.

Before returning to Kentucky to work for KCARD, Aleta spent almost 10 years working on agriculture and other issues at the federal level as a policy staffer in the U.S. House of Representatives. She grew up on a farm in Menifee County, Kentucky, received her BS and MS in agricultural economics from the University of Kentucky. She currently lives on a small farm in Menifee County with her husband and two children.

Welcome to you, ma'am. We look forward to your testimony.

The second witness is Mr. Elmer Ronnebaum, General Manager Kansas Rural Water Association in Seneca, Kansas, America, where he is the General Manager.

Mr. Ronnebaum's career has spanned five decades, and has been focused on working to ensure all of Kansas's rural communities

have access to safe and affordable water. First as a Program Director and then as General Manager of the Kansas Rural Water Association, Elmer has been critical to the development and facilitation of many training venues for public water systems. Furthermore, under his leadership, the Kansas Rural Water Association has developed a statewide water GPS mapping program, and the popular self-help program called KAN STEP, which has been responsible for the construction of nearly 90 community facilities using local volunteer labor services. He and his wife, Kathleen, hail from Baileyville, Kansas.

Elmer, I am glad you are here to join us today.

Our next witness is Mr. Christopher Stephens. Mr. Stephens is President and CEO of Coweta—I think I am doing that right—

Mr. STEPHENS. Coweta.

Chairman ROBERTS. —Fayette Electric Membership Corporation, headquartered in Palmetto, Georgia. Mr. Stephens graduated from Newnan High School in 1987 and attended the Georgia Institute of Technology where he graduated with a bachelor of electrical engineering degree back in '91, and earned his professional engineering certification in 1998.

Once out of college, he worked as a design engineer for Ritz Instrument Transformers in Waynesboro, Georgia, and then Utility Consultants in Atlanta, before becoming Supervisor of Engineering at Coweta-Fayette EMC in 1996. Mr. Stephens is a native of Newnan, Georgia, where he lives with Lori, his wife, and their two children. We look forward to your testimony, sir.

Senator Thune has already given a marvelous introduction to you, Denny, so we will let that stand for the record, but welcome, we really appreciate your coming and we look forward to your testimony.

Our next witness is Mr. Brent Shanks, who is the Director of the NSF Engineering Research Center for Biorenewable Chemicals, from Iowa State University, home of the Fighting Cyclones, in Ames, Iowa. I now turn to Senator Grassley for this introduction.

Senator GRASSLEY. It is my honor, and I have had a chance to just have a short conversation with Dr. Shanks. He is the Mike and Jean Steffeson Chair of Chemical and Biological Engineering at Iowa State University. Dr. Shanks is the Director of the National Science Foundation Engineering Research Center for Biorenewable Chemicals and an Anson Marston Distinguished Professor in Engineering. He has been on the faculty of Iowa State since 1999, where he has focused on converting biomass feed stocks into chemicals and fuels.

We welcome you, Dr. Shanks.

Chairman ROBERTS. I was going to turn to the Ranking Member to introduce our final witness but again, in the spirit of bipartisanship, I am delighted to introduce you, sir.

Our last witness is Mr. Mark Olinyk. Mr. Olinyk is Chief Executive Officer of the Harvest Energy Solutions and one of its cofounders. Mark is responsible for developing Harvest's operating strategies and all external advisor relationships.

He holds a BBA degree from Michigan State University—obviously why the Ranking Member wanted to introduce you, with the green and white. The distinguished Ranking Member had me deco-



rated in green and white when we had our hearing up there, so I just want you to know that. When you come to Kansas you can wear purple—and an MBA from the University of Michigan.

I thank you for joining us today, Mr. Olinyk.

Mr. Botts, if you could start off with your testimony—Ms. Botts. Pardon me.

**STATEMENT OF ALETA BOTTTS, EXECUTIVE DIRECTOR, KENTUCKY CENTER FOR AGRICULTURE AND RURAL DEVELOPMENT, ELIZABETHTOWN, KENTUCKY**

Ms. BOTTTS. Thank you. Chairman Roberts, Ranking Member Stabenow, and members of the Committee, thank you for the opportunity to testify here today on rural development issues and thank you for having this hearing. The programs being discussed today touch every person living in rural America.

The Kentucky Center for Agriculture and Rural Development, known as KCARD, has been providing technical assistance services for agricultural producers, organizations, co-ops, and businesses for 16 years in the Commonwealth of Kentucky. Through this work, we see firsthand the conditions facing ag producers as they start new businesses, seek to add value to their commodities to capture more of that food dollar, and face significant challenges to their bottom line. In Kentucky, this work means that we help businesses developed by ag producers at all stages of development.

This work would not be possible without the support of the federal Rural Cooperative Development Grant program. This program, authorized in the farm bill, provides support for KCARD to be the resource for the development of co-ops in Kentucky. By forming cooperatives, farmers are able to achieve gains that would be out of reach if they were facing the market alone. In Kentucky in just the past few years, KCARD has worked with an organic feed mill co-op, a small sweet potato co-op, a grain elevator co-op, and multiple farmers' markets, and right now we are working with a group of producers seeking to purchase a portion of a large agribusiness that serves them, creating continuity for that agribusiness and its owners and creating a way for the producers to gain a stake in a business directly serving them.

The RCDG program has delivered results nationwide, as centers like KCARD have developed over 300 co-ops and 350 non-co-op businesses and created or saved over 10,000 jobs in just a documented eight-year timespan. It deserves to be reauthorized in the farm bill and funded at the highest possible level in annual appropriation bills.

Through the combined resources of RCDG and the Kentucky Ag Development Fund, KCARD addresses complicated ag business situations every day. Through KCARD's work with businesses, we see at the ground level their experiences with various federal grant and loan programs. We have worked with the vast majority of Value Added Producer Grant recipients in Kentucky in the past five years, so we have seen the applications, the record-keeping required, and the paperwork challenges.

This program is important because the funds go to producers and producer groups themselves to advance the goal of producers, securing a greater percentage of that food dollar. The program is a

good investment for the Federal Government. It accomplishes this through submission of business plans, financial projections, estimates of customer growth, and pricing calculations.

I have elaborated in my written testimony on ways to improve the program but just to quickly summarize, the business plans are important. We should consider a rolling application process for planning grants, we need to maintain producer eligibility restrictions, and we need to recognize that rural development is uniquely suited to run this program, due to the assets they have on the ground.

RCDG and VAPG are just two rural development programs critically important to fostering job creation, and RCDG is critical to VAPG's success, providing the support that VAPG-eligible businesses need to launch and thrive.

Rural development programs respond to a need driven by the notion that economies of scale are harder to achieve in rural areas, that services are harder to provide because of that, and that people living in these rural areas deserve the same access to services and opportunity as those living in metro areas.

KCARD staff works with farmers and rural businesses every day to help them survive and thrive. I live in a rural area on a rural water system, I use rural broadband provided by a rural telecom co-op to do my work, I buy my electricity from a rural co-op, and I can, unequivocally, say that these programs are critical to the health of our rural areas. If we want our rural areas to be strong, we have to support all of these programs working together to deliver needed infrastructure, foster job creation, and provide a high quality of life for our rural citizens.

Thank you.

[The prepared statement of Ms. Botts can be found on page 52 in the appendix.]

Chairman ROBERTS. We appreciate your testimony.

Mr. Ronnebaum.

**STATEMENT OF ELMER RONNEBAUM, GENERAL MANAGER,  
KANSAS RURAL WATER ASSOCIATION, SENECA, KANSAS**

Mr. RONNEBAUM. Chairman Roberts and Ranking Member Stabenow, members of the Committee, my name is Elmer Ronnebaum. I am General Manager of the Kansas Rural Water Association and I appreciate the opportunity to speak to you today.

My experience with rural water goes back to the early 1970s when I was elected to a steering committee and then subsequently served for 14 years on the Board of Directors as we formed and developed and constructed a large regional water supply in Nemaha and Marshall counties. It went on to serve some 700 rural residents and farmsteads in the two communities of Centralia and Corning. That first project was funded with a loan only from the then Farmers Home Administration.

About 10 years later, we needed to expand the capacity due to the needs of that water system. We obtained a second loan from then Farmers Home Administration, again another loan only.

I am here today to ask you for your support to continue the funding for that program, which is today known as the Water and

Wastewater Loan Program, operated under USDA Rural Development.

The public water supply systems in the United States number more than 50,000. I represent the Kansas Rural Water Association but also the other 44 state associations that make up the National Rural Water Association, and their membership of some 31,000 member utilities. Ninety-two percent of those public water supply systems serve populations less than 10,000, and 80 percent of the 16,000 wastewater utilities in the nation serve populations less than 10,000. In Kansas, there are 786 of the 855 public water supply systems that serve fewer than 3,000.

The issue of affordability of drinking water is a major concern for those public water supply systems across the United States. The Rural Development Program is critical to addressing that effort. The USDA program provides help to citizens to have more affordable rates because of the provision for longer-term financing than the EPA-funded state revolving loan funds, or that commercial credit can offer.

I tried to put the issue of affordability into some perspective. In reviewing the costs that were incurred by a new public wholesale district in Strong City, Cottonwood Falls, and the little Chase Rural Water District in Kansas, without USDA Rural Development funding of loans and grants, and a small portion from the Community Development Block Grant, the citizens in Strong City, Kansas would have had their water rates quadruple to \$25 per 1,000, making 5,000 gallons of water cost \$167, a \$42.50 minimum, and roughly \$25 per 1,000, for a total of \$167 for 5,000 gallons. That is absolutely not affordable in most communities.

Strictly relying on commercial credit and the EPA loan program, which addresses compliance, is not adequate. The USDA Rural Development Program varies from that because it takes affordability as a primary factor in the consideration of these loans. We compliment the agency for developing an online program for the application process. RDAppl has helped the borrowers and it certainly has helped the agency.

Thank you, Chairman Roberts, for the opportunity to comment. I would be happy to take any questions later.

[The prepared statement of Mr. Ronnebaum can be found on page 105 in the appendix.]

Chairman ROBERTS. We thank you, Elmer. Thank you for your long service on behalf of Kansas. I do not know about Centralia. Centralia used to beat up on the Holton Wildcats all the time. I just did not think that was right.

Strong City has a great rodeo and obviously you cannot afford water at those kinds of prices. Excellent example. Thank you so much.

Mr. Stephens.

**STATEMENT OF CHRISTOPHER STEPHENS, PRESIDENT AND  
CEO, COWETA-FAYETTE EMC, PALMETTO, GEORGIA**

Mr. STEPHENS. Thank you, Chairman Roberts, Ranking Member Stabenow, and members of the Committee for inviting me to testify. I am the President and CEO of Coweta-Fayette Electric Membership Cooperation, a not-for-profit electric cooperative in Georgia.

We provide electricity to nearly 70,000 members, operate over 6,000 miles of line, and employ around 200 people.

The farm bill is essential to co-ops because it contains tools we use to keep the lights on in rural America, generate and distribute electricity from renewable sources, modernize the grid, and promote economic development in the communities we serve. For decades, the Rural Utilities Electric Loan Program has been our foundation, providing low-cost financing to co-ops for installing and maintaining the grid. It has been the most important rural development tool in this country's history.

Today co-ops are adapting to changes in consumer demand, accommodating and evolving generation mix, and protecting against cyber threats. The farm bill helps us fund essential projects to make our systems more modern, efficient, and secure.

We have enjoyed strong support for robust RUS funding because we are such a good investment for the Federal Government, providing valuable service to our communities and reliably paying back our loans. We ask that you help us maintain that support in the farm bill.

In the 21st century, robust communications infrastructure is just as important to our businesses as our traditional assets like poles, wire, and power plants. My co-op is currently conducting an economic study to determine the feasibility of building out a broadband network. Our main motivation is to take care of internal operational needs to make our system more efficient and secure.

However, once this foundation is in place there are lots of things we can do with it. One option could be facilitating the connection of our members' homes and businesses to broadband Internet. Some people in our region do not have access to reliable Internet, and that puts our consumers, schools, hospitals, and employers at a disadvantage.

Another part of modernizing the grid is deploying new energy sources for helping our customers save money, by managing their own energy better. Coweta-Fayette EMC is a founding member of Green Power EMC, which sources renewable energy from low-impact hydro plants, biomass landfill gas, and solar. At the end of last year, Green Power EMC projects were generating 270 megawatts of electricity, enough power to serve over 200,000 homes, and that will nearly double by the year 2020.

We also sponsor separate efforts to bring solar installations to schools and to help our consumers finance money-saving home energy efficiency projects. We urge the committee to reauthorize programs like Rural Energy for America program, and the Rural Energy Savings Program to ensure that electric co-ops can continue to meet the evolving demands by our member owners.

In addition to our electrification work, cooperatives play a vital economic development role in the communities we serve. Since 2009, Georgia co-ops have funded around \$10 million through the Rural Economic Development Loan and Grant Program, also known as REDLG. These projects include the renovation of a hospital and construction of a new cattle feed operation to support local agribusiness. We believe the REDLG program is a valuable tool in offsetting population flight and job losses in rural America and around the country. We urge the Committee to work with us

to ensure ample funding for REDLG throughout the next farm bill and beyond.

Lastly, allow me to mention an issue of vital importance to the health of electric co-ops in Georgia, specifically. Plant Vogtle is a nuclear power plant partially owned by Oglethorpe Power, our generation co-op. Currently construction is underway to add two reactors at Plant Vogtle. However, the unforeseen bankruptcy of the project's general contractor has put this project in jeopardy. Congress must extend existing nuclear production tax credits in order to make this project's completion viable.

Most of our country's food, minerals, energy, and manufactured goods still come from rural areas. That is why the health of rural America should be of interest to all members of Congress and all Americans. You have a great opportunity in the farm bill to make needed investments that will address our unique challenges.

Again, thank you for the time to testify.

[The prepared statement of Mr. Stephens can be found on page 114 in the appendix.]

Chairman ROBERTS. Mr. Law.

**STATEMENT OF DENNY LAW, CEO, GOLDEN WEST TELECOMMUNICATIONS COOPERATIVE, WALL, SOUTH DAKOTA**

Mr. LAW. Thank you. Chairman Roberts, Ranking Member Stabenow, and members of the Committee, good morning and thank you for this opportunity to testify on promoting the deployment and sustainability of broadband in rural America.

My name is Denny Law. I am the CEO of Golden West Telecommunications, based in Wall, South Dakota. My remarks today are on behalf of Golden West and NTCA, the rural broadband association, which represents approximately 850 community-based providers of advanced telecommunications services in the very most rural parts of this country.

Golden West began operations in 1916, and today we provide broadband Internet service, cable television, and voice telecommunications services. Golden West serves customers across 24,500 square miles in South Dakota. That is an area larger than the states of Maryland, New Jersey, Connecticut, and Delaware, combined.

Golden West has been an RUS borrower since the early 1950s, and just last week we received approval for our most recent loan. USDA's Telecom Lending Programs have stimulated billions of dollars in private capital investment in rural telecommunications infrastructure around this country.

Despite the tremendous success of the USDA Telecom Program, rural broadband deployment would not be possible without the Universal Service Fund High Cost program as well. The USF program helps rural carriers make the business case for network deployment through use of private capital and/or securing loans from the Rural Utility Service and the limited number of other private lenders committed and willing to finance broadband-capable plant in rural America.

Unfortunately, while USDA programs promote, and the USF rules are designed to support robust networks, the High Cost USF budget is not. A hard cap and resulting budget shortfall is now

driving consumer rates higher, deterring rural broadband investment, and even cutting USF support for investments that have already been made. In fact, in the nearly 40 percent of the U.S. land mass that is served by rural carriers, the artificially low High Cost budget is now the greatest barrier to rural broadband investment that carriers face right now. Because of this limit, tens of thousands of rural consumers will see lower speeds or no broadband at all, precisely what recent reforms were intended to alleviate.

We are requesting Congress to help press for a fix to this problem and we urge the FCC to take action as promptly as possible to address this budget shortfall.

The permitting approval and review process for deployment of networks across federal and state land-owning agencies must also be addressed in any holistic plan to promote and sustain infrastructure investment. The best-funded, best-planned networks may never deliver fully on their promise if they are caught in regulatory red tape and needless delay.

Robust broadband must be available, affordable, and sustainable for rural America to realize the economic, health care, education, and public safety benefits that advanced connectivity offers. Therefore, the rural broadband industry is eager to close the rural broadband gap by working with Congress and the administration on public policy that helps to build and sustain broadband in rural markets.

Golden West and NTCA member companies thank the Committee for its leadership and its interest on all of these issues, and we look forward to working with you on behalf of the hundreds of small operator members of NTCA and the millions of rural Americans that we serve.

Thank you for your time and I look forward to your questions later.

[The prepared statement of Mr. Law can be found on page 67 in the appendix.]

Chairman ROBERTS. Thank you, Mr. Law.

Dr. Shanks.

**STATEMENT OF BRENT SHANKS, Ph.D., DIRECTOR, NSF ENGINEERING RESEARCH CENTER FOR BIORENEWABLE CHEMICALS, IOWA STATE UNIVERSITY, AMES, IOWA**

Mr. SHANKS. Chairman Roberts and Ranking Member Stabenow and Committee members, I thank you very much for this opportunity to testify, particularly about biomass utilization, clearly, near and dear to the state of Iowa but also broadly to the country. But I think what is important about this area relative to some of the other testimonials that we have heard today is this is one that not only impacts farm security, rural infrastructure, but also a broader impact on society. So it is a case where we can see that rural America really has a strong impact on the greater society, and I think that is an important thing to always keep front and center.

Title IX has a very important aspirational goal of producing advanced biofuels from biomass, and this is a wonderful aspirational goal. Underneath that we have established the concept of a bio-refinery which would not only produce advanced biofuels but also

co-products of renewable chemicals and biobased products. Importantly, the way this title is constructed is it looks at the challenge of that aspirational goal, which includes technological challenges, market challenges, and infrastructure challenges, and says, how do we build actions—authorize actions underneath it to address those challenges? That is a very important way to look at the problem. But I would argue, or I would suggest there is another way, a complementary way to look at it, which is how do we take advanced biomanufacturing to judiciously produce renewable chemicals and biobased products that can actually enable us on the pathway to that grand vision that we have?

What do I mean by “judiciously”? We can develop technologies that, in the nearer term, can produce renewable chemicals, but then as they mature can be leveraged into advanced biofuels. We can develop markets in renewable chemicals that will then be in place for when we are ready with all those pieces in the biorefinery to make it work. We can do incremental investment on existing infrastructure to make sure that when we come to the biorefinery, which will require a large capital infrastructure, we can lower that hurdle for that capital infrastructure.

It is my opinion that if we utilize advanced biomanufacturing to produce renewable chemicals, what we can do is create successes on the way to the pathway of what we ultimately want, which is advanced biofuels. The analogy I think of with this is when you think of NASA. NASA creates a vision and says, “We are going to Mars.” What we do is establish technologies along the way to that. But those technologies have value in their own right, and NASA does a wonderful job of articulating the value of that.

I think we need to do the same thing in biomass utilization. We have a wonderful objective to create advanced biofuels but we also have the ability to create successes on the way to that ultimate success.

Thank you very much for your time.

[The prepared statement of Mr. Shanks can be found on page 111 in the appendix.]

Chairman ROBERTS. Mr. Olinyk. Thank you very much, Doctor.

**STATEMENT OF MARK OLINYK, PRESIDENT, HARVEST  
ENERGY SOLUTIONS, JACKSON, MICHIGAN**

Mr. OLINYK. Thank you, Chairman Roberts, Ranking Member Stabenow, and distinguished members of the Committee for inviting me to speak with you today.

My name is Mark Olinyk. I am the President and CEO of Harvest Energy Solutions. We are a solar energy design, sales, and installation company based in Jackson, Michigan. I have been in and out of the agricultural sector most all my life. I was raised on a farm, I farmed on my own for a while, I was the farm manager for the largest farm in the state of Michigan in the early 1980s. I owned a grain elevator where we warehoused over 11 million bushels of grain for the USDA. After that, I got into manufacturing, but I missed the farmers and I missed the people of agriculture, and I was looking for a way to reconnect with them.

In 2006, I was approached to work in the renewable arena and thought this was my way back to working with farmers in the Mid-

west. We started a company called Harvest Energy Solutions. Over the past few years, we have grown from a two-men-in-a-truck operation to over 50 professionals, and growing. Our main focus is farmers and rural customers in the states of Iowa, Illinois, Indiana, Michigan, Ohio, Kentucky, Tennessee, Missouri, Wisconsin, and Pennsylvania. Our agricultural customers include dairy, poultry, hog, grain, greenhouse, hop, fruit and vegetable farms, as well as wineries and breweries and food processors.

We were pleased to be joined by you, Ranking Member Stabenow, in 2015, at a ribbon-cutting ceremony for a solar installation at a winery in northern Michigan. That project, like so many others in this space, was made possible by the USDA's REAP initiative. REAP grants are available through the USDA to assist farmers and rural business owners to invest in renewable energy systems or make energy-efficient improvements.

Harvest Energy has been successful, in part, because of the smart federal investments in rural communities like REAP. REAP has been a component of 25 to 30 percent of our sales. Allow me to give you a quick example of the immediate effect that REAP has on a solar investment.

Typically our customers will see a seven-year payback when they purchase solar for their farm or business, after which the electricity from that investment is virtually free. With a REAP grant award, the same farmer or business owner will see an approximately four-year return on investment. Many times the REAP grant is the determining factor of their buying decision.

There are typically three times more REAP grant applications than available funding in a given year. I would strongly recommend to this panel not only to reauthorize the program in the upcoming farm bill but consider increasing the mandatory funding associated with it. That means more clean, renewable energy, more jobs and economic growth in our struggling rural communities. I know that this Committee has a lot of big decisions to make, but please know that Harvest and others like us deal with REAP conversations on a daily basis.

I want to thank the Committee again for inviting me to

Washington, DC, to share my perspective and the perspective of countless farmers and small rural business owners throughout the country. I look forward to your questions.

[The prepared statement of Mr. Olinyk can be found on page 88 in the appendix.]

Chairman ROBERTS. We thank you, Mark.

Senator GRASSLEY.

Senator GRASSLEY. Thank you, Mr. Chairman, for your courtesy, letting me go out of turn.

Dr. Shanks, given your research experience in biorenewables, what lessons learned or specific effective practices do you feel should be included in the energy title of the farm bill in order to for the U.S. to continue being a global leader in biorenewables?

Mr. SHANKS. Thank you for that question, Senator Grassley.

I think always one of the challenges is how do you pose a problem and then when the agency carries out that, how they respond to the language. As I mentioned in my testimony, the way we have currently set up is a vision of a biorefinery, and so most of the op-



portunities are set up around how do we impact the production of advanced biofuels. I think there is opportunity to say we need successes along the way. Let us consider technologies that maybe are not ready for advanced biofuels but can produce renewable chemicals that still have great value and get us on that path.

I think these are some of the things that we need to consider in terms of how do we get from where we are to where we want to go.

Senator GRASSLEY. Yes. Next, for you, Dr. Shanks, what are the prospects for advanced biofuels given the current crude oil price of about \$50 a barrel? Because I think you indicated, in what I read of your testimony, that certainty of petroleum product pricing would be beneficial, but if you are in a free market environment I do not think you can expect that to be something Congress is going to decide.

Mr. SHANKS. That is exactly right. So I worked for Shell Oil Company, actually, before, so I have worked on both sides, both the oil side and the renewable side, and that is absolutely correct. This is one of the challenges when the target is primarily just a fuel, which is going to be very tightly controlled relative to the price of crude oil.

There are opportunities with renewable chemicals, biobased products, that actually have advantaged and unique performance properties that create value proposition so that you can decouple them, to some degree, from the price of fossil carbon, and that is a tremendously important part of the path forward, in my opinion.

Senator GRASSLEY. Why do you—also for you—why do you characterize renewable chemicals as “ancillary” in the current bio-refinery strategy?

Mr. SHANKS. So, again, when we look at the objective of a bio-refinery, which is to make advanced biofuels, there is now an acknowledgement that there is an important role for bio-based products and renewable chemicals with that. However, the language that always comes out is how do we take the byproduct stream? How do we take the side streams that are not being used for advanced biofuels? This is really limiting innovation and limiting our ability to make progress, technologically, on the way to that goal.

Senator GRASSLEY. Mr. Hazlett—I should not say—I am sorry. I have got one more question for you. In your testimony, you stated that the U.S. chemical market is over \$200 billion in annual sales. What percent of the \$200 billion do renewable chemicals currently account for? Additionally, are there any projections for where renewable chemicals might reasonably be in 10 years?

Mr. SHANKS. Yes. So this is always a challenging question and there is complete—there are chemical consulting companies that make their business out to project what that is. I am certainly not in the position to be as definitive or as forward-looking as some of them. But we are less than 1 percent. You can envision that 10 percent of that market is a reasonable capture strategy. Clearly, there are a number of things that have to be advanced to get to that point.

To put it in a more concrete term, the state of Iowa passed a renewable chemical production tax credit. This is the first year that is in place. It is 5 cents per pound of produced building-block chem-

ical from renewable products. Already there are 15 companies looking at applying for that credit, which would be for production for this year, that they will officially apply for in January.

So the answer is there is a lot of opportunity out there, and a lot of innovation out there, so I think there is—that 10 percent is not an unreasonable objective.

Senator GRASSLEY. Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Heitkamp.

Senator HEITKAMP. Thank you, Mr. Chairman. This is an issue that is near and dear to my heart. My colleague, Senator Hoeven, and I represent one of the most rural states in America, and we appreciate and understand how critically important the rural development piece of this is. In fact, I have two tests on whether I think a rural area will survive. First is do we have rural water, which is absolutely critical going forward for many, many families, to make sure that the water is pure and clean. The other test is can they stream Netflix, right, because if you cannot stream Netflix, if you cannot get access to broadband, it is going to be increasingly more difficult, not only to keep our agriculture economy in these rural areas thriving but to build out and develop value-added opportunities that will keep our children at home.

We are very, very interested in making sure that the historic commitment that the Federal Government has made to rural development, which has paid off either repayment of loans, but absolutely producing the highest quality food source in the world, making it possible for us to continue to do what we do in rural America, none of that would be possible if we had not electrified, if we have not--now looking at broadband, if we had not made these investments.

I want to thank you all for the roles that all of you play in doing exactly that.

I want to talk a little bit about what would happen if, in fact—you probably all saw the budget that the administration advanced—what would—and we will start down at the end, and welcome, it is good to see you again. She used to work for Earl Pomeroy so I had to give her a shout-out. You know, let us just ask all of you what you think the consequences would be if we adopted this administration's budget as it relates to rural development. We will start on that end.

Ms. BOTTS. Thank you, Senator. Well, certainly we have to recognize that the rural development programs that are in place have no rival in Federal Government. They are not duplicative to other programs, and we have to dedicate enough resources for these programs to do what they are designed to do, which is help these rural communities survive and thrive.

We would say that any effort to reduce the resources to these programs will be detrimental to rural areas.

Mr. RONNEBAUM. Senator, when it comes to rural water, if the funding from USDA Rural Development is not available, many of those projects will simply not be built.

Senator HEITKAMP. If I could just take a minute, what will happen to operation and maintenance and the opportunity not only to build new facilities but maintain what you currently have?

Mr. RONNEBAUM. The USDA Rural Development finances circuit rider programs and we provide, through our association, as a technical assistance provider, daily operation maintenance and technical funding application assistance to those communities. The communities in Kansas, and many across the Midwest, have a declining capital—human capital. We typically have 25 percent turnover of operators annually in the state of Kansas. These field techs are essential to maintaining critical services. Miltonvale, Kansas, yesterday lost two operators and one of our people is in there today, and was already yesterday afternoon, helping that town maintain service.

Senator HEITKAMP. Thank you. Mr. Stephens?

Mr. STEPHENS. Thank you, Senator. I certainly appreciate this opportunity and we really want to continue supporting the electric utilities and building out the basic infrastructure, but we also see a need in continuing to support the Rural Energy for America REAP Program, the Rural Energy Savings Program, and also REDLG which helps promote economic development in our communities.

Senator HEITKAMP. Thank you. Mr. Law?

Mr. LAW. Thank you, Senator. We would continue to support robust funding for broadband efforts, including the Rural Utility Service Broadband Development programs as well as the various grant programs that are available, as well as the traditional infrastructure program. It is my understanding that the budget proposed for that is relatively stable at that time, but certainly as the process evolves we will continue to advocate for strong funding.

Senator HEITKAMP. If I can just make a point there, stable budget is going to maintain and help us keep what we have got. We desperately need to expand rural broadband, which, along with Shelly Capito, we are working very hard in my office.

If I can just get two more questions? Thank you, Mr. Chairman.

Mr. SHANKS. There is no question that infrastructure is tremendously important, and even when we get into manufacturing of some of these products we need to have that infrastructure.

I would say what is also important is actually creating value in these communities, and a great example of that is three years ago there was a \$148 million facility built in Osage, Iowa, called Valent BioSciences, to make biobased products. So there is great opportunity here as well.

Senator HEITKAMP. Thank you.

Mr. OLINYK. If the REAP grant initiative was disbanded, for whatever reason, it would make it very difficult for many farmers to dip their toe into renewables. We sell to farmers because, typically, they have space and they have friendly townships. We look forward to working with this group, and as I talk to hundreds, or maybe thousands of farmers at different trade shows that we attend, they bring up REAP, and they bring it up more and more all the time. So the momentum is growing, and to pull the rug out from under a program like this would be detrimental.

Senator HEITKAMP. Thank you. Thank you, Mr. Chairman.

Chairman ROBERTS. Thank you, Senator. Senator Hoeven.

Senator HOEVEN. Thank you, Mr. Chairman. Thanks to the witnesses for being here. Somewhat along the same lines. What are

your priorities in the farm bill? I mean, as you look at small businesses, businesses throughout rural America, what are your priorities in the farm bill, like one, two three, for each of you?

Ms. BOTTS. Certainly, the reauthorization of the Rural Cooperative Development Grant program is critical to providing resources for rural businesses, developing in rural areas, and North Dakota has some excellent rural co-ops that have developed through this program. So reauthorization of Rural Cooperative Development Grant.

The reauthorization of the Value Added Producer Grant and maintaining a strong business focus for that program, having applicants put together strong applications that include financial projections and estimates of customer base, those are two key pieces for what would be necessary in the next farm bill.

But certainly, looking at all the programs together to see how we can—how the programs work together to provide resources for rural development and how that can be done more cooperatively would be something that we would encourage. Thank you.

Mr. RONNEBAUM. Senator, I am not intimately familiar with all aspects of the farm bill, but I do know about the Rural Development's Water and Wastewater Loan and Grant Program, and there are many more applications and funding needs than funding is presently available, and that is a critical component to making water and wastewater services available in underserved and low-income, particularly, rural communities.

Mr. STEPHENS. Senator, I think for us it is definitely continuing to meet the growth of our communities and providing funds to meet their electric service needs. Also, providing innovative solutions like we have utilized for AMI and making a smarter grid, which could include some form of broadband, and continuing to promote economic development by reauthorizing REDLG.

Mr. LAW. Senator, we would strongly support continued full authorization for the Broadband Loan Program and the Traditional Telecom Loan opportunities that rural telecommunications providers can take advantage of for affordable financing of expensive broadband networks in very rural areas, and as many dollars are available for those types of applications to further that mission would be our number one, number two, and number three.

Mr. SHANKS. I certainly cannot claim the expertise on the broad aspects of the farm bill, as a number of these experts, but I would say that I think an important aspect of a strategy for farm security and rural investment is making sure that we actually have products that are valuable. We think that biomass-derived products are tremendously important in the mix of how to help rural economy.

Senator HOEVEN. What is most helpful to you there?

Mr. SHANKS. Pardon me?

Senator HOEVEN. What is most helpful to you in developing those biomass products?

Mr. SHANKS. I think the key process there is to make sure we synergistically use our federal dollars. The Department of Energy has a very clear mission on energy. USDA, I think, has a much more of a mission on rural infrastructure, value to the rural society. I think that does not require that energy be the main feature of it. It means how do we create value from the biomass. I think

it is important that those programs complement each other rather than just reinforce one direction.

Senator HOEVEN. It is still a little arcane for me.

Mr. SHANKS. Okay. So a lot of what we do in the biomass area is absolutely related to making advanced biofuels, and that is a view across—

Senator HOEVEN. Are you talking about the biofuel programs—

Mr. SHANKS. —across multiple agencies, yes, yes, and I think those are important. However, USDA, in the farm bill, I think has a unique niche in there that what we care most about is how do we create value from the biomass products. Energy is not the absolute only end game that we would be interested in. We are interested in value-added products, and I think value-added products are a shorter-term advantage and success story potential than advanced biofuels.

Senator HOEVEN. So like making a biomass coffee cup for the Chairman of the Ag Committee?

Mr. SHANKS. Yes.

Mr. OLINYK. I guess I would suggest jobs be one of the—my biggest concerns. Our young people are leaving the communities. They are coming to big cities. In order to create some of those jobs I am back to renewable energy. Renewable energy produces jobs in those small communities. It reduces the cost of electricity for the farmer, allowing them to expand their business and potentially hire more people, as well as the guaranteed loan program.

But there is something here that I am learning today that I am certainly not equipped to speak on, and that is the opioid condition we have in our rural communities. I think we all need to pay a lot of attention to that. It is real, and it is a big concern. Thank you.

Senator HOEVEN. Thank you.

Chairman ROBERTS. Senator Stabenow.

Senator STABENOW. Thank you very much, Mr. Chairman. Thank you to each of you for your excellent testimony. Mr. Olinyk, it is wonderful to see you again and I appreciate the great work that you are doing. I wondered if you could talk a little bit more about the REAP program, and the fact that it is consistently oversubscribed. There is more interest than there is funding, to be able to move these opportunities forward for farmers and others. We fought hard in the 2014 farm bill to secure permanent funding for the program.

I wonder if you might talk broadly about the demand for rural renewable energy projects, what you are seeing in the field, and what would happen in terms of jobs, jobs for your business, as one example, if we were to increase the funding for REAP.

Mr. OLINYK. Thank you, Senator, for the question. The more available REAP money, the more benefit to farmers and businesses, period. It produces jobs. I will talk—I will be greedy for a second and talk about my company. I mentioned that 25 or 30 percent of our growth has been directly related to the REAP grant. We not only sell and design and install solar panels, but we have a manufacturing sector. We manufacture the structure beneath the solar panels. So there would be increase in manufacturing, design, installation, sales, administrative, and these are professional jobs. They are not minimum wage jobs.

Also, on the agricultural side, as we educate these farmers, one at a time, it seems like, and they invest in renewables, it frees up money for them to expand their business. When they expand their business, more jobs are had.

Our business has doubled in about the last three years. I expect it to double again in the next three years, or faster, certainly with an enhanced REAP program.

I have got a quick story. It has to do with Kentucky. About six years ago, I wanted to show that somebody from Michigan can go sell someone from Kentucky a product, so I, myself, went down there and I was introduced to a young farmer, and we hit it off, and he ended up buying a solar array from us. During that conversation, his neighbor was there. I thought I gave the first guy a really good deal, but we found out that that good deal spread and spread and spread, and they all got a pretty good deal.

Long story short, they almost all applied for a REAP grant. Within five or six counties, we sold approximately 100 installations of solar. In those five or six counties, almost all applied for a REAP grant, and I would say half got the REAP grant and half did not. But I would say that we could have had another 50 sales or so, meaning more employment there, more employment for us, had we had more funding for REAP.

Senator HEITKAMP. Thank you very much. Mr. Ronnebaum, I want to talk a bit more about rural water. You highlighted the affordability of drinking water and the importance of USDA's Rural Development Water and Wastewater Loan and Grant Program, in Kansas as well as across the country. We have certainly had a lot of challenges in Michigan, from Flint, Michigan, with the lead in water, to McCone County, where there was a big sinkhole where the road just collapsed, and underneath it we saw pipes that—I do not know what you call a pipe made out of wood, but that is what we saw, just extraordinarily old infrastructure.

According to the EPA's most recent Drinking Water Infrastructure Needs Survey, \$64.5 billion is needed to maintain and upgrade small water systems around the country. As our nation's infrastructure continues to age, can you describe the role that USDA Rural Development Programs have in ensuring communities—I know you have talked about this, but I wonder if you would talk about what is being done to provide access to clean, affordable drinking water, and any suggestions that you have in terms of USDA being able to help finance more drinking water projects or provide technical assistance in a more robust way?

Mr. RONNEBAUM. Thank you, Senator Stabenow. The EPA-funded water supply loan funds and programs in various states focus primarily on compliance. In Kansas, as an example, when the state ranks the projects for funding by the regulatory agency, they apply 35 points to compliance or consolidation. Affordability gets 5 points. Affordability is at the bottom of their list, whereas the USDA program puts affordability very much to the top. So those programs are not duplicitous.

Simply put, the focus is completely different. The USDA program replaces, expands, and extends services into unserved areas. The EPA program cannot do that.

Senator STABENOW. Thank you much. Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Klobuchar, we have a vote at 12:15 and another one at 1:45. I am going to try to make this as brief as I can because I know that you have pertinent questions.

Ms. Botts, in your testimony—we had a new arrangement here, Amy, where the last shall be first—

Senator KLOBUCHAR. No problem.

Chairman ROBERTS. —and the first shall be last. But, at any rate, in your testimony, ma'am, you highlighted important requirements of the Value Added Producer Grant Program, specifically that applicants provide a business plan and basic financial statements. Do you believe it makes sense to consider requiring this type of financial information for all USDA grant and loan business-based programs to ensure that projects being funded are actually viable?

Ms. BOTTS. I do. I think if the program is delivered to recipients who are private businesses, it only makes sense to have documentation that the business has thought through the very difficult questions they have to think through to do a business plan, and that they do have basic financial statements, such as a good profit-loss statement, so that the agency and the reviewers for the grant program can look at that and see that it is a viable, going business.

Chairman ROBERTS. Thank you for that. If you see Earl Pomeroy in the near future, tell the loquacious Mr. Pomeroy that I miss the dialog back and forth between he and I when we were on the House Ag Committee.

Ms. BOTTS. I will do that.

Chairman ROBERTS. This is for Denny. As you noted in your testimony, Rural Development administers a number of different loan and grant programs to encourage deployment of broadband all throughout rural America. These programs have various definitions of what speeds actually constitute broadband. Do you think it makes sense to have a common definition of broadband, and, if so, what speeds would you recommend a borrower commits to build out in order to qualify for a grant or loan?

Mr. LAW. Thank you for your chair—or your question, Chairman Roberts. I do believe that there should be some type of coalescence around a consistent speed designation for what constitutes broadband, not just in rural America, but, quite frankly, America in general. In terms of speed standards, there are a variety in place today. In terms of the rural utility service there are also a variety of speed standards used by the Federal Communications Commission as well.

I would strongly urge, if at all possible, there be some type of meeting of the minds, so to speak, between those two entities to try to see what type of agreement or broad guidelines could be put in place for a consistent broadband speed standard.

In regards to a specific speed, Mr. Chairman, it is difficult—I will answer your question but I would like to preface it first by saying that will be an ever-evolving question that I am confident this Committee and others will ask for many years to come. The needs or desires of a particular network capability will evolve in years to come. Whatever number I tell you today, by the next month, next year, or five years, while we are all still building network, that number could be sub-performance.

From a company perspective in my organization, and I think many in the rural telecommunications, I think a minimum broadband speed should start in the 25/3 territory, so 25 meg broadband downloads and 3 meg up minimums, would be my personal recommendation, but that is written in sand, because a year from now it should be higher, and so on.

Chairman ROBERTS. I appreciate that. A lot of things are written in sand around here.

Elmer, in your written testimony you include a number of policy recommendations for the 2018 farm bill. One recommendation includes removing water and waste disposal technical assistance and training grants from the strategic economic community development set-aside. Can you expand on why you think this recommendation is the right way to go, why it makes sense, whether you believe there are other grant or loan programs where the multi-jurisdictional approach is not working as intended?

Mr. RONNEBAUM. Senator, that program, as I understand, takes 10 percent—a 10 percent set-aside, at the national level. Whether or not that makes sense in the program, it would seem that each state could take its allocation and deal with the full 100 percent. But as it is presently written, it reduces the wastewater tech assistance program by 10 percent.

We have one staff member who covers the entire state of Kansas. He measures lots of sludge in lagoons. I could give you some harrowing stories about getting high-centered in a lagoon in a sludge boat, but we do not need that now.

It would curtail services if those programs were reduced by 10 percent to many communities who need that assistance.

Chairman ROBERTS. I appreciate it. Thank you. If we have time afterwards here, and I do not have to go to vote, I will ask you about the governor stating that there is evidence now that the recharge for the Ogallala Reservoir actually is in a better situation than we thought, and I know you are from the eastern part of Kansas but we have that reservoir out there. Thank you very much.

Mark, have any of the REAP awardees you have worked with over years been agriculture producers located in non-rural areas? I am asking this because the program currently allows urban farmers—sounds like the movie—to qualify for funding? But as you noted in your testimony, this program is highly over-subscribed every year. This might be a little controversial but what are your thoughts regarding tightening eligibility requirements for Rural Energy for America Program awards to focus these dollars on providing benefits directly to agriculture producers in our rural communities?

Mr. OLINYK. I guess I am not sure I totally understand the question.

Chairman ROBERTS. Well, there is money, or funding, going to urban producers under a program that is for Rural Energy for American Program awards, to focus dollars on rural.

Mr. OLINYK. Okay. I understand. It is my understand--and let me make sure I understand the question—it is for farmers and small businesses in rural communities. But when they describe a farmer, they also—that farmer can also be closer to the urban area. That is my understanding of the rule. So if someone is farming to-



bacco outside of Murray, Kentucky, and they are very close to the city, then I—well, that is not a very good example because Murray is not that big—Louisville, and it is closer to the city, and encompassed in an area that is too large or larger than a 50,000 population, the farmers are exempt from that and they can still get a loan or a grant. That is my understanding.

Chairman ROBERTS. Or just keep them outside of the city limits.

Mr. OLINYK. I am good with that too.

Chairman ROBERTS. All right. I appreciate that very much. Let us see if I—Senator Klobuchar, why do not you close out.

Senator KLOBUCHAR. Okay. Very good. Thank you, all of you, and I am co-chair of the Senate Broadband Caucus so I am going to start with that, and I focused on, of course, our rural connectivity and what is going on, and we still, in this day and age, have way too many people that cannot get broadband, including farmers, business people, who go to the McDonald's parking lot to do their work.

So, Mr. Stephens and Mr. Law, what steps do we need to take to help deploy broadband, and how can we overcome the unique challenges that we have there?

Mr. STEPHENS. Thank you for the question, Senator, and I will start. At Coweta-Fayette EMC we are currently in the process of completing a feasibility study to determine the benefit of building out a broadband network specifically for operational needs first. But our idea and our focus is to see how we can potentially partner with others to expand that to the unserved areas. We see that it is not necessarily one size fits all. There are some co-ops who are building that last mile, and there are some who are not really focused on that and do not have any interest at this time.

But what we see and what we believe is making sure there is ample funding for those co-ops, and electric co-ops who are serving and building these networks.

Senator KLOBUCHAR. Okay. Thanks.

Mr. LAW. Thank you, Senator Klobuchar, for your question. I think it is a combination of a couple of things. First is for the rural telecommunications providers that are already in the business of providing broadband, or trying to provide broadband across rural expanses, is an effort to stabilize both the forms of revenue sources that rural carriers rely on, specifically the Universal Service Fund. In the first panel, Acting Administrator McLean referenced the stability of the fund impacts our ability to make investments, our ability to keep rates affordable, our ability to provide comparable services, our ability to get loan funds from your rural utility services. All of those things cascade into impacting our ability to provide these services in a very difficult economic situation in rural America.

The second thing I would briefly say is to ensure that we create the proper incentives to focus broadband providers to invest in rural America with the economic challenges.

Senator KLOBUCHAR. Okay. Thank you. Mr. Olinyk, I know that Senator Stabenow asked you about the rural energy part of the farm bill, and I am going to ask a related question. You talked about how REAP allows your clients to save electricity and money while making their operations more stable and profitable. How do

you take advantage of the opportunities of the energy program, and as someone who works with REAP, what improvements do you think we could make so that it is more effective for rural users?

Mr. OLINYK. Thank you for the question, Senator. One of the things that we have noticed with this—with the reprogram—and I am going to give an example—is that the maximum REAP loan, or REAP grant is up to \$500,000. Most all of the sates typically do not even have REAP opportunity of \$500,000.

I will give you an example again. The state of Michigan, in 2017, we had an allocation of \$909,000. Well, one award was \$500,000. That leaves \$409,000 for all the other applicants. I suggest, maybe, that we should consider maybe a 20 percent maximum of the total allocation for the state, so this \$500,000 recipient, who took 55 percent of the total, would have received \$181,000—still a nice grant—but leaving \$727,000 to be shared by smaller projects.

In addition to that, the current legislation calls for a 20 percent funding for projects of less than \$20,000. This is called restricted funding. I would increase the set-aside to 40 percent for those smaller farmers and small businesses, therefore spreading the wealth over more people and more farmers.

Senator KLOBUCHAR. Okay. Very good. Well, I thank all of you. I will put some other questions on the record, so, I know we have to go to the vote, and the Chairman has been very patient, so I am going to end. Thank you.

Chairman ROBERTS. Well, Coop, it is high noon.

Senator THUNE. It is high noon. I almost missed my window, Mr. Chairman.

Chairman ROBERTS. Yes, sir.

Senator THUNE. Thank you. I appreciate the input from all of you. Thank you for your participation. As I said earlier, when we look at farm bills we look not only at, obviously, the programs that benefit directly production agriculture, but also those things that can enhance quality of life in our rural communities, and the discussion today certainly contributes to that.

So, Mr. Law, you—we talked a little bit about this, but what can be provided by rural development agencies or other that would enable your co-op to provide broadband to your very widely dispersed customers, at competitive rates?

Mr. LAW. Thank you, Senator Thune, for the question. The funding sources for any rural telecommunications provider is really kind of, I will say, a three-legged mechanism. There are the revenues we receive from customers, there are the revenues we receive from those who use our network, in other words, other carriers who may desire capacity or need to use our network to transport their services. Then the third item, for rural telecommunications providers, is the support received from the federal Universal Service Fund.

Customer revenues, and comparable and affordable, certainly I think we pushed the upper bounds of that today for most rural subscribers, who are paying more for broadband and related telecommunications services than their urban counterparts. In terms of the prices charged or the ability to generate revenue from third parties who use our network, that has been greatly diminished over the last years. So now you are left with customer revenues

and Universal Service funding. With Universal Service funding being dramatically reduced and cut for many companies, including my own, it does not leave many choices for where are the future funds for the deployment of broadband networks. So it will be a combination of customer increases, hopefully stabilization of the Universal Service Fund, and potentially restoral of amounts that have been cut over the last 18 months.

Senator THUNE. How do your rates for the services you provide your customers compare to those in, say, for example, Rapid City or Sioux Falls?

Mr. LAW. Sure. For a Golden West customer, in order to—because we operate in a high-cost market—in order for Golden West to even receive Universal Service support at the present time, our customers not only have to subscribe to—for broadband, they also have to subscribe for voice telephone service, and it is not optional, because if we forego the voice telephone service, there is a revenue from the voice service itself. But, more importantly, we also, at this point, Golden West would forfeit any Universal Service funding. So it is really kind of a double edge from the funding side.

To answer your question, Senator, what happens is, for our customers to receive broadband they have to subscribe to voice service and broadband service, and so that is a \$100 charge, plus we still receive some USF for that. Customers in a more urban market, in the surrounding areas and I think probably for most of the Committee members, in your urban markets, I think a standalone broadband rate is probably much closer to \$50 to \$75. Ours begins at \$100 and goes up from there.

Senator THUNE. Yes, and issues that we need to litigate with the FCC, in addition to the other the agencies we are talking about today.

You spoke of farm bill considerations for this Committee. Is it fair to say that in your opinion the programs directly—that rural broadband, that benefit rural broadband need increased funding rather than any major modifications? I mean, what is the—

Mr. LAW. I would strongly support that, Senator. I think that, as the Committee has heard, there is a demand for rural broadband. There is a willingness by rural broadband providers to deploy more, and I believe if there was more funding mechanisms available, whether that was in the form of low-interest loans, in the form of various grants, or perhaps grant-loan combinations, I believe there would be business cases that could be made for further expansion of broadband.

Senator THUNE. Yes. Mr. Chairman, I think that is—well, I have got one here. Let me ask this of Ms. Botts.

In your testimony, you spoke highly of the Value Added Producer Grant Program, that you indicated that the planning grants are too long a turnaround time for many businesses, and you recommended a rolling application process for those planning grants, with approval done on an expedited basis. Is this expedited process, in your opinion, something that Rural Development can enact administratively, or is there something this Committee needs to do to clear the path for Rural Development to do this?

Ms. BOTT. I thank you for the question. My thoughts would be that you would probably need to make a statutory change to allow

them to consider planning grants separately from working capital applications. I do not know that for a fact but I think that would probably be necessary, because it would be a fundamental change to how they consider these applications.

The reason I include it, though, even though it will be a challenge for them, administratively, is because if you are a business and you are wanting to do a feasibility study on a project, you do not want to wait for a full grant cycle. So we have many businesses that are agriculture-producer started, businesses owned by ag producers, that would be excellent Value Added Producer Grant candidates for planning grants. They want to get started on their feasibility study as soon as possible, and so we would be able to do a lot more of those if we were able to do it on a rolling basis. I do think you would probably have to consider some sort of change.

Senator THUNE. What is a fair turnaround time for an expedited approval process?

Ms. BOTTS. I think it would have to be two to three months.

Senator THUNE. Okay, good. Mr. Chairman, thank you. Panel, thank you very much for your input.

Chairman ROBERTS. Thank you. We are going to conclude here pretty quick, but Mr. Olynyk, Mark, you tweaked my interest on jobs, jobs, jobs for our rural areas, opportunities for our young people. Everybody knows here, on the Committee, and all of you know that is a serious problem.

In southeast Kansas I was able, during the recent break, to visit three manufacturing plants. All three are similar from the standpoint that these jobs are somewhat technical but they have a training program. The pay is significant. Very quickly, any applicant that is accepted and works on the job can get over \$20 an hour. Plants range in size 100 to 500. They actually go out and try to recruit workers. Elmer talked about this a little bit with regards to people who change or leave and you have to come in with a substitute here, with regard to all that you are involved with.

What I am trying to get at is that they tell me that in recruiting the whole area—high schools, community colleges, et cetera, et cetera—one in five actually they can accept, one in five. I asked, “What is going on here?” Well, you have to fill out a written form, number one; number two, you have to have a personal interview; and number three, you have to take a drug test. If you are only accepting one in five because of what I would think to be a basic requirement here, we are in a world of trouble.

I am asking about the work ethic. They also indicate that they may pass—they go through the training, they are on the job for maybe a month or two, and then they quit. I think that is very troubling. You can also apply that to the United States Marine Corps. It is one in ten that walk through a recruiter’s office door who are actually—fit the requirement eye, would admit that the criteria, or I am very proud to say the criteria is pretty high there.

I am worried about this generation’s work ethic, with regards to jobs that are available but the people simply do not want to do that. There is a health program here. There is a retirement program here. You get to stay in your hometown, or—and I would think if you can find a job you like and you can make a living, well, you are in a small town area it is the best place you can do, or be.

Would you like to comment on that?

Mr. OLINYK. Your sentiments are exactly the same as mine. We have, between my wife and myself we have six kids. One lives in Ann Arbor, one lives in New York City, one lives in San Francisco, one lives in North Carolina, and two are local, and they are all educated. But the people that we hire and that we try to hire are from all over the area. You are right—I would say one in five, for our area, might be doing well.

Part of our company, we are afraid to even drug test. We might lose half the people. That is common. That is common in our area. It is probably common in your area, even though you might not know it. So it is a serious problem. As far as the work ethic goes, it is tough. I do not see the generation wanting to come in on weekends. But sometimes we will offer a day off without pay, and they will take it, as opposed to working over the weekend.

So it is very difficult and we are all involved at the rural community, but it is a serious problem. They are leaving if they are educated, and they are struggling to want to work if they are less educated.

Chairman ROBERTS. Elmer, do you want to comment on that?

Mr. RONNEBAUM. My wife taught gifted education in school for 30-some years. There are many societal pressures on families. I am not familiar with the drug issues personally. I know that it is a real problem. There are local manufacturers, local hometown boys like Don Landoll in Marysville who have done very well, and manufacturing companies in Sabetha, Kansas, and Seneca, Kansas. They struggle to have manufacturing-type jobs that pay and can attract a quality work force. But I agree with the sentiments that there is a less-and-less worth ethic.

The Community Facilities Programs that we have operated use self-help. They were volunteer services to just build a new community building or a library, a fire station, and in some cases we repaired water systems. We used local volunteers. It was a sweat equity program. We supervised the projects.

There has to be more stakeholder involvement in local communities so that they feel that they have an ownership and that they have a value and that they have contributed to something to maintain and improve their local quality of life.

Chairman ROBERTS. My staff is informing me that this vote will be over with at 12:15. We do not want to—I do not want to miss that.

Anybody else would like to contribute? I raised that issue simply because Mark brought up jobs, and I got to thinking about it. I did not realize—I knew we had a problem but I did not realize we had that big a problem with regards to one in five. For jobs that are good jobs, and it was not so much that the jobs were not available. This goes from county to county. You mentioned Sabetha. I am always amazed we have a traffic jam in Sabetha, Kansas, because of the manufacturing there. Home of the Fighting Blue Jays, as you know.

Anybody else want to comment on this?

Senator BROWN. Just to echo what has been said. The businesses with whom we work are constantly struggling to find labor. It is

a constant struggle. We answer more questions on that, and how to deal with labor issues, than probably any other issue.

Chairman ROBERTS. So now we have to find a way.

That is going to conclude our hearing. I did not mean to end it on a down note, but I think it is a very serious problem.

Thanks to each of our witnesses for taking time to share your views on the rural development programs under the farm bill.

Your testimony was extremely valuable to use and it was certainly necessary for the Committee to hear firsthand. For those in the audience who want to provide additional thoughts on the farm bill and these subjects, we have set up an address on the Senate Ag Committee's website to collect your input. Please go to [ag.senate.gov](http://ag.senate.gov), click on the Farm Bill Hearing Box on the left-hand side of the screen. That link will be open for five business days following today's hearing.

To my fellow members we would ask that any additional questions you may have for the record be submitted to the Committee Clerk no later than five business days from today, or 5:00 p.m. next Thursday, on October 5th.

The Committee stands adjourned. Thank you.

[Whereupon, at 12:24 p.m., the committee was adjourned.]

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**A P P E N D I X**  
SEPTEMBER 28, 2018

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**“Rural Development and Energy Programs: Perspectives for the 2018  
Farm Bill”**

**Hearing**

**U.S. Senate**

**Committee on Agriculture, Nutrition, and Forestry**

**September 28, 2017**

**Testimony by**

**Aleta Botts**

**Kentucky Center for Agriculture and Rural Development**



Chairman Roberts, Ranking Member Stabenow, and members of the Committee, thank you for the opportunity to testify here today on rural development issues. Additionally, thank you for having this hearing. These issues are often not at the forefront of Farm Bill discussions, but the programs being discussed here today touch every person living in rural America.

The Kentucky Center for Agriculture and Rural Development (KCARD) has provided technical assistance services for agricultural producers, organizations, cooperatives, and businesses for 16 years in the Commonwealth of Kentucky. Through this work, we see first-hand the conditions facing agricultural producers as they start new businesses, seek to add value to their commodities to capture more of that food dollar, and face significant challenges to their bottom line. Because KCARD speaks “agriculture” and “business”, we help bridge gaps between farmer and lender, and between farmer and buyer. Because we work with all entities along the local food supply chain – from farmer to processor to end users – we have an enhanced understanding of the challenges within the local food continuum.

In Kentucky, this work means that we help businesses developed by agricultural producers at all stages of development. At the conceptual stage, we help them consider the feasibility of their idea, fleshing out the skeleton to help them envision the good and bad of a fully conceived business. Once the business launches, we help with the inevitable hiccups small businesses face as they grow, as they hire their first employee, as they experience management challenges, supply chain challenges, and challenges with family and outside labor. As the business changes, we will be there when questions arise to help with the waves of doubt about new product lines, with the disagreements about which direction the business will take, and with the discussions about how to handle new competitors. Finally, when a business reaches its end, we will do our best to help it wind down with the least amount of impact and meeting its obligations as best it can.

People start these agricultural businesses because the owners seek to improve the chances their farming operation will succeed and will be passed along. Their path to these goals has led them to diversify, to start value-added operations, and to market their products in ways that are new to them.

Since 2001, KCARD has provided assistance to over 1,000 different entities and individuals seeking assistance. Since January 1, 2016, over 380 different businesses or projects have received KCARD help, ranging from farmers markets to meat processors to value-added producers to commercial kitchens.

Demand for KCARD services continues to increase. In 2017, inquiries requesting KCARD assistance are up considerably from two years ago. The average per month increase for the first six months of 2017 over the corresponding month in 2015 was a 104% rise, effectively doubling demand for KCARD services. In June 2017 alone, KCARD staff answered inquiries or provided assistance to 160 different individuals and businesses, an increase of 39% over the prior June.

This work would not be possible without the support of the federal Rural Cooperative Development Grant program. This program – authorized in the Farm Bill – provides support for KCARD to be the resource for the development of cooperatives in Kentucky. Cooperatives serve a unique role in rural areas, bringing together the combined forces of people in those areas toward a common cause.

By forming cooperatives, farmers are able to achieve gains that would be out of reach if they were facing the market alone. In Kentucky, KCARD has worked with many cooperative efforts:

- KCARD worked with an organic feed mill cooperative, helping it organize, developing a business plan and financial projections, and providing advice as the business expands. This cooperative has seen its sales increase dramatically in the past two years.
- KCARD worked with a small sweet potato cooperative formed by five former tobacco farmers looking for a new enterprise to replace tobacco. These farmers jointly market their sweet potatoes to numerous wholesalers in the region.
- KCARD worked with a grain elevator cooperative to examine the feasibility of expanding into different markets and merchandising and processing new commodities.
- KCARD has worked with multiple farmers markets to organize as cooperatives, helping them develop their membership agreements and navigate inevitable disputes.

Currently, KCARD is working with a group of producers seeking to purchase a portion of a large agribusiness that serves them, creating continuity for that agribusiness and its owners and creating a way for the producers to gain a stake in a business directly serving them.

The Rural Cooperative Development Grant Program has delivered results nationwide, as RCDG-funded centers like KCARD have developed over 300 cooperatives and 350 non-cooperative businesses and created or saved over 10,000 jobs in just a documented 8-year timespan. It deserves to be reauthorized in the farm bill and funded at the highest possible level in the annual appropriations bills.

Kentucky is fortunate to bring other resources to bear on the business needs of agricultural producers through the Kentucky Agricultural Development Fund, which provides funds to KCARD and other entities to advance the continued diversification of Kentucky agriculture, providing opportunities for our farmers to seek new enterprises and develop value-added enterprises.

Through the combined resources of RCDG and the Kentucky Agricultural Development Fund, KCARD addresses complicated agricultural business situations every day:

- When a livestock group wanted to come together to add value to their cattle and sell branded product to local retailers, KCARD helped them develop financial projections, conduct market research, and run through scenarios with regard to pricing.
- When a farmers market needed help figuring out how to grow the right way and develop a plan for a new structure, KCARD facilitated the discussion, helping them arrive at a solution without splitting the market.
- When a farm's second generation needed help figuring out whether to continue their direct beef marketing business, KCARD scoured their numbers to figure out if their pricing was where it needed to be to support both households with the farm income.

Through KCARD's work with businesses, we see at the ground level their experiences with various federal grant and loan programs. We see where they work, where they struggle, and where simple improvements could be made that would make the programs more likely to achieve their stated policy goals.

The Value Added Producer Grant (VAPG) program is one program with which KCARD has unique expertise. We have worked with the vast majority of VAPG recipients in Kentucky in the past five years, so we have seen the applications, the recordkeeping required, and the paperwork challenges. To be clear, this grant program reaches producers directly and for that reason alone, it is special. Its eligibility is restricted, so the funds go to producers and producer groups themselves to advance the goal of producers securing a greater percentage of that food dollar.

Because it is administered by USDA Rural Development, the program is able to benefit from Rural Development's staff on the ground in the states who have a deep familiarity with the businesses and develop relationships with those entities and the folks around those entities, such as KCARD, that help the business navigate.

We have seen many federal grant programs, and the application process and the paperwork required for VAPG put the others to shame. That is not necessarily a bad thing, since the business must demonstrate that it is a good investment to the federal government. It accomplishes this through submission of business plans, financial projections, estimates of customer growth, and pricing calculations that show that the business will be more profitable with the completion of the VAPG project.

We have seen amazing things from the VAPG program. One example is a farmstead creamery that markets artisan cheese manufactured from milk produced on the family's dairy farm. KCARD conducted a Business Management and Operations Analysis for the creamery and identified opportunities for improvement within the business operations. As part of our follow-up work, KCARD assisted the creamery develop a new business and marketing plan that included the hiring of a marketing and sales representative and planning for a major expansion, which created 5 new jobs. After the creamery completed its planning for its market expansion, it received a VAPG grant. Since KCARD began working with the family farm, sales have improved by over \$800,000 a year, or approximately 170%, and net income has improved by over 300%. The VAPG grant has helped tremendously with the creamery's growth and improved profitability. The creamery's growth has also improved the sustainability of the family's dairy farm.

Another example is a family-owned business that markets meat products and cheese produced from livestock and produced from its farm and other farms in the region. KCARD assisted the business with conducting a feasibility study and developing a business plan. To help with a market expansion, the business applied for and received a VAPG grant. Annual sales have increased by over \$400,000 since KCARD began assisting the business.

VAPG should be reauthorized and receive consideration for funding in the farm bill. To build on the program's past success, the Committee should consider the following:

- 1.) Business plans and basic financial statements (such as profit/loss statements) should not be optional documents as they are for applications of less than \$50,000. If a business has not thought through the basic financial, marketing, and pricing questions that go into creating these documents, it will be operating with one hand tied behind its back. The idea behind accepting simplified applications is commendable and the application does ask questions that relate to these issues, but removing the requirement for a business plan is not the right choice to simplify. By all means, provide resources to help people know what should be included in those documents and let them submit simple versions of them, but do not make them optional.
- 2.) Planning grants have too long a turnaround for many businesses to make good use of them. If you want to incentivize someone conducting a well thought-out feasibility study before making a large capital investment, consider a rolling application process for those planning grants with approval done on an expedited basis. A business owner will rarely wait for a complete 8-month grant cycle (funding notice, application, application review, award, study completion) for the results of a feasibility study.
- 3.) Maintain producer eligibility restrictions. While it seems counterproductive for me to argue that eligibility should not be expanded to groups including KCARD, if that is done, applications from organizations will crowd out applications from producers.

Nonprofit organizations will have a better understanding of the SR-424 form, the SR-424 A or B, the SAM registration required to submit electronically, and a whole host of other technical issues, along with having development folks on staff to draft proposals. The effect of this will be to reduce VAPG's producer focus unless serious attention is paid to walling off funds with just producer eligibility.

- 4.) As mentioned earlier, Rural Development has executed VAPG with an emphasis toward protecting the government's investment in these projects and with an understanding of the conditions faced by producers on the ground in the regions around their offices. Because they have assets on the ground, they are uniquely suited to run this program.

In addition to the VAPG, we have worked with numerous other USDA grant and loan programs, including other Rural Development programs and the Agricultural Marketing Service grant programs. These programs offer enormous potential benefits for the businesses and organizations with whom we work. However, these entities often struggle with accessing these programs. We have outlined some of our observations below in that regard, which range from fundamental program changes to the mundane, such as how applicants submit their applications.

- 1.) Grants.gov is challenging at best. The grants.gov platform is often difficult for people to navigate and poses even greater challenges for rural areas with spotty broadband services. Programs that allow for paper submission are well-received by the entities with whom we work.
- 2.) Producers are not grant-writers, and programs need to be careful to not advantage a well-written proposal over one that actually has a better chance of succeeding. We have seen applications funded that were less worthy than others simply because the wordsmithing was of a high degree.
- 3.) Performance measures are important, but recognize that performance measures are too often a trap. We maintain data and deliverables on everyone with whom we work, and there is no question that the federal government needs to ensure it is making good investments with these programs. Unfortunately, we have seen numerous instances where isolation of certain program metrics lead to the wrong outcome or the wrong conclusion.

As one example, KCARD measures the success rates of the businesses with whom we work, and we are very proud to note that 86% of businesses with whom we have worked that launched are still in business. However, if we only focused on that one measure, we will not take on the hard cases, we will not take on the ones that are facing the most serious challenges, we will not take on any businesses that look like they might hurt that number. That is not the way we operate, but focusing on that one number incentivizes an organization to do just that.

As another example, KCARD often hears from people within the state that the most valuable work we do is to tell people who are facing a “go/no go” decision, “no go”. We deliver that answer only after a deep dive into the numbers and after considering their individual situation using all of the experience we have with hundreds of businesses. Where does that work show up on a performance metric? Many of our clients think it is the best work we do, but advising a business that they should NOT invest in a project or enterprise does not end up captured in jobs numbers, business starts, or many other metrics we keep.

- 4.) Rural Development (and any other funding agency) can only fund those applications that cross their proverbial desks and that meet the eligibility requirements. As a result, many of our most challenging rural areas, including the persistent poverty counties in Appalachia, often struggle with the competitive grant programs. Organizations like KCARD provide a valuable service in getting the word out about these programs, helping them navigate the process, and reducing the intimidation resulting from someone’s first encounter with the SF-424 form.

Despite my strong passion for these Rural Development programs and KCARD’s considerable experience with them, I hesitated agreeing to testify this week. Right now, we are dealing with many businesses in crisis. We have QuickBooks files that we are poring through to figure out how a loan can be restructured in hopes of saving a family operation. We have new inquiries from producers facing tough economic conditions and wondering if now is the time to pull the trigger on enterprises that they have considered to add value, diversify, and create new markets.

These are real problems faced by real farm families in Kentucky. Our work with these individuals and their families helps them navigate really tough situations to come out the other side to continue to operate, to continue to provide jobs in rural areas, and to continue to allow future generations on-farm opportunities. While we work closely with other entities, this particular work focused on agricultural and rural businesses is not duplicated by any other agency or program. When individuals find us, they often exhale for the first time in a long time, finally feeling like they have someone they can go to for the questions that they are facing and to provide honest feedback and options to the financial situations that they are facing.

*KCARD Client Feedback:*

*“I already have ideas about what I want to look at next year. My perspective has changed with regards to new projects that I am approached with or new endeavors that I am considering.”*

Farmer with value-added cheese business after completing her business plan

*"I can't tell you how many times that I have turned to KCARD to review numbers on a project to make sure it makes sense. I know when I turn to KCARD they give a real evaluation with realistic expectations that I can trust as we move forward with our business plan."*

Farmer with value-added cheese business

*"KCARD provides excellent educational and technical resources that significantly contribute to the economic development of rural Kentucky. Having this kind of support allows us to devote more time to growing our food, developing partnerships in our community and building our customer base."*

Farmer speaking on behalf of the farmers market we assisted

*"Our sales are up year to date over 90%. I feel this is mainly a result of our increased marketing efforts and our remodeled store layout, both of which KCARD recommended and helped us implement."*

Orchard owner with on-site farm store

Rural development programs respond to a need driven by the notion that economies of scale are harder to achieve in rural areas, that services are harder to provide because of that, and that people living in these rural areas deserve the same access to services and opportunity as those living in metro areas. The programs are tailored to "rural" and are implemented by people who understand why the programs exist, which is not to serve as rural counterparts to other urban programs, but specifically designed to address challenges faced by rural areas due to their rurality.

Rural Development programs delivered \$1.1 billion in grant and loan funds to Kentucky's rural areas in 2016 alone. These funds are flowing to business, infrastructure, housing, and community facility projects that start from the ground up at the local level. Because these projects grow in this way, they respond to the local needs that the rural communities and individuals in those rural areas see.

KCARD staff works with farmers and rural businesses every day to help them survive and thrive. I live in a rural area on a rural water system, I use rural broadband provided by a rural telecom cooperative to do my work, I buy my electricity from a rural cooperative, and I can say unequivocally that these programs are critical to the health of our rural areas. If we want our rural areas to be strong, we have to support all of these programs working together to deliver needed infrastructure, foster job creation, and provide a high quality of life for our rural citizens.

Thank you so much for the opportunity to testify, and I look forward to your questions.

For release only by the  
Senate Committee on Agriculture,  
Nutrition and Forestry

**RURAL HOUSING SERVICE**  
**Statement of Richard A. Davis, Acting Administrator**  
**Before the Senate Committee on Agriculture,**  
**Nutrition and Forestry**  
**September 28, 2017**

Chairman Roberts, Ranking Member Stabenow and Members of the Committee, thank you for the opportunity to share with you how the Rural Housing Service (RHS) expands economic opportunity in Rural America through improving the quality of life for rural residents every day.

USDA's Rural Housing Service provides critical support to rural America by investing in rural residents and the communities in which they live through its housing and community facilities programs. RHS is a proud and effective steward of these programs. With employees in field offices in nearly every rural region, RHS takes in requests from hundreds of communities and thousands of people every year seeking help for buying homes and building hospitals, daycare centers, schools, libraries, fire halls and more. With Congress' support, RHS is there to assist these communities with a combination of loans, guarantees and grants that are a hand up, not a hand out, for rural Americans.

In fiscal year (FY) 2017, RHS will help hundreds of communities build or buy essential community facilities; and over 150,000 families with modest incomes purchase, refinance or repair their homes including serving low and very-low income borrowers. In addition to providing homeownership opportunities, RHS will continue to help more than 651,870 low and very-low income households live in safe and affordable USDA-financed multifamily housing through RHS' Rural Rental Housing and Farm labor Housing Programs. In addition, RHS anticipates providing 45,700 very-low, low and moderate income families with safe and affordable multifamily housing through nearly 906 in rental housing loan guarantees. RHS will also build or revitalize over 9,000 units of multifamily housing and continue to assist 270,000 rural families with limited means pay rent. RHS's Farm Labor



Housing Program will help develop critically needed new housing for over 680 farm worker families in addition to serving 14,000 families through existing housing, who, despite being essential to the agriculture industry, have historically struggled with severe poverty and extremely substandard housing conditions.

The Community Facilities programs, a key part of the RHS portfolio, are authorized by the Consolidated Farm and Rural Development Act of 1972. The Community Facilities programs invest in community infrastructure to make rural communities attractive to families, small business owners, and employees by supporting healthcare, education and public safety projects.

The total portfolio of Community Facilities investments is approximately \$8.8 billion. In terms of our portfolio, approximately 46 percent is invested in rural health care infrastructure; 23 percent in educational facilities; 15 percent in public building and improvements; 11 percent in public safety, and 5 percent in other investments. The financial health of the Community Facilities portfolio remains strong as a result of strengthening oversight and underwriting standards, and implementing a credit risk management plan. For FY 2018, the program is expected to have a negative credit subsidy rate of -8.1 percent.

The Community Facilities Direct Loan program was appropriated an authorized loan level of \$2.6 billion in FY 2017, almost a 9 fold increase in funding since FY 2011. Community Facilities expects to utilize 100 percent of its appropriated funds, and continues to maintain a strong pipeline of community infrastructure projects for FY 2018.

In FY 2017 to date, RHS has obligated over \$1 billion in Community facilities direct and guaranteed loan and grant funds to strengthen investment in rural healthcare infrastructure serving 3.6 million rural residents. For example, direct loan funds in the amount of \$1.7 million were used to completely renovate and expand Ionia County Community Mental Health Authority's Autism Center in Belding, Michigan. The project consisted of the construction of six new treatment rooms, safe areas, an expanded play space and new administrative offices. Perhaps the strongest evidence of the acute need for this upgrade is the fact that it is already operating at capacity. The Autism Center in Belding is an excellent example of how Rural Development's Community Facilities programs are making needed

and timely improvements in the quality of life for rural residents.

The unique flexibility of Community Facilities lends itself well to addressing current issues and challenges facing Rural America. Rural towns and communities have been especially hit hard by the opioid crisis. While only 14 percent of Americans live in nonmetro counties, a disproportionate number of rural communities are struggling with prescription opioids and heroin abuse. Community Facilities' investments play an important role in addressing substance use disorders and the opioid crisis in rural America by strengthening investment in healthcare infrastructure and essential community facilities that provide treatment, prevention, and recovery support for rural residents impacted by the opioid crisis. In FY 2017, Community Facilities has already invested over \$229 million in 19 rural mental and behavioral healthcare and substance use disorder treatment facilities. For example, the Community Health Center of Southeast Kansas, in Ashland, KS has received \$2.8 million in CF Direct loan funds for a health care clinic to include behavioral health treatment.

In addition, the Community Facilities programs have already helped more than 3.2 million rural Americans access fire rescue and other critical public safety programs and more than 3.6 million rural residents were able to access education and cultural infrastructure including schools, libraries, and child care centers.

This year, Community Facilities also implemented the Technical Assistance and Training Grant program authorized by the 2014 Farm Bill to help strengthen the capacity of rural communities to identify and plan for community facility needs that exist in their area. This year 5 percent of the Community Facilities' appropriated funds, or \$1.5 million, was made available for grants to public bodies, private nonprofit corporations, and Indian tribes to provide Technical Assistance and/or training with respect to essential community facilities programs. Applications totaling over \$11 million in requested funds were received and the Agency was able to fund 13 projects. This capacity building support will enable rural communities to better access Community Facilities investments and prepare for a stronger future.

Community Facilities investments improve rural communities' education, healthcare and public safety infrastructure and serve as a catalyst for growth. They not only provide critical access to life-saving

medical care for rural residents, but also help create a hub around which a community can create jobs, attract homeowners, and build an economic future.

In FY 2018 and beyond, RHS remains committed to the future of rural communities. Through mortgage guarantees, as well as rental subsidies, we will continue to make housing and community economic development opportunities available and affordable to rural Americans as they continue to work to ensure the security and prosperity of our Nation.

Our programs have grown significantly in recent years and that expansion has helped satisfy homeownership and community development aspirations across rural America, while providing affordable rental options for those most in need. As we continue to serve the needs of rural communities, ensuring coordination and synergy with other Rural Development programs to promote rural prosperity is among our topmost priorities. We are grateful to Congress for the shared commitment to our mission.

#### **Conclusion**

As we consider the best way to position limited resources to serve the complex needs of rural towns and communities, we are confident that RHS will successfully implement the programs needed for a thriving rural America. RHS will continue to honor its commitment to rural America by balancing the needs of the poorest residents of rural America, evident in the renewal of rental assistance subsidies, while still responding to the need for wealth creation in rural America, through the enormous growth and investments provided by the Community Facilities programs that support long-term job creation and renewed economic expansion.

I appreciate the opportunity to testify before Members of the Committee and with my distinguished colleagues from RUS and RBS. We work well together, collectively serving constituents, to further support American competitiveness and economic growth. Our ongoing collaboration helps us fulfill the promise of rural communities. Thank you for your support of RHS programs.

Statement by

Anne C. Hazlett

Assistant to the Secretary for Rural Development

Before the Senate Committee on Agriculture, Nutrition and Forestry

September 28, 2017

Chairman Roberts, Ranking Member Stabenow and Members of the Committee, thank you for the opportunity to discuss the programs, successes and challenges of the Rural Development mission area at the Department of Agriculture. I am accompanied this morning by Mr. Christopher McLean, Mr. Chad Parker and Mr. Rich Davis, Acting Administrators for Rural Development's Utilities, Business and Cooperatives and Housing and Community Facilities Programs, respectively.

I am honored to represent an agency with the primary responsibility of creating opportunities and improving the quality of life in rural areas. The investments we make in rural America contribute to rural growth, which is essential to national economic growth. Approximately 14 percent of the population of the United States is considered rural, while nearly 72 percent of our land mass is rural. Rural Development works on a daily basis to support the needs of that 14 percent—the 46 million American citizens that provide the food, fiber and fuel that the rest of the nation—and the world—depend upon.

USDA Rural Development has a loan portfolio of more than \$220 billion, as of June 30, 2017. In the first three quarters of fiscal year 2017, our staff made loans, loan guarantees and grants of more than \$20 billion in rural areas throughout the United States and its territories. With our field-based delivery structure, Rural Development has staff in every state to provide technical assistance, make the loans and grants that help our rural communities become stronger and more vibrant.

As you know, rural America has unique challenges and assets. Rural communities are often characterized by their isolation from population centers and product markets, and benefit most from initiatives that integrate local institutions and businesses with state and Federal agencies that have intimate knowledge of community needs. To address this dynamic, Congress has provided USDA with a variety of resources that provide a comprehensive set of tools to connect rural America to a world of opportunities.

The presence of USDA field offices in every state helps us serve the specific needs of local communities. USDA Rural Development employees are able to identify a wide range of community and economic development resources for local elected officials, business owners, families, farmers and ranchers, schools, nonprofit organizations, cooperatives and tribes.

USDA Rural Development assistance includes direct and guaranteed loans, grants, and technical assistance. The work of Rural Development is designed to maximize taxpayer dollars. Often

our support is leveraged with private sector financing or is provided as a guarantee to private banks. Recipients contribute their own resources or obtain third-party financing, expanding the level of support we provide to rural communities. With outside investment, the structure of our portfolio is well balanced and gives our team a range of financing options to meet a variety of project needs.

Partnering with private sector investment, Rural Development strives to be a catalyst for rural renewal, creating jobs, attracting additional capital and stimulating entrepreneurship. Our investments build communities, offer new economic opportunities and connect rural areas to the modern world.

Through USDA Rural Development's infrastructure development programs, we make investments in rural utility systems that improve and expand the electrical grid to rural communities and deliver increased Internet service to rural families and businesses, allowing them to compete in the global economy. Robust modern infrastructure is a necessity – not an amenity – for rural America. Whether we are talking about access to broadband, health care services, or structurally sound road and bridges, these are critical components for a community, farm or rural business not just to survive, but actually thrive.

Through USDA Rural Development's business and cooperative loan, grant, and technical assistance programs, the agency can help rural small business owners and agricultural producers create economic opportunity in rural communities. Our business and cooperative programs, in partnership with other public and private sector stakeholders, promote rural business and employment opportunities that grow the ability of rural Americans to compete in the global economy.

Finally, through our housing and community facilities programs, Rural Development supports rural residents and the communities in which they live. These programs are an important tool for improving the quality of life in rural America. For example, access to quality health care is a top priority for USDA under the Community Facilities programs. Access to quality rural health care saves lives, provides skilled jobs, attracts businesses, and reinvests millions back into rural communities. Last year alone, Congress graciously funded the Community Facilities programs that invested \$875 million in over 135 health care facilities across rural America. These investments included critical access hospitals, rural health clinics, assisted skilled living facilities, mental and behavior healthcare facilities, facilities for the prevention treatment and recovery of substance abuse and opioid addiction, and vocational and medical rehabilitation.

At Rural Development, our fundamental mission is to support thriving, self-sustaining and prosperous rural communities. We're doing so through the authorities provided to USDA by Congress in the annual appropriations and Farm Bill legislation. There, Congress has provided significant resources to make a real impact in rural places. USDA Rural Development – thanks in part to the Farm Bill - is the only agency in government that can contribute to building a community from the ground up, including basic utility infrastructure and residential, farm and business needs. Yet, the opportunities and the challenges of rural America make it clear that more needs to be done.

Too many young people don't have the educational opportunities that many of us take for granted. And, many small towns don't have the infrastructure – things like roads, hospitals and broadband – to help them move into the modern economy. Many of these same areas are also plagued with crushing opioid addiction, which has a devastating effect on families and communities.

With these challenges, what are we to do? As a former governor, Secretary Perdue is a man of action. He knows firsthand what it takes to deliver solutions on the ground and inspires our team at USDA to work each day to create an environment in which rural America can thrive. Secretary Perdue is leading an interagency task force on Agriculture and Rural Prosperity that has brought together the many federal agencies and departments that affect rural communities. In this effort, we are committed to delivering a set of action-based solutions to four key issues which are shaping rural America: quality of life, the rural workforce, innovation, and economic development.

In addition to this coordination, USDA Rural Development is focused on improving the delivery of its services and programs to rural communities. Earlier this month, Secretary Perdue announced his intentions to create a Rural Development Innovation Center. The Center will house several important functions to help us become more forward focused and better equipped to assist communities in developing effective grassroots solutions to their many complex challenges. With key activities like strategic partnerships with our Federal, state and local partners and development of cross-agency synergies, the Center will enable us to enhance and strengthen the use of our resources.

I appreciate your continued interest and support of Rural Development programs. I share your passion for rural communities. Secretary Perdue and I am committed to working with you to address the unique needs of these special places. Together, we can coordinate and leverage our resources to turn Rural Development's transactional work into transformational work.

I appreciate the opportunity to testify before the Senate Committee on Agriculture, Nutrition and Forestry. At this time, I am happy to answer your questions.



Statement by

**Denny Law**  
**Chief Executive Officer**  
**Golden West Telecommunications Cooperative, Inc.**  
Wall, SD

Before the

United States Senate  
Agriculture, Nutrition & Forestry Committee

Washington, DC

September 28, 2017

## INTRODUCTION

Chairman Roberts, Ranking Member Stabenow and members of the committee, good morning and thank you for the opportunity to testify on the importance of rural broadband to the U.S. economy and how sound policies can promote the deployment and sustainability of broadband in rural America.

I am Denny Law, Chief Executive Officer of Golden West Telecommunications Cooperative, Inc. in Wall, South Dakota. My remarks today are on behalf of Golden West and NTCA–The Rural Broadband Association, which represents approximately 850 community-based companies and cooperatives that offer advanced communications services in the most rural parts of America. NTCA members and companies like them serve less than five percent of the U.S. population spread across over 35 percent of the U.S. landmass. In the vast majority of these wide-ranging rural areas, they are the only fixed full-service networks available. Small telecom providers therefore are essential to connect rural America with the world – making every effort to deploy advanced networks that respond to consumer and business demands for cutting-edge, innovative services that help rural communities overcome the challenges of distance and density.

Fixed and mobile broadband, video, and voice are among the services that many rural Americans can access thanks to our industry's networks and our commitment to service. These technologies have been recognized time and again as a small business incubator in rural areas that would otherwise see entrepreneurial activity – and population – gravitate toward urban areas.

While every story is unique, I believe the history of telecommunications in our sparsely populated part of South Dakota is relatively indicative of the challenges of serving consumers and businesses throughout rural America. Golden West Telephone Company was incorporated in 1916 to provide telephone service between the towns of Interior and Quinn, SD. During the Great Depression, Golden West suffered setbacks and the assets were sold by the county sheriff to pay taxes. After President Truman signed the telephone amendments to the Rural Electrification Act in 1949, residents of the community in Quinn met to form Golden West Telephone Cooperative and soon applied for a loan from the Rural Electrification Administration (REA). From those early days of telephone line strung along fence posts to farms and ranches, Golden West Telecommunications and its subsidiaries now provide service to over 35,000 telephone customers, 24,000 broadband internet subscribers, and 10,000 cable television customers across 24,500 square miles – an area larger than the states of Maryland, New Jersey, Connecticut and Delaware combined.



As perspective for how rural this area is, the largest community Golden West serves is Dell Rapids, with a population of approximately 3,700 people. At the other end of the spectrum, Golden West provides services in Hayes, South Dakota – an unincorporated area of 1,119 square miles with only 166 customers, which equates to roughly 0.15 connections per square mile. Nonetheless, residents and businesses in Dell Rapids and Hayes alike have access to broadband services due to an effective combination of Golden West's entrepreneurial spirit and use of private capital, our commitment to community, and Rural Utilities Service (RUS) and federal universal service fund (USF) programs that have all worked effectively together – at least in the past – to enable and sustain deployment of communications infrastructure in rural America.

Golden West also provides telecommunications service on portions of five Native American tribal reservations in South Dakota, including the Pine Ridge Indian Reservation. Golden West's diverse service area includes rolling farm land and vast prairie expanses, as well as National Parks and National Forest land, all without leaving South Dakota.

Throughout Golden West's history, we have been borrowers through the RUS or its predecessor agency, the REA. RUS telecommunications lending has helped enable and unleash billions of dollars in private capital investment in rural communications infrastructure. Due to the availability of this financing, many communities served by independent telephone cooperatives and other community-based firms throughout the United States have significantly higher broadband deployment than neighboring communities served by larger carriers such as the regional Bell operating companies. In fact, what Golden West has been able to achieve in South Dakota in terms of broadband deployment is similar to what many other small, rural telecom providers have achieved across the country.

But given the sparsely populated nature of the markets at issue and the great distances to cover in rural America, none of this would be possible in South Dakota or elsewhere without that essential combination that I mentioned earlier of entrepreneurial spirit, access to capital (both private and RUS), commitment to community, and federal USF programs. Indeed, support from the USF High Cost program is an indispensable component of this mix, as it helps rural carriers make the business case for providing the service and securing loans from RUS and the other, very few lenders committed and willing to finance broadband-capable plant in rural America.

At times, some confuse the roles of RUS programs and the USF, thinking them repetitive or redundant. But this reflects a fundamental misunderstanding of the unique and distinct role each plays. USF does not finance networks; private banks and other lenders (including RUS programs) provide the kind of upfront financing necessary to construct networks (although not too many banks lend to construct broadband infrastructure in rural America where the return on investment is typically measured in decades). On the other hand, RUS programs and other banks

and financing programs do not *sustain* networks or make services atop them affordable for consumers; again, loans from private lenders or through the RUS programs focus upon financing the upfront costs of deployment. It is the federal USF program that is essential to ensure that consumers can obtain reasonably comparable services at reasonably comparable rates atop the networks once financed and built.

In other words, USF is the linchpin of making the business case in the first instance to *obtain* financing from RUS or any other lender to build networks in rural areas where the business case would otherwise not exist. Congress was therefore quite prescient in calling for reasonably comparable services and rates between rural and urban America in the 1996 Telecom Act. It recognized that access to capital would be difficult, if not impossible, unless a program like the federal USF could enable consumer adoption and use of telecom networks and services on rural networks once financed and built. The Federal Communications Commission (FCC) in turn was wise to follow this principle by crafting rules for USF that enable ongoing support of robust networks that can keep pace with increasing consumer demand and expectations. Anything less would not allow rural consumers to experience the same educational, economic, healthcare, and public safety benefits of broadband that other Americans take for granted.

Even if USF rules are designed at least well enough, the High Cost budget is not designed to meet the challenge of rural broadband – it has been under the same hard cap for more than six years. The implications of this hard cap on High Cost USF are now coming home to roost. After reforms last year intended to “modernize” the program further for broadband, we are seeing that the budget limits are single-handedly driving consumer rates higher, deterring rural broadband investment, and even cutting USF support for investments already made. It is not an overstatement in my view to say that the artificially low High Cost budget is the greatest barrier to rural broadband investment that carriers face right now, as it guts that effective mix of private efforts and access to capital that I mentioned earlier.

For this reason, as I will discuss further in my testimony, we have been urging Congress and the FCC to provide sufficient funding for High Cost USF support to enable both deployment and sustainability of broadband infrastructure in rural America. Put another way, even as policymakers always seem to search for new ideas on how to drive rural broadband deployment, as someone who serves one of the most rural parts of the United States, I can tell you unequivocally that there is no more direct route to stimulating investment in broadband infrastructure than providing full funding of the FCC’s existing High Cost USF programs and thereby allowing operators to justify use of private capital and/or make the case for obtaining loans from the RUS or other lenders.

## **RURAL BROADBAND DEPLOYMENT BENEFITS AND PROGRESS**

Before further discussing several specific recommendations regarding how to address the policy issues raised in my introduction, I thought it would be helpful to provide context as to why rural broadband is important to our national well-being, and why attention to these issues are for the benefit of all Americans. In short, rural broadband is not a rural issue – it's a national issue.

### *Rural Broadband Benefits the Entire U.S.*

Investing in rural broadband has far-reaching effects for both urban and rural America, creating efficiencies in health care, education, agriculture, energy, and commerce, and enhancing the quality of life for citizens across the country. A report released last year by the Hudson Institute in conjunction with the Foundation for Rural Service found that investment by rural broadband companies contributed \$24.1 billion to the economies of the states in which they operated in 2015.<sup>1</sup> Of this amount, \$17.2 billion was the direct byproduct of the rural broadband companies' own operations while \$6.9 billion was attributable to the follow-on impact of their operations.

The Hudson study also determined that while small telcos provide a range of telecommunications services in rural areas, much of the benefit goes to the urban areas where the vendors, suppliers, and construction firms that rural telcos use are based. Only \$8.2 billion, or 34 percent of the \$24.1 billion final economic demand generated by rural telecom companies accrues to rural areas – the other 66 percent or \$15.9 billion accrues to the benefit of urban areas.

Additionally, the report found that the rural broadband industry supported nearly 70,000 jobs nationwide in 2015 both through direct employment and indirect employment from the purchases of goods and services generated in connection with broadband deployment and operations. Jobs supported by economic activity created by rural broadband companies are shared between rural and urban areas, with 46 percent in rural areas and 54 percent in urban areas.

### *Immense Benefits for Consumers and Communities*

Beyond the direct impacts of investment activity for job creation, the broader socioeconomic benefits of broadband for users cannot be ignored. A Cornell University study, for example, found that rural counties with the highest levels of broadband adoption have the highest levels of income and education, and lower levels of unemployment and poverty.<sup>2</sup> Access to healthcare is

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<sup>1</sup> "The Economic Impact of Rural Broadband" (2016), The Hudson Institute, Washington, D.C.

<sup>2</sup> "Broadband's Contribution to Economic Health in Rural Areas" (2015), Community & Regional Development Institute, Cornell University.

a critical issue for rural areas, where the lack of physicians, specialists, and diagnostic tools normally found in urban medical centers creates challenges for both patients and medical staff. Telemedicine applications help bridge the divide in rural America, enabling real-time patient consultations and remote monitoring, as well as specialized services such as tele-psychiatry. One study found that doctors in rural emergency rooms are more likely to alter their diagnosis and their patient's course of treatment after consulting with a specialist via a live, interactive videoconference.<sup>3</sup>

Other benefits accrue in the form of things like distance learning and commerce. There is also a shortage of teachers in many areas of rural America and those public-school districts rely on high-speed connectivity to deliver interactive-video instruction for foreign language, science and music classes. Broadband networks also enable farmers and ranchers to use the Internet to employ precision agriculture tools and gain access to new markets.

Retail e-commerce has benefited tremendously from sales in rural America as well, where consumers may lack access to local retail outlets, but through the availability of rural broadband networks, can access a variety of shopping options. According to the Hudson Institute, rural consumers generated \$9.2 billion in online sales in 2015 and if all rural Americans had access to broadband networks, the authors estimate that Internet sales would have been \$1 billion higher.<sup>4</sup> A recent Pew Study further finds that among those Americans who have looked for work in the last two years, 79 percent used online resources in their most recent job search and 34% say these online resources were the most important tool available to them.<sup>5</sup>

Indeed, job creation appears to abound when fast, high-capacity broadband is deployed in a rural area. In Sioux Center, Iowa, a major window manufacturer recently built a 260,000 square-foot plant to employ 200 people. The company considered more than 50 locations throughout the Midwest, but selected Sioux Center in part because the rural broadband provider enabled this plant to connect with its other locations throughout the U.S. using a sophisticated "dual entrance" system that could route traffic to alternate paths, ensuring that the main headquarters 250 miles away and other facilities would remain connected. In Cloverdale, Indiana, a rural broadband provider met with developers and helped bring an industrial park to its service area. Powered by this provider's broadband, the facility brought more than 800 jobs to the area. In Havre, Montana, a rural broadband provider is partnering with a tribally-owned economic development

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<sup>3</sup> "Telemedicine Consultations and Medication Errors in Rural Emergency Departments" (2013), Center for Healthcare Policy and Research and Department of Pediatrics, University of California Davis.

<sup>4</sup> "The Economic Impact of Rural Broadband" (2016), The Hudson Institute, Washington, D.C.

<sup>5</sup> "Searching for Work in the Digital Era" (2015), Pew Research Center, Washington, D.C.

agency to create a Virtual Workplace Suite and Training Center that is expected to create about 50 jobs. These stories are repeated throughout NTCA member service areas.

On a smaller scale, robust broadband services in rural areas enhances and expands employment and career opportunities for individuals wishing to remain in or relocate to rural areas. Golden West recently completed a survey of our customers and one of our questions asked “Does anyone in your household telecommute, or in other words, use an internet connection to work from home?” Twenty-three percent of the respondents answered “Yes,” and of those, 40 percent indicated they telecommuted for their employment five days a week.

I have numerous examples of telecommuters in high-level professional positions located in very rural areas, including an HR Manager of a firm that provides staffing on state and federal government contracts that is currently working and providing staffing in eight states and one foreign country. Another example is a person who works in the Information Technology field, traveling extensively the first 11 years of her career before moving back to the family farm and working from home for the past five years: “I am able to help on our family farm, raise our two children and still bring in a salary from my job,” she said.

Another Golden West customer is a software development manager who lived and worked in a large urban area for 16 years, but wanted to move back to South Dakota. She was able to work out a telecommuting arrangement with her employer and moved to a rural area of South Dakota. She now manages teams located in the United States and internationally. This Golden West customer perhaps stated it best when she said that her broadband connection means “being able to work where you want to live instead of having to live where you want to work.

#### *Unique Rural Challenges*

Building broadband networks is capital-intensive and time-consuming; as discussed in my introduction, building them in rural areas involves a special further set of obstacles. The primary challenge of rural network deployment is in crossing hundreds or thousands of miles where the population is sparse and the terrain is diverse. Especially when crossing federal lands or railroad rights-of-way in rural America, small rural providers must address environmental and historical permitting concerns or contractual obligations that can delay projects and increase their already high costs. Then, where networks are built, they must be maintained over those hundreds or thousands of miles – this requires technicians who regularly travel long distances to make service calls and customer service representatives trained to deal with questions about router and device configurations in ways that were unimaginable for “telephone companies.”

And even the best local networks in rural markets are dependent upon “middle mile” or long-haul connections to Internet gateways dozens or hundreds of miles away in large cities. Reaching those distant locations is expensive as well, and as customer bandwidth demands increase – moving from Megabytes to Gigabytes to Terabytes of demand per month per customer – so too does the cost of ensuring sufficient capacity to handle customer demand on those long-haul fiber routes that connect rural America to the rest of the world.

*Consumer Demand and Future-Proof Networks*

Despite these unique rural challenges, NTCA members have made remarkable progress in deploying advanced communications networks in their communities. Based in the communities they serve, these companies and cooperatives are committed to improving the economic and social well-being of their hometowns through technological progress wherever possible. Indeed, in the face of these challenges, rural telcos like those in NTCA’s membership have truly led the charge within the telecom industry toward ensuring that every consumer in the rural areas they serve has the chance to access broadband and other communications services that are as robust and reliable as anything an urban American consumer would expect.

A survey of NTCA members conducted earlier this year found that 41 percent of respondents’ customers are served via fiber-to-the-home (FTTH). Thirty-six percent of customers are served via copper loops, 12 percent by cable modem, 9 percent by fiber-to-the-node (FTTN), 1 percent fixed wireless, and 0.2 percent satellite.<sup>6</sup> Due in no small part to continued efforts to invest, rural customers have access to faster broadband speeds. Per the most recent survey, 87 percent of NTCA members’ customers can purchase broadband at speeds of 10 Mbps or higher. Sixty-seven percent can now access speeds above 25 Mbps.

Such progress in rural broadband deployment is even more remarkable given the regulatory instability of recent years, with USF reforms and budget shortfalls having challenged the business case for many deployments or undermined the sustainability of networks already in place. As I will discuss later in this testimony, changes in the programs that have enabled such significant success to date are now putting this progress in peril and undermining incentives to keep investing. Nonetheless, policies that encourage sustainable future-proof networks will be most efficient in responding to consumer demand over the lives of those networks, particularly when compared to short-term strategies that focus on getting lower-speed broadband deployed quickly only to find that consumer demands outpace the capabilities of such low-speed networks in a few short years.

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<sup>6</sup> NTCA 2016 Broadband/Internet Availability Survey Report (2017), NTCA–The Rural Broadband Association, Arlington, VA.

*Much Progress, but Much More Work to Do – Both Building and Sustaining*

Despite the progress discussed above, many parts of rural America still lack access to broadband that is reasonably comparable to what one would expect in urban America. Fifteen percent of NTCA member customers don't have access to even 10/1 Mbps broadband. In a country where the FCC has indicated that 90 percent of Americans already have affordable access to 25/3 Mbps service and many urban consumers and businesses benefit from 100 Mbps or Gigabit speeds, broadband access in rural America lags behind urban areas despite the best efforts, innovation, and entrepreneurial spirit of NTCA's members.

And the cost of broadband for the consumer must be considered too. As I will discuss later in this testimony, it does little good to have a network built in a rural area and even to have high-speed services available atop it if consumers must pay far in excess of what an urban customer would pay for the same service. Federal law recognizes this by mandating that the federal USF ensure reasonably comparable services are available at reasonably comparable rates in rural and urban areas alike. Yet, in many of the rural areas served by smaller providers today, this is not happening, as USF budget cuts have resulted in broadband prices that can be tens or even hundreds of dollars more per month for rural Americans than for urban consumers.

Finally, once a network is built, it is not self-effectuating, self-operating, or self-sustaining. Services must be activated and delivered atop it, maintenance must be performed when troubles arise, and upgrades must be made to facilities or at least electronics to enable services to keep pace with consumer demand and business needs. In addition to these ongoing operating costs, networks are hardly ever "paid for" once built; rather, they are built leveraging substantial loans that must be repaid over a series of years or even decades.

All of these factors make the delivery of broadband in rural America an ongoing effort that requires sustained commitment, rather than a one-time declaration of "success" just for the very preliminary act of connecting a certain number of locations. Particularly when one considers that even where networks are available many rural Americans pay far more for broadband than urban consumers, it becomes apparent that the job of connecting rural America – and, just as importantly, sustaining those connections – is far from complete. I am proud of the work Golden West has done to invest in rural South Dakota, and the rural broadband industry as a whole has a great story of success. But there is also much more work still to do – and this is where public policy plays an important role in helping both to build *and* sustain broadband in rural markets that would not otherwise justify such investments and ongoing operations.

**RURAL UTILITIES SERVICE TELECOM FINANCING***The Strength of RUS Experience*

Deploying a communications network in a rural area requires a large capital outlay due to the challenges of distance and terrain. The RUS under the U.S. Department of Agriculture has long played a crucial role in addressing rural broadband challenges through its telecommunications programs that finance network upgrades and deployment in rural areas.

Since the early 1990s, the RUS telecom programs have financed advanced network plant at a net profit for taxpayers and helped deploy state-of-the-art networks to rural Americans left behind by providers unable or unwilling to serve low-population-density markets. With rare exception, RUS, CoBank and the Rural Telecommunications Finance Cooperative (RTFC) are the primary lenders that small rural providers can turn to for outside financing. Not only does RUS help rural America remain connected, its Broadband Loan & Loan Guarantee program and traditional Telecommunications Infrastructure Loan & Guarantee program make loans that must be paid back with interest – creating a win/win situation for rural broadband consumers and American taxpayers.

*RUS and USF Work in Concert*

As noted earlier in my introduction, while RUS lending programs finance the substantial upfront costs of network deployment, the USF High Cost Fund helps make the business case for construction and sustains ongoing operations at affordable rates. More specifically, USF by law aims to ensure “reasonably comparable” services are available at “reasonably comparable” rates. Not to be confused or conflated, RUS capital and ongoing USF support serve distinctly important, but complementary rather than redundant, purposes in furthering rural broadband deployment. The availability of USF – the ability to make sure that consumers can actually afford to buy services on the networks once built – is so essential to the RUS telecom loan calculus that uncertainty in the Federal USF program in recent years has hindered some of the success, momentum, and economic development otherwise and previously enabled by the RUS telecommunications programs.



*Farm Bill Considerations*

The pending expiration of the current Farm Bill affords opportunity to review specifically the Farm Bill Broadband Loan & Loan Guarantee program that was first authorized in the 2002 Farm Bill. Each subsequent Farm Bill has made extensive reforms to the program with the goal of greater accountability, efficiency, and effectiveness. Two rounds of program reforms in less than 15 years – the first of which was significantly delayed by the need to implement 2009 stimulus funding programs – means that the Broadband Program has been almost continuously “under construction” since its inception, rendering the program inaccessible to borrowers for long periods of time. Therefore, it would be prudent to make only very targeted changes to the program that focus on improving effectiveness and accountability – such as the updates proposed by the “Broadband Connections for Rural Opportunities Program Act,” also known as B-CROP, which was introduced by Senators Gillibrand and Capito in July. This bill would add a grant component to the program to spur investment in the most high-cost areas and would have RUS coordinate with the FCC to determine where support is most needed.

NTCA urges the Committee to continue to support the RUS Broadband Loan program that is subjected to the Farm Bill reauthorization process at or above current funding levels as you formulate recommendations. Furthermore, we urge the Committee to continue its long history of support for the Telecommunications Infrastructure and Community Connect programs that have been and remain vital to the ongoing deployment and maintenance of advanced communications infrastructure throughout rural America.

**THE FCC’S UNIVERSAL SERVICE FUND HIGH COST PROGRAM***The High Cost Program Budget and Universal Service Reform*

As noted earlier, providing robust, scalable, and sustainable broadband in rural areas is not the kind of endeavor that tends to attract substantial capital from multiple private lending sources or tends to excite Wall Street. But even where capital may be available from RUS or private lenders, it can be difficult, if not impossible, to justify loans (or the use of a firm’s own cash flows) for investment in rural areas without a better business case. The costs of deploying networks and maintaining the service are considerable, and the few customers gained (typically less than seven per mile, and often less than one per mile) cannot afford to pay hundreds of dollars a month for broadband to cover those costs.

As highlighted in my introduction, direct support from the federal USF High Cost program is essential to make the business case for rural broadband. In fact, it is the primary, if not the only, tool to ensure – as mandated by the Communications Act – that consumers in deeply rural areas like those served by Golden West can purchase telecom service reasonably comparable to what urban Americans receive at rates reasonably comparable to what urban consumers pay.

Put another way, USF does not “pay for” networks; instead, the USF program ensures that rural consumers can pay reasonable rates for their use of services atop networks, thereby allowing consumers to buy such services and operators to justify the business case for investments in those networks in the first instance. USF is thus perhaps the best, most successful example of a public-private partnership that exists in the broadband space, having helped to justify the business case for private network investments that can total tens of billions of dollars per year when measured as gross plant in service.

Enabling the business case for delivery of advanced telecom services across rural America is a big job for a program, and yet the High Cost USF has been confined under the same budget (without even just an inflationary adjustment) since 2011 – even as small rural carriers have sought to deliver more robust networks that will scale to meet the anticipated enormous consumer demands for bandwidth in the future and last over the lives of the loans taken out to build them. A new, even stricter budget control adopted last year by the FCC – again based upon 2010 support levels and applied only to smaller rural carriers – has only exacerbated this problem.

No justification is available for why the current cap is the appropriate level of funding to meet the program’s goals, beyond a judgment back in 2011 that 2010 support levels seemed like the “right” amount to carry out a National Broadband Plan. In fact, precisely because they have tried to keep investing where possible in broadband, small rural carriers are now facing escalating cuts to USF support for investments already made – revealing how much the High Cost program is woefully underfunded to do the job that the law requires and that Congress wants in terms of making robust, affordable broadband available in rural America.

While the FCC took steps to provide some level of additional funding earlier this year within the fixed overall USF budget for a subset of small carriers that elected model-based High-Cost USF support, this funding was insufficient to achieve the goals of the model the FCC designed. More than \$100 million per year is still needed to fund an alternative model that the FCC created to promote broadband deployment – and that level of funding is needed for 10 years, making the shortfall for the model more than \$1 billion in total. Because of this limit, tens of thousands of rural consumers will see lower speeds or no broadband at all – precisely what the reforms were intended to alleviate.

And the concerns are just as significant, if not greater, for rural areas served by Golden West and those other small carrier recipients of High Cost USF that could not or did not elect model support. The FCC tried last year, in response to multiple calls from Congress over many years, to update these actual cost recovery mechanisms to enable consumers access to more affordable standalone broadband. But under the new budget control mechanism included within last year's reforms and applied only to some small carriers, many small rural telecom operators will see their support slashed by 12.3 percent on average over the next 12 months, meaning that hundreds of small rural network operators will be denied recovery of a total of \$173 million in actual costs for private broadband network investments *that they have already made*. This means that small rural network operators – and, more importantly, the rural customers they serve – now must somehow come up with \$173 million to pay for broadband that the USF program would have supported prior to the adoption of the harsh new budget control mechanism last year.

Even worse, this USF budget control varies from period to period, undercutting the kind of predictability that is mandated by law and needed when evaluating long-term future investments in broadband infrastructure. For the last 4 months of last year, the budget control was 4.5% on average; for the first six months of this year, it rose to 9.1% on average. Now, as of July 1 of this year and for the twelve months after that, the budget control is reducing USF support for small carriers by 12.3% – but even then, within certain parts of the USF program, the budget cut has already increased to more than 14% just this quarter. This kind of unpredictability is challenging, if not defeating, for smaller operators seeking access to capital and trying to identify the business case for sizeable, fixed long-term investments in rural America.

Golden West and its customers have been directly impacted by these budget controls. The loss of USF support for network projects we have already completed has forced us to reduce our future investment plans. We have postponed or cancelled nearly \$4 million of network upgrade plans scheduled for 2018 in rural South Dakota. Given the level of uncertainty surrounding future budget controls, I expect our network investments in 2019 will decrease even further. The end result will be fewer customers receiving broadband or upgraded broadband services.

Golden West is not alone in feeling this pain. Because of these support cuts, many rural network operators are cutting back on future broadband infrastructure investments and cannot charge affordable standalone broadband rates for rural consumers – the very issue Congress asked the FCC to fix in the reforms last year. For example, one NTCA member company in the Southeast has indicated that it cannot justify seeking a \$26 million loan to build high-speed broadband infrastructure due to the USF cuts; a project that would have delivered approximately 1,000 miles of fiber to over 7,000 rural customers is now on indefinite hold. Similarly, in Nebraska, a small company with only 12 employees that just recently completed a significant fiber

construction project has declined to fill four open positions – effectively cutting its workforce by 25% – because of concerns with declining USF support and the ability to pay for the network construction already completed. And in Iowa, a small carrier has been unable to lower its prices for standalone broadband to reasonable levels because the USF budget cuts are effectively wiping out any support for such connections, despite the intention of the reforms and the repeated calls for such a fix from Congress.

Fortunately, policymakers across the spectrum are already expressing concern about the USF budget shortfall. In May 2017, nearly 170 Members of Congress – including many members of this committee – wrote to the FCC yet again, this time expressing serious concern about how the USF budget shortfalls will undermine private infrastructure investment and consumer broadband rates. The letters demonstrated the sizeable, shared, and sustained bipartisan interest in prompt action on this issue, and a window of opportunity exists. Most of the FCC’s commissioners have also testified or otherwise expressed a shared concern about how this budget control is affecting broadband availability and adoption in rural America.

So, with an apparent consensus that there is a problem, why has this not been solved or resolved? As with anything involving funding, the question has often been how to “pay for it.” Fortunately, after years of trying to identify how to do so, there appears to be a near-term solution that could at least help mitigate the effects of this shortfall. Specifically, the current overall budget for High Cost USF was initially intended to cover a period from 2012 to 2017. Pending the completion of a comprehensive and thoughtful budget review as promised years ago, the Commission could and should continue to collect the same overall amount for High Cost USF as it does today. Any additional amounts collected through this exercise above then-current High Cost USF obligations could and should then be put toward relieving the stricter budget cuts that are specifically penalizing small rural providers like Golden West. Once the Commission has performed the budget review, it can then set new overall budgets for the High Cost USF program and for the support provided to small rural providers.

This approach, paired with the use of any “unobligated” High Cost USF “reserve funds” that are available, may offer the best promise of at least helping to mitigate the negative effects of the budget control and the best prospect of giving the reforms adopted last year a chance at working as intended. But it is important that this be achieved by year end. If this drags into next year, it could get much harder to adopt and implement this solution – and in the interim, it will continue to mean delayed or denied investment by rural operators and higher rates and lesser service for rural Americans.

With an apparent consensus as to the problem and an apparent “solution” that could be implemented in short order, it is essential to move forward with all due speed. In the end, remedying this USF budget concern is imperative to the sustained delivery of affordable, high-quality broadband service to consumers and small businesses that this subcommittee and so many other members of Congress hope to see in rural America. We urge Congress to help press for a fix to this problem, and we beg the FCC to take action as promptly as possible to adopt and implement such a fix. The effective mix I mentioned earlier in my testimony of entrepreneurial spirit, access to capital, commitment to community, and federal USF programs cannot work if the last of those components fails miserably.

*Contributions – How All This Gets Paid For*

Of course, beyond the immediate funding questions, the long-term sustainability of all of the USF initiatives ultimately depends on updating a contributions framework that is not built for a 21<sup>st</sup> century communications ecosystem. While there are many differing views on how this should be done, the basic notion that those who make use of communications networks should contribute to the well-being and universal availability of those networks is hard, if not impossible, to argue.

Nonetheless, the important USF initiatives discussed above are supported by a shrinking base of legacy services that do not represent the majority users of our communications networks – we are building and trying to sustain universal broadband on the backs of telephone services that are declining over time. This would be like trying to recover the costs of building a highway system based upon assessments on only horseshoes and buggy wheels. Assuming all agree that universal service is an important public policy – and Congress long ago said it is by statute – rationalizing and reforming contributions requirements is essential to firm up the foundation of universal service for the 21<sup>st</sup> century. The record on how to reform the USF contributions mechanism has been developed over years and the options really have not changed materially, so we believe such reform must be undertaken promptly for the system to be more equitable and sustainable.

**INFRASTRUCTURE INVESTMENT AND BARRIERS TO DEPLOYMENT**

As the Administration and Congress consider broader new efforts relating to “infrastructure,” it has become clear and largely agreed by all involved that broadband is an essential part of any such initiative. As Congress works with the Administration on an infrastructure package, NTCA has offered several key objectives for consideration to ensure that any components of such a package addressing rural broadband have the greatest likelihood of success:

1. Any plan that aims to stimulate rural broadband infrastructure investment should at least account for, if not specifically leverage, what is already in place and has worked before. Creating new programs from scratch is not easy, and if a new broadband infrastructure initiative conflicts with existing efforts, that could undermine our nation's shared broadband deployment goals.
2. There should be accountability for those who leverage any resources made available through such an initiative. Looking to providers with proven track records in delivering real results makes the most sense, but whomever receives any support should be required to show that they used those resources to deliver better, more affordable broadband that can satisfy consumer demand over the life of the network in question.
3. A broadband infrastructure plan needs to be carefully designed and sufficiently supported to tackle the challenges presented. In particular:
  - An infrastructure plan should aim *both* to get broadband where it is not and sustain broadband where it already is; deployment of duplicative infrastructure in rural areas that are uneconomic – and may not even support a single network on their own – will undermine the sustainability of existing network assets.
  - Deploying and sustaining rural broadband is neither cheap nor easy; we obviously need to recognize that finite resources are available to address any number of priorities, but any plan that calls for broadband deployment – especially in high-cost rural America – must match resources to the size of the problem to be solved.
4. Any resources provided as part of an infrastructure initiative should look to get the best return on such long-term investments. For networks with useful lives measured in decades – especially private investments that leverage federal dollars – this should mean the deployment of infrastructure capable of meeting consumer demands not only today and tomorrow, but for ten or twenty years. Putting resources toward infrastructure that needs to be substantially rebuilt in just a few years' time could turn out to be federal resources wasted – and still risk leaving rural America behind.
5. While the economics of deployment are an essential component of any infrastructure plan, a comprehensive approach to promoting deployment is required. Barriers or impediments to broadband deployment must also be addressed as part of any holistic plan to promote and sustain infrastructure investment. For example, a lack of coordination and standardization in application and approval processes across governmental agencies often complicates the deployment of broadband infrastructure. Moreover, local franchises, pole attachments, and railroad crossings can create substantial costs and concerns in deploying broadband infrastructure.

**CONCLUSION**

Robust broadband must be available, affordable, and sustainable for rural America to realize the economic, healthcare, education, and public safety benefits that advanced connectivity offers. As noted in this testimony, it takes an effective mix of entrepreneurial spirit, access to capital, commitment to community, and federal USF support to enable and sustain deployment of communications infrastructure in many parts of rural America. The RUS and the High Cost USF programs play important, but complementary rather than redundant, roles in promoting the deployment and sustainability of broadband infrastructure in rural America. Promoting greater access to capital through strong, well-tested RUS lending programs, ensuring sufficient funding of USF to make the business case for use of private and/or borrowed capital in rural areas, and streamlining and standardizing of the permits and other regulations that can hinder network deployment must all be seen as critical pieces of a comprehensive, thoughtful national rural broadband strategy.

Golden West and NTCA member companies thank the committee for its leadership on and interest in all of these issues, and we look forward to working with you on behalf of the hundreds of small operator members of NTCA and the millions of rural Americans that we all serve.

**RURAL UTILITIES SERVICE**

**Statement of Chris McLean, Acting Administrator**

**Before the Senate Committee on Agriculture, Nutrition and Forestry**

**September 28, 2017**

Chairman Roberts, Ranking Member Stabenow and Members of the Committee, thank you for the opportunity to testify on The Department of Agriculture (USDA) Rural Utilities Service (RUS) programs. I also want to thank you and your colleagues for the support Congress has provided to RUS so that we can continue to fund rural electric, telecommunications and water and waste projects serving rural America.

The recent storms this season have reminded us how important basic electric, telecommunications and water infrastructure are to the quality of our lives. The heroic response to utility restoration and recovery with utilities from many states sending crews to help demonstrates the true spirit of rural America and the long term success of the public private partnership this Committee and USDA have nurtured over the years.

Support for infrastructure in rural areas is essential for job creation, economic development and reliable, affordable utilities service. Rural communities' ability to offer affordable, reliable water and waste water, electricity and telecommunications systems support sustainable economies and strengthen our ability to provide a food supply for our nation and the world. USDA funding for basic infrastructure services has made a significant difference in the productivity and quality of life in rural America. RUS investments deliver reliable and affordable electricity, faster internet service and clean, safe water to help healthy rural communities grow and prosper in the global marketplace.



Today, our rural utilities portfolio of loans outstanding is nearly \$60 billion. Our annual obligations are approximately \$5.9 billion, in electric, telecommunications, water and sewer infrastructure. Our utilities partners provide affordable services to rural business and residential consumers nationwide.

#### **Electric Programs**

RUS funding helps strengthen rural electric infrastructure systems throughout rural America. The electric grid is changing. New investments are needed to replace aging plants, to incorporate renewable energy, to add smart grid technologies to increase system efficiency, and to protect and harden the grid to natural and man-made disasters. RUS investments finance every element of the power delivery from upgrades in transmission, the addition of emissions controls, and energy efficiency improvements within the home. RUS expects to obligate over \$4 billion for rural electric infrastructure spending during FY 2017 to provide reliable electric service to rural consumers.

We are also seeing growing interest among rural electric cooperatives in providing broadband services to their customers. Michigan's Midwest Energy and Communication, for example has built over 2,000 miles of broadband infrastructure to meet member needs. In Iowa, Maquoketa Valley Electric Cooperative is providing robust broadband—50 Mbps upload and 50 Mbps download speeds—for their members.

#### **Telecommunication Programs**

RUS Telecommunications Programs finances broadband and advanced telecommunications services in rural areas. From what we have learned as we have traveled across the country listening to our stakeholders, and heard directly from our dedicated USDA employees who are working every day in rural America, we have found that too many rural citizens, businesses and farms lack access to robust, modern, reliable broadband. During FY 2017, RUS approved \$25 million in Farm Bill broadband projects and expects to obligate over \$427 million to upgrade rural telecommunications infrastructure, including improved broadband service, to those who live and work in rural communities.

RUS also provides Community Connect grants, which funds broadband in rural areas that currently lack any broadband service, and Distance Learning and Telemedicine grants to fund equipment that increases access to health care and educational services with broadband infrastructure. RUS obligated \$24 million for Distance Learning and Telemedicine (DLT) projects during FY 2017.

In South Dakota, where over 40 percent of the population lives in rural areas, Horizon Health Care—with a network that covers over one-third of the state—has used four RUS loans to provide mental health care to those lacking access to specialized medical facilities.

#### **Water and Environmental Programs**

RUS Water and Environmental funding supports water and wastewater projects serving the most financially needy communities in rural areas. Access to quality water and wastewater service is essential for the health and quality of life for those who live and work in rural areas and supports economic development.

Most rural communities that receive funding from RUS' Water and Environmental Programs could not afford financing from a commercial lender. A great example of how water and wastewater investments benefit rural communities is the Sugar Beet Row subdivision, a small community just outside Whitehall, Montana. Their sewer system was past the point of failure. Collapse of the infrastructure led to untreated sewage draining directly into nearby Big Pipestone Creek, causing environmental and health hazards for the families not just in that community, but those downstream. Jefferson County used USDA Rural Development's Water and Waste Disposal Loans and Grants program to rehabilitate the Sugar Beet Row collection main by relining the existing pipe, and connecting to Whitehall's municipal sewer collection and treatment system. As a result, the subdivision has a working sewer system that is no longer a health or environmental hazard for both the community and their downstream neighbors.

For FY 2017, the water and wastewater program expects to use over \$1.7 billion to build or improve water and wastewater facilities.

**Business Process Update**

RUS and our fellow Rural Development agencies, continue to work to streamline our processes and automate where we can. Our new RD Apply system, allows borrowers to submit loan requests electronically. This new system expedites loan processing, and increases efficiency. We continue to work on making our loan processes customer friendly and flexible for our borrowers.

Along with my colleagues in the Rural Business and Cooperative Services and Rural Housing Services, I want to thank you for the opportunity to discuss how RUS works to support increased economic opportunities and quality of life in rural areas. I am happy to address your questions at this time.

**Testimony of Mark Olinyk  
President and CEO, Harvest Energy Solutions, Jackson, MI  
Senate Committee on Agriculture, Nutrition and Forestry  
Rural Development and Energy Programs:  
Perspectives for the 2018 Farm Bill  
September 28, 2017  
Washington, DC**

Thank you Chairman Roberts, Ranking Member Stabenow, and distinguished members of the Committee for inviting me to speak with you today.

My name is Mark Olinyk and I am the President, CEO, and co-founder of Harvest Energy Solutions, a solar energy design, sales and installation company based in Jackson, Michigan. We employ more than 50 people across the Midwest and are members of the Michigan Energy Innovation Business Council and the Michigan Farm Bureau.

**History of Harvest Energy**

I have been in the agricultural sector for most of my life. Born and raised on a small family farm in southern Michigan with more ambition than my parents planned on, I soon left the family farm and found myself farming 2,500 acres of my own. I quickly realized that being highly leveraged in the 1980's didn't work out well and I ended up being out of farming about as fast as I got in. But, as luck would have it, within days I found a job as the farm manager for a very large corn farmer in Michigan. We farmed about 11,000 acres and as big as this sounds today, it was even bigger in comparison to most of the farms in the 80's.

Through my relationship with this large farmer I was offered the opportunity to purchase a small grain elevator in Hudson, Michigan. At that time, the price of corn was extremely low, the farm bins were full and Federal government loans on the grain in the bins were about to expire. Still young and full of determination, a partner and I took on the challenge of warehousing grain for the USDA, which needed a temporary home. We received corn from Michigan, Ohio and Indiana and quickly filled up our one-million-bushel storage capacity at the elevator, built a 1.5 million bushel covered pile in the back, leased another grain storage facility, and then finally leased a vacant 765,000 sq.ft. building in Jackson, Michigan. All told, we warehoused more than 11 million bushels of USDA-owned corn. That project lasted about four years and allowed me to transition from being an out-of-work farmer into a promising career in the manufacturing and distribution business – something I wanted to do for years. However, after nearly two decades in

manufacturing, I missed the farmers and the land and I started exploring ways to get back to my agricultural roots.

In 2006, I was approached by a local inventor who had an innovative idea for a small wind turbine. I became deeply involved in his project and soon negotiated a partnership with an engineering firm in western Michigan that had some experience in this arena. Ultimately, this initial foray into renewable energy didn't pan out, but I was hooked and I soon founded a different renewables company, Harvest Energy Solutions (or simply Harvest Energy).

We started as a family business that imported small wind turbines from Ireland and Germany and then worked with local farmers and ranchers to install these turbines on their land — lowering their energy costs. Our business focused on the agricultural industry and rural areas. At that time, we were not interested in solar energy. The solar industry was not yet cost competitive like it is today. While the business was growing, we began to struggle with the language barriers with our European counterparts. The time difference was also an issue -- just when we were installing wind turbines in the field and had technical questions, our colleagues in Ireland and Germany were getting ready to go home for the day.

Luckily, economies of scale, time and competition forced the price of solar downward such that soon the cost of solar was comparable with wind. Within a year we fell in love with solar and our wind turbine business took a back seat.

### **Current Business**

Today, Harvest Energy has grown from a 'two men and a truck' operation to a staff of over 50 professionals and growing -- we are looking to hire another 10 associates later this year. As we grow, we're adding to our sales staff, installation crews, manufacturing associates and administrative support. Much of this internal growth must be accurately attributed to the success of the Farm Bill's Rural Energy for America Program (or REAP). Put simply, the farmers and small businesses we work with could not afford the renewable energy systems we provide without upfront financing provided through the REAP program. REAP has been a component of nearly a quarter of our business. Not only is it critical to our bottom line, REAP allows our clients to save electricity, save money, achieve greater efficiencies, and make their operations more stable, less risky, and more profitable.

In fact, we were pleased to be joined by you, Ranking Member Stabenow, at a 2015 ribbon cutting for a solar installation at a winery in Northern Michigan. That project, like so many others in this space, was made possible through REAP.

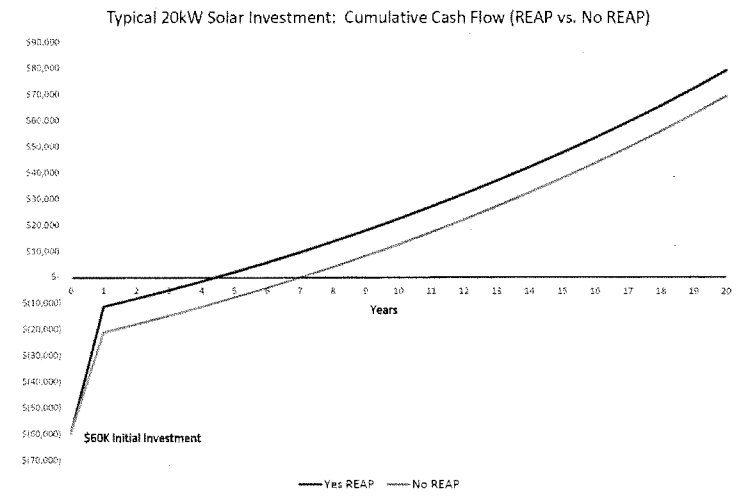
We now service ten states with special focus on the agricultural industries of the Midwest. In total, we have completed hundreds of successful solar and wind installations in the states of Iowa, Illinois, Indiana, Michigan, Ohio, Kentucky, Tennessee, Missouri, Wisconsin and Pennsylvania. In these states we are providing clean, renewable energy while creating economic growth and wealth in rural communities.

Our sales staff are distributed throughout the Midwest and are growing in number. Our customers include: dairy, poultry, hog, grain, greenhouse, hop, orchard, fruit farms as well as wineries and breweries, berry processors and many others. And it's not just farms and ranches, we also work with a host of rural commercial businesses outside of the agriculture industry. Finally, we've completed solar installations for local government buildings, schools, and even churches. Harvest Energy was also recently awarded a role in fulfilling a contract with Michigan State University that includes the installation of 13.5 MW of solar panels. These panels will be installed on canopies covering large parking lots across campus. The project will include more than 40,000 panels and, when completed will represent the largest solar canopy project in the country.

#### **USDA Rural Energy for America Program**

Harvest Energy is focused on selling and installing solar energy for the agricultural industry and rural businesses. As I alluded to before, Harvest Energy has been successful, in part, because of smart federal investments in rural communities – namely resources provided through the REAP program. REAP grants and loans are available to assist farmers and rural business owners invest in renewable energy systems or to make energy efficient improvements. This combination is working well for our customers and U.S. rural businesses. The program is helping to grow our business and create more jobs across rural America. I would strongly recommend that this panel reauthorize the program in the upcoming Farm Bill and consider increasing the mandatory funding associated with it. I understand that there are typically three times more REAP applications than available funding in a given year. Were Congress to increase that funding, I am confident that Harvest Energy, along with our colleagues in this industry would rise to the challenge. That means more clean, renewable energy, and more jobs and economic growth in rural areas.

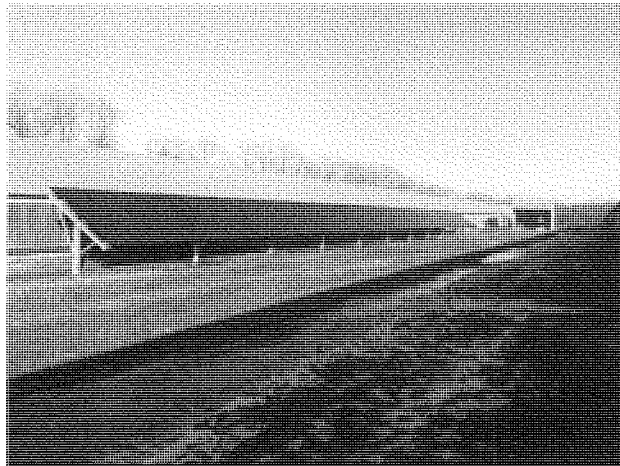
Below you will see a graph showing the financial results of a typical 20kw installation comparing the cash flow with a REAP grant vs. no REAP grant. In both cases we assume that the customer is taking advantage of both the 30% federal investment tax credit (ITC) and depreciation. The graph illustrates that the payback period for REAP projects stands at a little over 4 years. With no REAP it takes about 7 years before a positive cash flow is realized. This clearly illustrates the significance of the REAP grant and the impact it has on the potential buying decision.



I would like to again thank the Committee for inviting me to share my perspective with you this morning and I will look forward to any questions you may have.

**Appendix**

When I consider the agricultural and rural communities and the need for REAP, I am especially struck by how vital it is for poultry farmers. This program is especially critical for poultry farmers whose barns are fully depreciated and less energy efficient than newer ones. The price per pound for chicken has not changed in many years. But the cost of electricity, feed, water, and labor have increased greatly. Farmers (who were already making slim margins) are being stretched too thin. REAP grants have allowed them to invest back in to their operations with solar energy, insulation, lighting, and other energy efficiency upgrades. These upgrades are not simply beneficial...THEY ARE VITAL. If these barns aren't upgraded, some of these farmers may be forced to cease operations. Farmers like Bob Mills (Mayfield, KY) and Barry Turner (Sedalia, KY), pay thousands of dollars in electric bills.... every month. Investing in solar, with the help of a REAP grant, allows them to control these expenses while improving electrical service in high demand times. They can limit their electrical expenses, ensuring they will be more profitable in their operations. These poultry farms use this grant money to make themselves more independent and reliable. And by investing in these updates, the farmers support the employment hundreds (if not thousands) of people in our local communities – at their farms and in the manufacturing and installation of renewable energy and energy efficiency upgrades.





Barry Turner – Sedalia, Kentucky



Bob Mills – Mayfield, Kentucky

We've worked with many other farmers who have completed energy efficiency upgrades and solar installations that would not have been possible without funding from USDA REAP grants. The stories described below are testimonials directly from the business owner or are based on my recent conversations with the farmers and business owners.

#### **Example REAP Recipients**

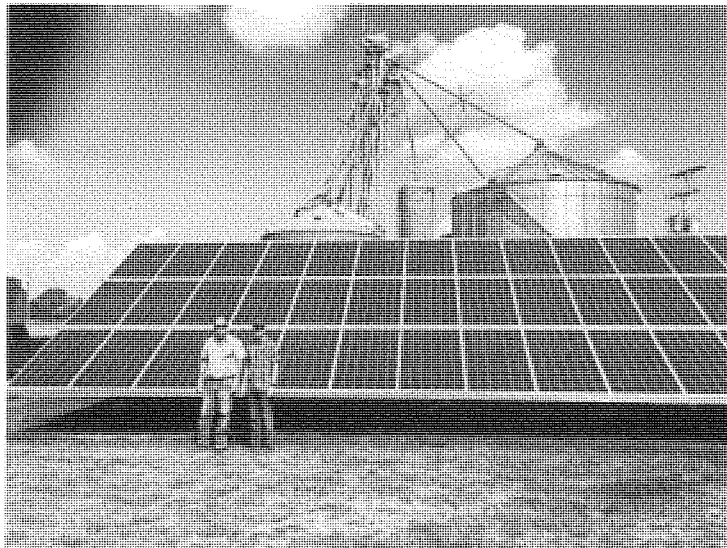
**Gary Balder** is a hard-working farmer from Hamilton, Michigan. In addition to working his own farm, he does some custom farming, sells wheat seed, raises hogs and now has a solar system to offset 80 percent of his electric usage. For Gary, the return on investment for solar energy without the REAP grant was luke-warm. Gary went through the proper application process and was awarded a REAP grant in January of 2016. This pushed Gary over the edge to pull the trigger on a solar project through Harvest Energy. Gary was so pleased and proud of his system and lack of an electric bill, that he hosted a "lunch and learn" event to explain how and why solar energy works well for farmers. A large part of this conversation was dedicated to REAP, which was a deciding factor for Gary. Thanks to the REAP grant and the introduction of solar energy, Gary and many others in his area have helped move the agricultural industry forward by becoming cleaner, more energy efficient, and more cost-effective.



Gary Balder Farm – Hamilton, Michigan

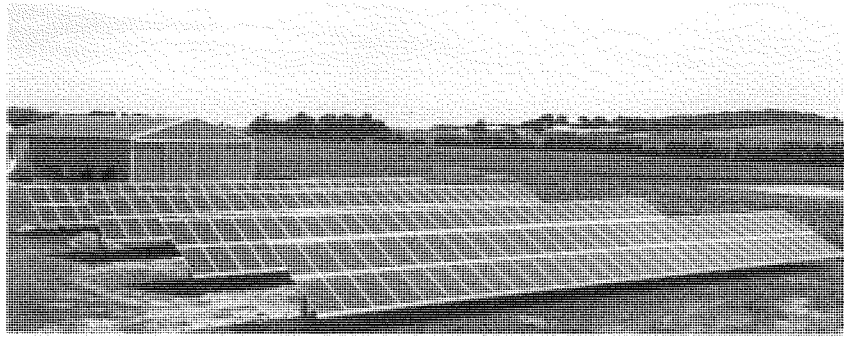
**Holsapple Farms Inc.** is a 4<sup>th</sup> generation farm in Cumberland County, Illinois. They farm primarily corn and soybeans. Four years ago, they installed a 20 kW solar array on their three-phase grain drying operation. Holsapple Farms was able to do this thanks to a REAP grant. Prior to the solar installation, the farm was paying \$0.17 per kWh for electricity used by this grain system. The solar installation successfully offset 100 percent of that annual usage and the utility allowed credit from power produced through the summer months to be banked annually.

Since then, Holsapple Farms has added a 44 kW system on their shop and we are currently (this week) adding 11 kW of solar to the grain system. They are very happy with the help this has provided in reducing their overhead and the aid in return on investment provided by the REAP grant program. The series of additional installations most likely would not have happened without the initial REAP grant.



Stan and Justin Holsapple – Toledo, Illinois

**Beckley Farms** – Roger Beckley and his hard-working family maintain a century-farm in the heart land of the Midwest, where they milk 200 dairy cows and farm cash crops. Lately the farmers in this area has been fearful of the rising energy prices with the nearby coal plants shutting down. Dairy's consume a lot of energy for pumps, lighting and fans and Roger was looking for ways to lock in some of these costs if possible. The REAP grant was the main factor in Roger being able to afford solar. He used the grant to leverage the purchase of a 29 kW system and a 27 kW system, virtually alleviating his enormous energy costs. Thanks to the REAP grant Roger and his family are at ease and more comfortable knowing that the farm his family has been working for over 100 years is in a better position to be passed on to future generations.



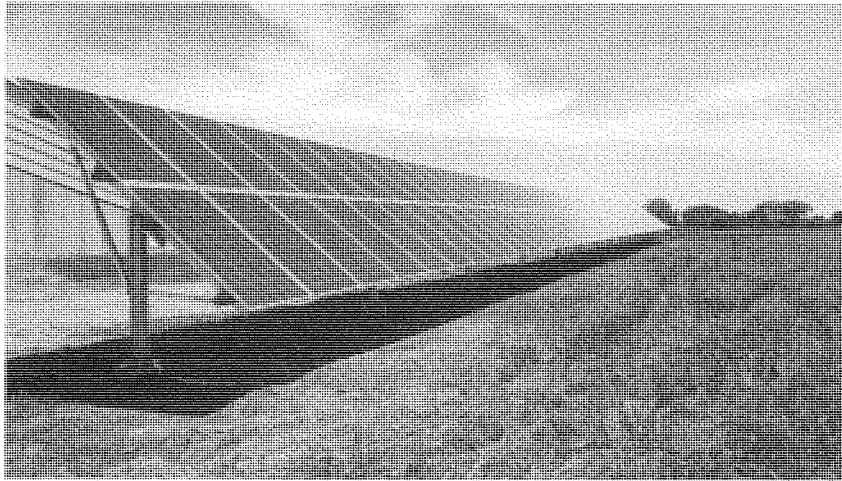
**Beckley Farms – Oakland City, Indiana**

**Kris Green** is a multi-generational farmer located in Northern Ohio. He farms corn, soybeans, and wheat. Due to the rising electrical costs from his local utility Kris reached out to Harvest Energy in search of a long-term solution. Thanks to the REAP grant, this young, hard-working farmer now has a 28kw solar array on the roof of a barn, and has given his family some energy freedom, and used the financial leeway he created to address his aging equipment. Kris commented that this is the type of investment that will certainly help move the farm forward into the future.



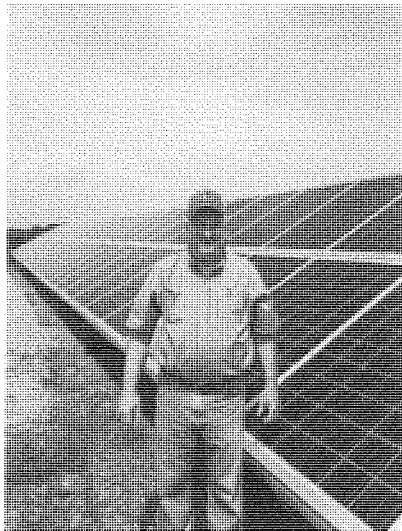
Kris Green Farm – Wakeman, Ohio

**Alexander Pork** - David Alexander's hog operation is in Wayne County, Iowa. This is an economically depressed area with very low per capita income. Because Iowa is a leader in progressive, competitive pork production, David thought that his chances of receiving a REAP grant were slim, but REAP's flexibility allows the program to give extra attention to economically distressed parts of the country. Not only did he receive a grant, but his solar installation led to subsequent sales by Harvest Energy in the area including systems at two of his other sites.



Alexander Pork -- Promise City, Iowa

**Tripp Furches** owns and runs a family farm. His farm has been in operation for many decades, spanning several generations. Tripp is from Murray, Kentucky and he installed solar energy to help control his operating expenses. With the price of corn down to \$3.00 - \$3.50 per bushel, and the input costs firm or increasing, solar energy allows Tripp to lock in a fixed price for most of his electrical costs. Tripp was considering solar for a long time but was hesitant because of the initial investment cost. When we discussed the possibility of applying for a REAP grant, he decided to pull the trigger. The grant freed up money to expand his grain facility, which in return allowed him to grow his farm while diversifying his business and realize the promise of years of continued success. Senate Majority Leader McConnell visited Tripp Furches' farm in September 2014. We can assume that Sen. McConnell saw the success of Tripp Furches' solar installation and how programs like REAP continue to help farmers, providing positive returns for the long term.



Tripp Furches – Murray, Kentucky

**According to Marie-Chantal Dalese, President & CEO of Chateau Chantal:**

“Chateau Chantal is a 100-acre vineyard, winery and Bed & Breakfast located in rural Northern Michigan. We're surrounded by the great lakes and take pride in being good stewards of our environment. In our experiences, rarely do the cross roads of environmental stewardship and business feasibility intersect. When the opportunity presented itself to install a solar panel array that would produce 40% of our electricity needs, we sought ways to make it feasible. The USDA REAP grant was a major factor in our decision to make the installation. The grant process, as expected, required paperwork and assurances to meet federal standards. Our state USDA representatives helped us along in the process, and I was able to write the grant myself without having to pay a grant writer. Through projects like these, and so many others, REAP grants provide opportunities to improve farming businesses, protect our environment, and keep our operations sustainable for the future.”



Chateau Chantal – Traverse City, Michigan



**Suggested Improvements**

Overall, the most critical thing this Committee can do is to maintain or increase funding for USDA REAP – The program is critical to the stability of rural farmers across the country. These farmers use REAP to reduce their electricity bills, maintain their operations, and create jobs in areas where unemployment is extremely high.

In addition to funding, based on my experiences, there are a few changes that would improve the program. The first two would have the biggest impact:

1. No applicant should receive more than 20% of available state allocation of funding. For example, in Michigan this year there was \$909,000 available for allocation. One applicant won the maximum of \$500,000 for an upgrade to an Ethanol plant. That's over 55% of the total leaving only \$409,000 for all the other projects. If the 20% rule were in effect, that applicant would have received \$181,800 (still a nice grant) leaving \$727,200 to be shared by the smaller projects. The biggest impact of this program is for the smaller businesses- these are the companies that should be funded and do the most good for small towns in rural America.
2. I believe the current legislation calls for 20% of funding to go to projects that request less than \$20,000 - this is called restricted funding. I would increase this set aside to 40% of the total funding. This would really allow smaller applicants first shot at the funding and spread the funding around more. I think that we would all like to see more opportunity for the smaller operations if possible.
3. When states do not use all of their funding, the excess goes into a pool for disbursement to states that have more applications than funding. USDA can award 10 priority points to projects/applicants that they deem more important than others. I would suggest that the Committee ask USDA for an update on their priority point system and its objectivity.

**RURAL BUSINESS-COOPERATIVE SERVICE**  
**Statement of Chad Parker, Acting Administrator**  
**Before the Committee on Agriculture, Nutrition and Forestry**  
**September 28, 2017**

Chairman Roberts, Ranking Member Stabenow, and Members of the Committee, thank you for the opportunity to discuss our programs at U.S. Department of Agriculture's (USDA) Rural Business-Cooperative Service (RBS).

Rural Development has consistently been the leading advocate for strengthening our Nation's rural economies through increasing access to capital in rural areas, expanding the bioeconomy, including supporting opportunities for biofuels and renewable energy.

RBS programs and services, in partnership with other public and private sector funding, are at the forefront of improving the lives of rural America. Our programs not only promote rural business employment opportunities, they keep jobs in rural America and help rural economies compete in the global marketplace. To date in fiscal year (FY) 2017, RBS has successfully delivered approximately \$1.71 billion in funding to rural America that helped 12,500 businesses create or save an estimated 55,000 jobs. Our path forward is to focus on our ability to efficiently and responsibly provide government services that meet the needs of our constituents.

RBS remains committed to revitalizing rural communities by expanding economic opportunities, creating jobs, improving rural infrastructure, and expanding markets for existing rural businesses in order to ensure a vibrant economy. RBS administers numerous direct loan, guaranteed loan, and grant programs that not only directly make capital available, but more importantly attract investment capital to rural areas that might otherwise not see such investments. In addition, we

have been successful in increasing rural access to capital through our partnerships with other Federal agencies to leverage our resources.

RBS continues to be a leader in helping ensure America's energy independence and security, promoting the creation and expansion of renewable energy projects and jobs in rural areas. RBS currently administers a suite of programs that promote a more sustainable energy future through investments in renewable energy and energy efficiency.

The Rural Energy for America Program (REAP) is our most competitive renewable energy program. REAP promotes energy efficiency and renewable energy development for agricultural producers and rural small businesses through grants for energy audits and renewable energy development assistance and financial assistance for energy efficiency improvements and renewable energy systems projects. For FY 2017 alone, we are estimating that REAP will provide funding for over 1,200 projects with total project cost of over \$1 billion and leverage nearly 18 times the amount of REAP budget authority funding for the year. A recent success story is REAP financial assistance for an energy efficiency project to a family-owned grocery in a rural persistent poverty county in Kentucky. This business is an integral part of the community as it allows people, particularly low-income elderly residents, to shop locally and not have to drive to another town or county to buy groceries. The REAP assistance enabled the grocery to reduce their energy bill by 60 percent, which will enable them to recoup the expense in a little over 4 years.

Cooperatives are an important business model and the cornerstone for business development in some rural communities. They provide rural residents with job opportunities, enhanced educational and healthcare services, and products that enable them to compete in the global economy. Opportunities are created locally and revenues are maintained and re-circulated locally. The Cooperative Service's largest and most popular program, is the Value-Added Producer Grant Program.

The Value-Added Producer Grant program provides grants to agricultural cooperatives and producers. The grant funds may be used for planning activities and for working capital for

marketing value-added agricultural products and for farm-based renewable energy, enabling American producers to compete in the global economy. For example, a pecan producer in Georgia received a planning grant to conduct market research in three major Chinese cities and develop a feasibility study for marketing its new roasted pecan snack in high-end supermarkets in China. Subsequently, the producer received a working capital grant to support production and marketing of this product to Chinese consumers.

**Conclusion**

Thank you for your time, Mr. Chairman and members of the Subcommittee. The Rural Business-Cooperative Service is committed to promoting economic prosperity in rural communities through improved access to capital and economic development on a regional scale. As we move forward into the new fiscal year, we continue to examine our operations and look for opportunities to create efficiencies and seek opportunities to target and leverage resources for the greatest impact. I am available to provide any additional information as requested.



TESTIMONY OF ELMER RONNEBAUM  
 GENERAL MANAGER, KANSAS RURAL WATER ASSOCIATION  
 ON BEHALF OF THE NATIONAL RURAL WATER ASSOCIATION  
 BEFORE THE U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION & FORESTRY  
 HEARING ON RURAL DEVELOPMENT AND ENERGY  
 SEPTEMBER 28, 2017

Chairman Roberts, Ranking Member Stabenow, and Members of the Committee, my name is Elmer Ronnebaum and I am also the General Manager of the Kansas Rural Water Association. I appreciate this opportunity to comment today on behalf of the Kansas Association and also the other affiliate state rural water associations of the National Rural Water Association. My experience with "rural water" goes back to the early 1970's when I served on the steering committee and volunteer board of directors as we organized and developed Nemaha County Rural Water District No. 3 – a large regional water supply district in northeast Kansas. The project was funded by the Farmers Home Administration. Over the following years, that water system expanded and it spawned the construction of many new homes, businesses and other essential community facilities while improving the lives and livelihoods of local farmers because it provided a supply of drinking water where there previously was only water of marginal quantity and safety. Subsequently, that project obtained additional USDA funding to expand its well water source as an additional supply was necessary to provide for the customers that today number about 1,100 rural residents and farmsteads. Additionally, the project provides for the total water supply of several small cities and has emergency interconnections to several others.

So, with that first-hand experience, I am here to ask for your continued support for the USDA rural water program that enabled our rural water district to install its original water system and the program that today continues to provide the funding to enable rural and small communities to extend water and sewer service to under-served areas and to make improvements to sustain a standard of living in rural America. That program is the USDA Rural Development Water and Wastewater Loan and Grant Program.

The USDA Water and Wastewater program addresses the funding needs of small and rural communities. The National Rural Water Association (NRWA) is a water utility association with more than 31,000 community members. Our member communities have the very important public responsibility of supplying the public with safe drinking water and sanitation and of complying with all

applicable regulations every day. Most public water supplies in the United States are small; 92% of the country's 51,651 drinking water supplies serve communities with fewer than 10,000 persons, and 80% of the country's 16,255 wastewater supplies serve fewer than 10,000 persons. In Kansas, the national trend continues as presently 786 of the 855 community water systems in the state serve a population of fewer than 3,000.

The issue of affordability of drinking water is a major concern in Kansas and across the U.S. The USDA Rural Development program is critical to addressing that effort. Many public water and wastewater systems are being mandated to make improvements in order to comply with ever-increasing requirements of the federal Safe Drinking Water Act and Clean Water Act. The USDA program helps citizens have more affordable rates because of the provision for longer term loans and grant funding than the EPA-funded state revolving loan funds or commercial credit can offer.

The USDA Water and Waste Water Loan and Grant program is the only federal entity that puts rural Americans first – 100% of USDA Water and Waste loans are awarded to rural and small communities that presently only serve communities under 10,000 population.

The water loans and grants are allocated to each state based on percentage of rural population, percentage of rural unemployment and percentage of rural poverty to target funding to communities of need and reduce the financial burden on the lower-income residents. There is also a "credit elsewhere" requirement ensuring the utility cannot afford commercial credit at the prevailing rates and terms. The EPA SRFs have no such requirement and do not prioritize funding to communities with the greatest need based on economics, health and environmental protection.

To put the value of the USDA loans in perspective, I recently prepared an evaluation of the costs of a new water system in central Kansas that involved the consolidation of the sources of three smaller systems – two cities and a small rural water district. Strong City, Kansas joined with the city of Cottonwood Falls and Rural Water District No. 1 in Chase County to create Public Wholesale District No. 26. As for the improvements in Strong City, had there been no funding through the USDA Rural Development or the \$1.5 million grant the project received through the Community Development Block Grant program, the water rates would not have been affordable.

In the case of Strong City, in spite of the city receiving a \$738,000 USDA Rural Development Grant and a \$500,000 CDBG grant, the city incurred a loan of \$650,000 from USDA Rural Development. Without USDA Rural Development and CDBG funding, Strong City would have had to finance \$1,888,770. Assuming a 20-year financing at 3.15%, the monthly debt service would be \$10,617. For 250 customers, this would require a monthly charge of \$42.50 for water compared to the current rate of \$17.40. The present water use charge is \$7.57 per 1,000 gal. The monthly cost to customers is currently \$55.25 for 5,000 gallons.

The city's new water supplier, Public Wholesale District No. 26, received grants and loans from USDA totaling \$6,388,000. Amortization of \$6,388,000 for 20 years at 3.15% would require a monthly payment of \$35,909. The current amount borrowed from USDA is \$2,614,000 which for a 40-year

payout will require a monthly payment of \$8,985. Based on these numbers, the wholesale cost for water for Strong City would need to increase about four (4) times from the current rate of \$5.29 per 1,000 gallons to approximately \$21.16 per 1,000 gallons.

With no grant funding assistance and based on a 20-year loan at 3.15% for both the wholesale district and the city, Strong City would have to impose an additional charge above the \$21.16 per thousand, estimated to be near \$25 per thousand. Assuming \$25 per thousand, the customer charge for 5,000 gallons would total \$167.50.

The average daily water use at Strong City is about 48,000 gallons. At the current rate of \$5.29 per thousand gallons, the cost is \$253.92 per day on average or \$92,680 per year. Total cost over the 40-year term is \$3,707,232. With no funding assistance, the city would need to pay the wholesale district at least \$21.16 per thousand making the cost \$1,015 per day, or \$370,475 per year. The total cost over the 20-year amortization period would be \$7,409,500. Clearly, the project would not have been affordable without USDA and CDBG.

In summary, the USDA Rural Development Loan and Grant funding for water and wastewater systems is critical in maintaining affordability of user rates in many communities in rural areas and small towns in America. Since fiscal year 1940, USDA's Water Program has made 96,724 loans and grants totaling \$54.6 billion. In Kansas, Kansas USDA made 16 loans in FY '17 for \$46,094,000 or 331% of the state's allocation and six grants for \$3,549,100 or 80% of the state's allocation. The agency also funded two ECWAG (emergency) grants for a \$999,000 total. The agency also funded seven SEARCH/PPG grants (pre-development grants for engineering and environmental reviews) for a total of \$131,000. Kansas USDA presently has 25 applications on hand for approximately \$61,000,000 which is 436% of the state's allocation and for 13 grants of approximately \$9,000,000 or 202% of the allocation based off of FY '17 allocations. That level of applications indicates the interest in making improvements or expansions by systems to under-served areas.

Strictly relying on commercial credit including the State Revolving Loan programs which are capitalized by the Environmental Protection Agency, CoBank or other commercial credit will not meet the affordability requirements for thousands of lower-income communities that simply cannot afford the debt service at the prevailing rates and terms.

We compliment the agency for moving the application for funding to an online process. It's referred to as "RD Apply" and it has proven to be very beneficial for increased customer service and oversight for the Agency.

I have also provided comments and recommendations for the Committee's consideration when developing the 2018 Farm Bill on the following pages of my testimony.

Thank you, Chairman Roberts, Ranking member Stabenow and Members of the Committee for allowing me to testify. I would be happy to answer any questions that you may have at this time.

The following are comments and suggestions on behalf of the National Rural Water Association for consideration as the Committee develops the 2018 Farm Bill:

**1) Reauthorize and modify the Circuit Rider Program (7 U.S.C. 1926(a)(22))**

Change requested: NRWA requests the Committee increase the annual funding ceiling from \$20 million to \$25 million necessary to address the increasing cost of service with travel, salary and benefit costs. An additional factor is providing assistance to rural communities that are impacted with the increasing number of retiring water and waste water operators.

Since 1980, Circuit Riders have provided on-site technical assistance to small rural communities for water infrastructure development, compliance, training, certification, operations, management, rate studies, disaster response, public health protection – all necessary to encourage local responsibility and local solutions for protecting and enhancing water resources. This mission is simple. It's grassroots on the ground assistance to communities. Currently there are 117 Circuit Riders throughout the nation. Hawaii and Alaska receive a higher allocation (almost double) to cover increased travel related costs. The work performed far exceeds contract requirements.

The Circuit Riders also perform disaster assistance in every state and are presently working in response to Hurricanes Irma and Harvey. In Florida alone, Hurricane Irma affected over 90% of the drinking water and wastewater facilities. The Florida Rural Water Association (FRWA) has deployed their staff to operate generators and bypass pumps necessary to restore essential water and waste water service. Prior to the storm, the larger generators were loaded on semi-trailers and were ready to roll out as soon as the storm passed. FRWA staff is working around the clock delivering these assets.

The Kansas Association staff provided assistance to restore water and wastewater services following disasters such as the tornadoes at Greensburg, Hoisington and Chapman. This past year, when fire destroyed the all the chlorination equipment in Norton's water system, the city called KRWA for help. At the small town of Speed, it was a KRWA Circuit Rider who worked with the part-time city operator to disinfect the well and restore the electrical system when their only well flooded last spring.

Nationally, the 117 full-time employees serve all 50 states and territories. Personnel turnover within this program is very rare. Currently 85, or 72% of the 117 employees have more than 20 years of experience, 23 or 20%, have more than ten years of experience and only 9 or 8%, have less than 10 years of experience. This experience and longevity to the overall mission reaps rewards in additional cost savings provided to the communities served. With this seasoned experienced staff, salary and benefit costs are higher.

**2) Reauthorize and modify Revolving Loan - (7 U.S.C. 1926(a)(2)(B))**

Change requested: NRWA requests the loan ceiling be increased to \$200,000 from the current ceiling of \$100,000 in order to address more needs while not competing with RUS loan activity.



This program was created under the Reagan Administration and was designed to provide affordable financing for smaller loans through non-profits that have experience in the industry and with the Rural Utility Service borrowers. All administrative costs are absorbed to deliver the program. The application is streamlined with a 2-page loan application that is generally processed within one week. There has never been a default and all loans are current.

**3) Increase population limit for the Rural Development Water and Waste Disposal Loan programs**

Change requested: NRWA requests an increase to the current population ceiling for the Direct Loan Program from 10,000 to 20,000 (not the grant program) and the Guaranteed Loan Program to 50,000 population.

The present cap of 10,000 will not help many rural communities between 10,000 and 20,000 population that lack affordable financing options for their water and waste water systems. The EPA funding tends to flow to larger cities and communities. Of the 50,366 community water suppliers in the nation today, only 1,838 fall between 10,000 and 20,000 population limits.

National Rural Water asks that the Committee considers providing the Secretary the authority to increase the eligible population limit for the Direct Loan Program (not grant) to 20,000 population and limit this authority to areas that are rural in character, experience economic hardship, provide a demonstrated need for financial assistance, and can demonstrate they cannot afford commercial credit at the prevailing rates and terms.

**4) 1926b protection**

Change requested: NRWA requests reauthorization with no additional changes to this provision. This protection needs to remain in place to ensure the rural water system's service area is protected. In Kansas we have worked with the state legislature to draft laws that further help to ensure that the rural system and any neighboring system deal with each other in good faith by creating territorial service agreements.

**5) Waste Water Technical assistance program**

Change Requested: NRWA requests reauthorization with no additional changes. This program provides a service to local wastewater systems that is unmatched and unavailable by any other service provider. It deals with problems concerning operations, maintenance, emergency conditions such as lift station failures, sewer backups, measurement of sludge in lagoons and many other issues associated with the operation of a wastewater utility.

**6) Strategic Economic Community Development (SECD) provision in the last farm bill**

Change requested: Remove Rural Water or Waste Water Technical Assistance and Training Grants provided under Section 306(a)(14).

This is a provision that allows Rural Development to set-aside up to 10% of the national allocation for specific Rural Development programs to fund projects that have multi-jurisdictional plans in support of the projects requesting funding. The program does not provide additional funds but provides higher priority from available funding within the SECD resources held by the National Office on a first-come first-served basis. Any of the SECD funds not used by June 30th of each year revert back to regular loan or grant funds (SECD is both Loan and Grant). One concern is the impact on the annual allocation to the states if funding levels remains the same or are reduced for the specific programs included within this set-aside.

There is no incentive for using the funds (like lower interest rate or more grant funding). An additional concern is the fact that the Rural Water and Waste Water Technical Assistance and Training Grant is included in this set-aside. Since inception, this program has been competitively awarded by USDA to perform on site assistance on a national level. Removing 10% from the annual funding without increases in the annual appropriation will have a direct negative impact on providing uninterrupted services to all 50 states.

An advantage of this set-aside is the fact that some regionalization and consolidation efforts have a higher total cost than the average application and may be at a funding disadvantage within the state allocation or national pool competition.

#### **7) Community Facilities**

Change requested: NRWA requests reauthorization with no additional changes.

USDA's program for Community Facilities are supported by NRWA. The program is highly utilized. In FY '17, Kansas funded 30 projects for \$20 million in loans and only \$280,000 in grants. The state has more than \$100 million in applications.

## Testimony before the Senate Agriculture Committee

Dr. Brent Shanks

Director, NSF Engineering Research Center of Biorenewable Chemicals

Anson Marston Distinguished Professor in Engineering

Iowa State University

Thank you for the opportunity to testify this morning on Title IX of the 2018 Farm Bill. My name is Dr. Brent Shanks and I am Director of the National Science Foundation Engineering Research Center for Biorenewable Chemicals led out of Iowa State University. Given the focus of our center, I am pleased to share the insights we have developed through our interactions with many companies in the renewable chemicals, biobased products and advanced biofuels sectors.

An important objective of Title IX within the Farm Security and Rural Investment Act is to support the development of advanced biofuels production from biomass. It is envisioned that this objective will be achieved through the development and commercialization of biorefineries, which could co-produce advanced biofuels and renewable chemicals and/or biobased products. Ultimately, the creation of functioning biorefineries will only occur with a required confluence of effective technologies, market viability of the products and requisite capital and supply chain infrastructure. These three areas are thoughtfully covered through several sections in Title IX. Technology development is addressed through actions authorized in Sections 9003, 9005, and 9008, market viability in Section 9002, and infrastructure in Sections 9003, 9009, 9010 and 9011. The authorized activities in the Farm Bill are completely consistent with the goal of advanced biofuel production from biomass.

There are two high-level overarching challenges to the advanced biofuel goal relative to the three key areas of technology, market and infrastructure. First, significant advancements are still required in all key areas to create viable biorefineries, which is acknowledged by having authorized actions in the Farm Bill for each. The second major challenge is that a viable advanced biofuel biorefinery will only be possible when all three areas simultaneously meet critical hurdles. For example, technology needs considerable research and development investments to de-risk before becoming commercially viable and the solutions that create a viable biorefinery when the market price is set by crude oil at \$80/barrel might not be viable solutions at \$50/barrel. Similarly, capital infrastructure costs for a brand new production facility might be too high even if a technological solution exists. This need for a coupled confluence of the three key areas creates a moving target and additionally leads to higher risk for successful implementation of advanced biofuel production.

The current federal strategy for advanced biofuels could be enhanced by some further decoupling of the risks between technology, market and infrastructure inherent in completely new biorefineries. This approach would allow for progress to be made towards the overall goal while having important intermediate successes along the way. What could this decoupling look like in each of the key areas?

**Technology development:** In the previous two Farm Bills, there has been increased discussion of the importance of incorporating renewable chemicals and biobased products for advanced biofuels production in a way that is analogous to fuels and petrochemicals production in crude oil refineries. The articulation of this connectivity has largely been positioned around viewing the higher value renewable chemicals and biobased products as “subsidizing” lower value advanced biofuel production through utilization of byproduct streams in a biorefinery. While achieving such a strategy would be a wonderful outcome, it actually increases the amount of overall technological risk because both advanced biofuel and renewable chemical technology would need to be developed in concert with one another. An alternative would be to also consider technology development with a near term focus on renewable chemicals that could be leveraged to technological needs for advanced biofuels. One example of this would be the development of new biotechnology tools that are first applied to renewable chemical production but are subsequently applicable to advanced biofuels. Another example would be targeting the production of an intermediate molecule that could be first converted to higher value renewable chemicals and through further technological advances could also be viably converted to advanced biofuels. In each of these scenarios, the initial technological success would be the production of a renewable chemical as a first target with the advantage that it would also continue down and enable the technological path towards advanced biofuels.

**Market viability:** Market viability is most strongly correlated to the price of crude oil and natural gas. While market acceptance of a biomass-derived product (renewable chemical or biobased product) as a replacement for a crude oil or natural gas-derived product is also important, market acceptance is well addressed by the BioPreferred program. Therefore, the remaining market viability risk mitigation needs to address the uncertainty of crude oil and natural gas pricing, which would require biomass-derived products to have valuations that are less tightly correlated to this pricing. The best market-based approach for diminishing the correlation is to have biomass-derived products that are different from petrochemicals and that impart improved performance attributes in their use. It is not coincidental that renewable chemicals moving forward in the commercial market are ones that bring enhanced properties in the final products, e.g., 1,3-propanediol in carpets and furan dicarboxylic methyl ester in plastic bottles.

**Infrastructure:** A crucial attribute in producing fuels and chemicals is the large capital infrastructure that is required for their manufacture. The capital infrastructure issue becomes an enormous challenge and risk for new biorefineries that are targeting novel process technologies for producing both advanced biofuels and renewable chemicals. Commercially, risk mitigation for biomass processing infrastructure can best be accomplished by adding on limited new equipment to an existing agricultural or wood processing facility or by co-locating the new manufacturing process next to (“across the fence” from) such an existing facility. This strategy is already happening in the industry. The State of Iowa recently passed a Renewable Chemicals Production Tax Credit, which is only available for new production. All of the companies that have begun the process of qualifying for that credit are adding capital infrastructure in or next to an existing processing facility. This incremental capital investment is important as it will allow for demonstration of new process technology and will help develop new markets for renewable

chemicals. Both of these outcomes are important steps for ultimately moving towards viable biorefineries.

There is no question that viable biorefineries would have significant positive impact on farm security and rural investment and as such are a worthy vision of the future. The crucial point is how to navigate from where we are today to that desirable future. As currently constructed, Title IX primarily emphasizes making simultaneous progress on technology, markets and infrastructure specifically directed towards these envisioned biorefineries, which means success can only be defined as achieving the final goal. I think there are opportunities for farm security and rural investment successes along the path to this vision that can be realized by allowing for some decoupling of biorefinery technological, market and infrastructure risk. Development of renewable chemicals represents an excellent opportunity to create earlier successes that will ultimately help to enable biorefineries.

The U.S. chemical market of >\$200 billion/yr is only slightly smaller than the U.S. fuel market, so renewable chemicals have a large potential market. Importantly, companies using these chemicals continue to be interested in new types of chemicals that can provide improved properties. In the nearer term with low crude oil and natural gas prices, the best opportunity for renewable chemicals is their potential to create novel chemicals, which can be used to produce next-generation consumer goods, materials, nutraceuticals, antimicrobials, insecticides, herbicides, specialty chemicals, plastics, etc. These next-generation products, while enabling important societal benefits with their improved properties, would also create positive impact on the U.S. economy. By developing renewable chemicals with an eye towards facilitating biorefineries, it will be possible to have clear successes on the path to the ultimate goal of advanced biofuel production from biomass. It is my opinion that renewable chemicals should not be treated as an ancillary objective in biorefineries, but instead should be viewed as a crucial part of the pathway to biorefineries of the future.

**Testimony of Chris Stephens**  
**President and CEO, Coweta-Fayette Electric Membership Corporation**  
**Senate Committee on Agriculture, Nutrition and Forestry**  
**Rural Development and Energy Programs: Perspectives for the 2018 Farm Bill**  
**September 28, 2017**  
**Washington, DC**

Thank you, Chairman Roberts and Ranking Member Stabenow, for inviting me to testify. It's an honor to be here today to help lay the groundwork for the next Farm Bill.

My name is Chris Stephens. I am the President and CEO of Coweta-Fayette Electric Membership Corporation (EMC) – a not-for-profit cooperative providing electricity to nearly 70,000 member-owners. We operate over 6000 miles of line and employ 200 people southwest of Atlanta, Georgia. In addition to my own co-op, I'm here representing the National Rural Electric Cooperative Association.

Electric cooperatives, unlike investor owned utilities, are owned by the people they serve. We serve some of the poorest, most rural parts of our country with an average of just 10 customers per mile of line compared to IOUs with 34 customers per mile. But despite those challenges, we are doing some truly innovative work to improve the quality of life for our members. While our first priority is to deliver safe, reliable, clean, affordable electricity to our members, we have a calling to be more than just poles, wires, and electrons companies. Our broader purpose is to provide the services and support that empower our communities to thrive. Rural electric cooperatives are much more than just electric utilities. We are the engines that drive economic opportunity across the heartland and to rural areas everywhere. I am proud of the role we play in these communities.

Rural areas still grow most of the food, generate much of the power, and manufacture many of the goods that this country consumes. When rural areas suffer, the country as a whole suffers. That's why the Farm Bill should be of interest to all Members of Congress, no matter what type of district you represent.

Among our biggest challenges going forward are adapting to changes in consumer demand, accommodating an evolving generation mix, and protecting against cyber threats. The Farm Bill contains essential tools co-ops use to modernize and meet those needs. These are our priorities:

**Rural Electrification Act** – In the early 1900's, as urban areas began to electrify, rural areas lagged behind. Eventually, farmers and ranchers in remote areas took the initiative to form electric cooperatives and did the work themselves. As a Georgian, I have to note that it was at Warm Springs, in my home state, that President Franklin Roosevelt saw firsthand the access and cost challenges faced by rural Georgians and recognized the importance of establishing a federal program with a mission to bring electricity to rural America. That's why, on May 11, 1935, he signed an executive order creating the Rural Electrification Administration and supported subsequent legislation to establish a framework that ultimately led to electric cooperatives forming across the nation. When existing investor-owned utilities

would not put capital at risk to build infrastructure to serve sparsely populated areas - even with access to REA's below-market capital at the time - not-for-profit electric cooperatives emerged to leverage REA's affordable credit to fill the void, and the rest, as they say, is history.

In the past 80 years, a lot has changed, but the same fundamental challenge still exists – how to affordably connect those few customers in high cost rural areas. What was then called the Rural Electrification Administration is now the Rural Utilities Service and it's as relevant today as it was back then. REA and RUS loans have helped build, expand, and improve the infrastructure across rural America necessary to deliver power, clean water, and other necessities. It has been the most successful public-private infrastructure investment program in the history of the country.

RUS loans help electric co-ops reduce costs and improve reliability for our members by financing basic maintenance like replacing poles and wires. But it also helps us fund projects to make our systems more modern, efficient, and secure.

RUS depends on a yearly appropriation from the Agriculture Appropriations bill. This year, we are grateful to Senator Heitkamp and Senator Inhofe for leading a bipartisan letter with dozen signatures to appropriators advocating for robust RUS funding. Part of our support comes from the fact that we are such a good investment for the federal government. The President's Budget request for 2017 estimated that the federal government could realize up to \$300 million in net interest and fees from RUS loans. We thank you for your past support of RUS, and ask that you please continue to provide that support.

We also ask that you support policies that allow us to use RUS loans to address a broad set of co-op needs - whether for generation, transmission and distribution of baseload power, integration of renewables, making environmental upgrades to existing generation, or adopting new technologies that make the grid "smarter."

Just as the times have changed and the needs of rural America have changed, so too has the RUS loan program. We have appreciated working with the Committee over the years to help make the program more streamlined and efficient, and we look forward to exploring new ways to continue to improve the program. Modernizing the RUS loan program is good for borrowers and taxpayers. The RUS annually reviews and approves billions of dollars of loans, and finding ways to more efficiently process those loans reduces burdens on taxpayers while meeting borrowers' needs more quickly as well.

In short, the Rural Electrification Act remains an essential tool for basic electrification, deploying modern technologies, creating jobs, improving quality of life, and promoting overall prosperity in rural America. As you work on the Farm Bill, we urge the Committee to oppose harmful amendments to this landmark legislation while making a few important improvements that are designed to enhance service to rural America.

**Broadband** – A reliable, modern grid depends on robust communications infrastructure just as much as it does on traditional generation and distribution assets. Coweta-Fayette is currently undertaking a feasibility study to determine how we might use broadband to better connect our grid to defend against

cyber-attack, improve efficiency and save our customers money. It is imperative that RUS continue to provide financing for integrating Smart Grid technologies.

Additionally, some electric cooperatives are developing projects to provide residential broadband services to consumers in un-served areas of the country. We encourage the Committee to authorize significant, additional funding for loans and grants, available to all viable providers, to incentivize the further deployment of broadband in rural America. While we are not a silver bullet, we are invested in these communities and want to see them succeed. Whether for electric cooperatives' own business operations or for residential and economically necessary connectivity, communications infrastructure will be critical to that success.

**Rural Economic Development Loan and Grant (REDLG) Program** – Under the REDLG program, proceeds to the federal government from Rural Utilities Service (RUS) loans are used to finance economic development projects in rural communities. In the last two decades, electric cooperatives around the country have partnered with community stakeholders on hundreds of these projects to construct essential infrastructure, renovate hospitals, build libraries, and expand businesses, among other things. Importantly, no REDLG loan has ever suffered a default. Unfortunately, dedicated funding streams for REDLG have been tapped to pay for other programs and a current funding source will also be lost after 2021.

Since 2009, Georgia co-ops have conducted around \$10 million in REDL&G projects. Included among those projects are the renovation of a hospital and the construction of a new cattle feed operation to support local agribusiness. We believe the REDL&G program is a valuable tool in offsetting population flight and job losses in rural Georgia and around the country. We urge the Committee to work with us to ensure ample funding for REDLG throughout the next Farm Bill and beyond.

**Guaranteed Underwriter Program** – The Rural Utilities Service (RUS) guarantees some loans made by qualifying third-party lenders. This provides important, additional options for financing the essential work done by electric cooperatives. Coweta-Fayette has used one of those cooperative banks, the National Rural Utilities Cooperative Financing Corporation (CFC), for significant funding to fill a portion of the capital gap between the amount of RUS loans and our actual needs. We urge the Committee to reauthorize the guaranteed underwriter program with some modest streamlining.

**Innovation and Energy Efficiency** – Because we do not have a profit motive, part of the cooperative advantage is having a unique opportunity to help our consumers use less energy and save money. For years, electric co-ops across the country have provided information and advice to consumers to help them use electricity more efficiently and cost-effectively. The Rural Energy for America Program (REAP) and the Rural Energy Savings Program (RESP) are among the USDA programs that cooperatives use to finance investments in energy efficiency, construct new renewable energy generation sources, and deploy other innovative technologies that modernize the grid and save our members money. We urge



the Committee to reauthorize these programs to ensure that electric co-ops are poised to meet the evolving demands of our member-owners.

*Green Power EMC*

Coweta-Fayette is a founding member of Green Power EMC, a cooperative of Georgia EMCs that provides power to our member-owners from green sources such as low-impact hydroelectric plants, biomass, landfill gas, and solar. At the end of last year, Green Power EMC projects were generating 272 megawatts of electricity, enough to power more than 200,000 homes in Georgia each year. This summer Green Power EMC committed to adding an additional 200 megawatts to its renewable portfolio by 2020.

*SunPower for Schools*

SunPower for Schools is an award winning, best in-class solar learning laboratory for students in EMC service areas across the state. Developed in 2005 in partnership with its member EMCs, including Coweta-Fayette, the Sun Power for Schools program provides participating schools with on-site solar panels and the software necessary to study the conversion into electricity of energy produced by the sun. SunPower for Schools is the largest solar education program in Georgia. To date, Green Power EMC has installed grid-tied solar arrays and monitoring equipment at more than 40 middle and high schools within EMC territories across the state.

*HomePlus Energy Efficiency Loan*

The Rural Energy Savings Program Act included in the last Farm Bill was modeled in part on programs like the Home Plus Energy Efficiency Loan Program at Coweta-Fayette EMC. This is a unique program that allows co-op homeowners to finance energy efficiency upgrades in their homes then pay back those loans on their monthly electric service bills. The energy efficiency gains often offset the monthly loan payments, resulting in net savings for the customer. Also, since the co-op is involved in the entire process, the member has a trusted advisor for energy efficiency upgrades to their home.

**Rural Community and Economic Development** – The health of our whole country is dependent on a healthy rural America. Rural America grows most of the food, generates much of the power, and manufactures many of the goods that this country consumes. USDA's office of Rural Development operates many different programs that provide fundamental assistance to those rural communities. We urge the Committee to maintain a strong rural development title of the Farm Bill to reaffirm the importance of these programs.

Coweta-Fayette EMC not only believes in maintaining and growing an electric infrastructure that will sustain our growing communities, we also believe in ensuring the needs of the communities and our future members are met. Not only do we participate in school programs that emphasize safety, we also grow leadership skills through our participation in the NRECA Youth Tour program. The information learned here helps develop future community leaders. Several Georgia EMCS participate in Operation

Round Up. At CTEMC, our program donates more than \$250,000 each year to various individuals and organizations. Since CFEMCs Operation Round Up's inception in 1993, the program has funded over \$3.6M to individuals and local charities like Habitat for Humanity and local fire departments who use the funds for lifesaving equipment. The program has also awarded over \$1.1M for educational purposes including scholarships and classroom grants.

#### **Plant Vogtle**

While not expressly in the purview of this committee, please allow me to bring to your attention the opportunities and challenges we're facing at Plant Vogtle. Plant Vogtle is large-scale nuclear power plant currently providing power to millions of homes and businesses in Georgia. Oglethorpe Power Corporation, the not-for-profit generation cooperative in Georgia, has a large ownership stake in the plant.

Currently, construction is underway to add two new reactors at Plant Vogtle. However, the unforeseen bankruptcy of the general contractor has put the project in jeopardy. The plant's successful completion is critical for EMCs in Georgia to provide emission free, reliable and affordable energy to rural consumers for the next 60-80 years. Building the plant also protects the United States as a leader in advanced nuclear technology, while China and Russia are steadily increasing nuclear capacity.

Congress can help the situation by modifying current production tax credits (PTCs) established by the Energy Policy Act of 2005 for advanced nuclear power plants. Current law limits the PTC to the first 6,000 MW of new capacity placed in service by 2020. Plant Vogtle Units 3 and 4 are now scheduled to be in service by 2021 and 2022, respectively.

Additionally, current law creates inequities among nuclear project participants, allowing Investor Owned Utilities (IOUs) to utilize tax credits, while co-ops and municipal utilities with significant investments are not able to realize cost savings in the same manner. While the Treasury Department allocates PTCs to all partners on a pro-rata ownership basis, the not-for-profit cooperative and municipal entities cannot utilize the credits because they are exempt from federal income taxes.

Rep. Tom Rice (R-SC) introduced legislation (H.R. 1551) to modify the current Nuclear Production Tax Credit to treat not-for-profit nuclear project co-owners fairly by allowing them to monetize their allocated tax credits to provide an incentive comparable to their for-profit partners. It also removes the 2020 placed-in-service date, while maintaining the limit on the use of the PTC to the first 6,000 MW of new advanced nuclear generation.

H.R. 1551 will substantially reduce the cost of nuclear energy for the rural rate payers of electric cooperatives. I urge the Senate to take up and pass H.R. 1551 so the state of Georgia can finish the only advanced nuclear reactors being built in the United States.

**Conclusion**

I can't conclude without a word about Hurricane Irma. With some sources reporting an estimated 16 million people without power, this may have been the single largest number of outages caused by a weather event in U.S. history. It certainly was the highest volume and most geographically widespread electrical outage caused by a single weather event in Georgia history. At the height of the storm Georgia EMCs reported approximately 550,000 outages. Two thousand poles were damaged and thousands of trees downed. And some of our EMCs reported damage to 90% of their service territories.

Hurricane Irma was a historic storm that required a historic response. I'm so grateful and proud for the aid from many of the states that you represent. More than 4500 linemen participated in the restoration effort, with more than 1500 linemen and right of way personnel travelling to assist from 18 other states as far north as Pennsylvania and as far west as Texas and Oklahoma. As a result, 99% of EMC outages were restored within 5 days of the outage peak and full restoration was complete within 7 days. I think the quality of this response is a testament to the power of the cooperative spirit and some of the best evidence (at the worst of times) of how vital electric cooperatives are to the communities they serve.

We are a healthy nation because we have vibrant, bustling urban cities AND because we have verdant, productive rural areas. Unfortunately, whether it's infrastructure or jobs or access to health care, it seems that too often rural America gets the short end of the stick. The Farm Bill is important legislation that helps to address some of those disparities.

Electric Cooperatives enjoy a productive partnership with the federal government and with the communities we serve to promote the health of rural America. We look forward to continuing to work with you toward that important goal. I'm happy to answer any of your questions.



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**QUESTIONS AND ANSWERS**

SEPTEMBER 28, 2018

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**Senate Committee on Agriculture, Nutrition, & Forestry**  
Rural Development and Energy Programs: Perspectives for the 2018 Farm Bill  
Thursday, September 28, 2017  
Questions for the Record  
**Ms. Aleta Botts**

**Ranking Member Debbie Stabenow**

- 1) Having worked with federal, state and local governments in Kentucky, can you describe the process of developing an economic development strategy for regions? What were some of the challenges you face? And conversely, have you identified any unexpected opportunities for economic development?

Botts: In Kentucky, stakeholders have come together to develop regional strategies for different sectors. This process is time-consuming, involving many meetings and discussions to gather the collective experience brought to the table and then generate a written document that can be used to communicate a unified vision within the group and then externally to funders and other resource-providers.

Challenges during this process include a lack of time and resources by key stakeholders to devote to such strategic development. These key stakeholders are key because they are already actively engaged in the region and working on important projects currently, so they have to find the time to devote to the strategic planning process and that process ultimately must be robust and worthwhile enough to justify that allocation of resources. Sometimes it is, sometimes it is not.

The process can result in unexpected opportunities when organizations become cognizant of new ways to partner with one another to achieve greater outcomes than when they operate separately. Whether that needs to occur via a strategic planning process or simply through a concerted effort to bring stakeholders together in a room to share current initiatives and current challenges is an open question.

**Senator Patrick Leahy**

- 1) In your testimony you mentioned how the Kentucky Center for Agriculture and Rural Development (KCARD) has a unique expertise in working with the Value Added Producer Grant (VAPG) program and that you have seen amazing things from these programs.

At a time when our farm families are facing real problems with lower commodity and wholesale prices, do you agree that the Value Added Producer Grant program can be a real solution to help our struggling farmers to create new businesses and marketing plans to help make their operations more profitable and sustainable in the future?

Botts: The Value Added Producer Grant program definitely offers real opportunities for producers interested in developing new enterprises and in finding new ways to diversify and increase profit for their business. A challenge for the program to help struggling farming operations, however, is that a farming operation that is struggling often lacks sufficient equity to be able to invest in a new value-added venture in a way that will allow that venture to succeed. While the VAPG program helps in that regard by allowing in-kind match, it is important to ensure that the business is projected to grow to a level that will allow it to succeed despite what may be a lower than advised level of capitalization at its launch.

**Senator Kirsten Gillibrand**

- 1) Rural economies are inherently regional in scope, connecting small towns and cities through regional food markets, energy distribution systems, and production and service supply chains. How effectively do current rural development programs reflect this reality and support regional economic development approaches? What else should the Committee consider to support multi-jurisdictional, regional economic development through programs like Section 6025 in the last Farm Bill or in other ways?

Botts: Many current rural development programs are inherently designed to encourage this regional cooperation and collaboration, by allocating points for that aspect and by ensuring that commitments are in place for projects to have the supporting infrastructure in place to succeed.

Such collaboration should continue to be encouraged through rural development programs. However, it is important to retain the core definition of "rural" as an eligibility criterion in the programs where it exists currently since many of these programs are oversubscribed as it is.

Recognition of regional economies and encouragement of collaboration must not lead to a siphoning off of resources away from our most rural, remote, and persistent poverty areas given that those areas are the most in need of such resources. Instead, rural development can help the furthering of regional economies by acutely focusing on those areas and how they engage in the region. Keep the rural area at the forefront of any regional discussion regarding deployment of rural development resources.

- 2) Many rural development programs provide loans rather than grants that may not be enough to tackle significant projects in low-income communities. Does the current mix of loans and grants work effectively to help these communities? Could some rural communities benefit from more technical assistance to plan and make strategic use of federal investments?

Botts: Projects can only take on loans when they are able to demonstrate that funds will be available to service that loan. That can be accomplished through different funding streams -- increase in the property tax base, an increase in tax rate or special assessment, generation of

earned income, or the continued support from benefactors, local foundations, or civic entities. Rural areas often exhibit a smaller tax base, less disposable income, and less philanthropic support, thereby making financing a project challenging at best, and occasionally impossible. Additional grants are needed particularly in areas that are the hardest to serve because of these challenges.

With regard to technical assistance, rural communities do engage with multiple service providers to determine the best use of their limited resources. Additional technical assistance may be helpful in that regard provided that the assistance does not reduce the overall federal investment in these areas.



**Senate Committee on Agriculture, Nutrition, & Forestry**  
Rural Development and Energy Programs: Perspectives for the 2018 Farm Bill  
Thursday, September 28, 2017  
Questions for the Record  
**Mr. Richard A. Davis**

**Chairman Pat Roberts**

- 1) Could you briefly highlight a key challenge you have faced administering Rural Development programs authorized in the Farm Bill?

Response: Implementing and administering Farm Bill provisions presents challenges, as well as opportunities for Rural Development. An ongoing challenge Rural Development faces in administering Farm Bill programs is how best to streamline the delivery of services, reduce the complexity and burden to apply for assistance, and simplify administrative requirements and costs associated with program operations.

- 2) The popular community facilities program leaves the decision of what "facility" is important to that local rural area largely up to the small town or city in the application process. Is this local component an integral part of what makes this program function well for rural communities?

Response: The determination of what is an eligible essential community facility is based on statute and regulations. The applicant (non-profits, public bodies, and Indian Tribes) must demonstrate that the essential community facility is a function customarily provided by a local unit of government, is a public improvement needed for the orderly development of a rural community, does not include public affairs or commercial business undertakings and is operated on a non-profit basis. In addition, essential community facility applicants must demonstrate significant ties with the local rural community.

Significant community support and demonstrated need for the facility are critical for ensuring financial feasibility, facility sustainability, and for ensuring the services provided by the community facility continue in times of need or economic stress. This component is an integral part of what makes this program function well for rural communities.

- 3) Please provide a breakdown for each grant, loan, and loan guarantee program your mission administers to include for each of fiscal years 2013 through 2017:

- a. The number of applications received;
- b. The aggregate dollar amount of applications received;
- c. The number of applications approved / funded;
- d. The aggregate dollar amount of applications approved / funded;
- e. The "backlog" (number) of applications unfunded;
- f. The backlog (aggregate dollar amount) of applications not funded;
- g. The total discretionary and mandatory funding amounts made available to each program;
- h. The total discretionary and mandatory funding amounts obligated by each program; and
- i. The amounts of any funds left unobligated at the end of each fiscal year.

a. The number of applications received:

Response: The information is submitted for the record.  
 [The information follows:]

Fiscal Year	Section 515/MPR Direct Loans/Grants	Section 533 Housing Preservation Grants	Section 514/516 Farm Labor Housing Loans/Grants	Section 538 Guaranteed Rural Rental Housing Loans
2013	108	184	6	68
2014	50	190	29	90
2015	234	124	25	104
2016	0	129	20	109
2017	0	112	10	125

RHS, Community Facilities Program

Fiscal Year	Grants	Loans	Guaranteed Loans
2013	554	348	29
2014	867	338	23
2015	869	369	23
2016	1,037	580	36
2017	1,039	478	48

- b. The aggregate dollar amount of applications received;

Fiscal Year	Section 515/MPR Direct Loans/Grants	Section 533 Housing Preservation Grants	Section 514/516 Farm Labor Housing Loans/Grants	Section 538 Guaranteed Rural Rental Housing Loans
2013	56,410,487	11,031,849.43	8,533,763.00	99,320,546.00
2014	86,778,966	13,646,970.38	78,421,922.00	105,965,266.00
2015	183,744,733.92	7,563,726.94	64,825,722.00	141,811,567.00
2016	233,175,811.60	7,754,797.57	50,358,297.00	179,791,182.00
2017	116,182,287.62	4,890,755.51	26,687,909.00	178,283,102.00

RHS, Community Facilities Program

Fiscal Year	Grants	Loans	Guaranteed Loans
2013	20,582,240	1,110,590,838	74,594,878
2014	35,534,208	964,334,892	66,787,926
2015	67,510,905	1,653,497,690	69,240,094
2016	50,287,746	3,263,291,436	245,015,774
2017	48,452,217	2,020,268,616	247,438,763

c. The number of applications approved / funded;

Fiscal Year	Section 515/MPR Direct Loans/Grants	Section 533 Housing Preservation Grants	Section 514/516 Farm Labor Housing Loans/Grants	Section 538 Guaranteed Rural Rental Housing Loans
2013	61	94	18	39
2014	100	107	27	98
2015	126	106	14	89
2016	117	108	22	119
2017	55	112	23	106

RHS, Community Facilities Program

Fiscal Year	Grants	Loans	Guaranteed Loans
2013	764	503	35
2014	900	419	28
2015	769	530	25
2016	1,094	656	32
2017	1,182	705	33

d. The aggregate dollar amount of applications approved / funded;

Fiscal Year	Section 515/MPR Direct Loans/Grants	Section 533 Housing Preservation Grants	Section 514/516 Farm Labor Housing Loans/Grants	Section 538 Guaranteed Rural Rental Housing Loans
2013	\$56,410,486.89	\$4,086,220.58	\$27,721,315.00	\$52,226,602.00
2014	\$86,778,965.64	\$4,807,571.64	\$52,595,383.55	\$136,162,031.00
2015	\$134,854,926.94	\$3,681,378.78	\$25,766,716.00	\$113,912,238.00
2016	\$129,476,092.14	\$3,871,198.14	\$47,831,637.00	\$186,935,103.00
2017	\$61,925,738.06	\$4,890,755.51	\$43,087,824.00	\$176,969,693.00

RHS, Community Facilities Program

Fiscal Year	Grants	Loans	Guaranteed Loans
2013	\$22,085,066	\$1,316,195,198	\$101,036,154
2014	33,672,783	931,631,810	125,610,650
2015	30,058,522	1,676,048,368	135,355,969
2016	46,118,629	2,200,000,000	237,217,028
2017	46,118,629	2,200,000,000	237,217,028

e. The "backlog" (number) of applications unfunded;

Fiscal Year	*Section 515/MPR Direct Loans/Grants	Section 533 Housing Preservation Grants	*Section 514/516 Farm Labor Housing Loans/Grants	*Section 538 Guaranteed Rural Rental Housing Loans
2013	0	90	-12	29
2014	0	83	2	-8
2015	0	18	11	15
2016	0	21	-2	-10
2017	**179	0	-13	19

\*Except in the case of HPG, applications received in a given fiscal year can be funded in a subsequent fiscal year. Or, applications received in a previous fiscal year can be funded in a subsequent fiscal year. In other words there is no direct correlation between the number of applications received in a given fiscal year and the number of applications that get funded in the same fiscal year.

\*\* 179 MPR applications have been approved for funding by the Loan Review Committee but are waiting for funds.

RHS, Community Facilities Program

Fiscal Year	Grants	Loans	Guaranteed Loans
2013	22,085,066	1,316,195,198	101,036,154
2014	26,837,602	931,631,810	125,610,650
2015	23,768,943	1,676,048,368	135,455,969
2016	46,118,629	2,200,000,000	237,217,028
2017	52,718,106	2,600,000,000	149,502,890

f. The backlog (aggregate dollar amount) of applications not funded;

Fiscal Year	*Section 515/MPR Direct Loans/Grants	Section 533 Housing Preservation Grants	*Section 514/516 Farm Labor Housing Loans/Grants	*Section 538 Guaranteed Rural Rental Housing Loans
2013	\$0.00	\$6,945,628.85	-\$19,187,552.00	\$47,093,944.00
2014	\$0.00	\$8,839,398.74	\$25,826,538.45	-\$30,196,765.00
2015	\$48,889,806.98	\$3,882,348.16	\$39,059,006.00	\$27,899,329.00
2016	\$103,699,719.46	\$3,883,599.43	\$2,526,660.00	-\$7,143,921.00
2017	**\$54,256,549.56	0.00	-\$16,399,915.00	\$1,313,409.00

\*Except in the case of HPG, applications received in a given fiscal year can be funded in a subsequent fiscal year. Or, applications received in a previous fiscal year can be funded in a subsequent fiscal year. In other words there is no direct correlation between the number of applications received in a given fiscal year and the number of applications that get funded in the same fiscal year.

\*\* 179 MPR applications have been approved for funding by the Loan Review Committee but are waiting for funds.

RHS, Community Facilities Program

Fiscal Year	Grants	Loans	Guaranteed Loans
2013	112,764	8,121,000	0
2014	506,842	9,602,398	0
2015	1,078,086	2,470,336	0
2016	3,722,417	39,736,817	6,910,817
2017	11,963,595	599,590,440	98,470,000

- g. The total discretionary and mandatory funding amounts made available to each program;

FY13:

(Dollars in Thousands)	FY 2013 Available		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL HOUSING SERVICE</b>			
<b>RURAL COMMUNITY FACILITIES PROGRAMS:</b>			
Direct Community Facility Loans	1,300,000	-2.08	
Guaranteed Community Facility Loans	119,835	6.75	8,089
Guaranteed Community Facility Loans - 2008 Disasters	982	6.75	66
Community Facility Grants	12,946		12,946
Community Facility Grants - 2008 Disasters	186		186
Community Facility Grants - 5/6/07 Tornado	96		96
Community Facility Grants - 2005 Hurricanes	781		781
Rural Community Development Initiative Grants	4,163		4,163
Rural Cooperative Home Based Health Care Demo	580		580
Hazardous Weather Early Warning Grants	30		30
Economic Impact Initiative Grants	8,336		8,336
Tribal College Grants	3,235		3,235
<b>Total Rural Community Facilities Programs</b>	<b>1,451,168</b>		<b>38,506</b>
<b>RURAL HOUSING INSURANCE FUND:</b>			
Sec. 502 Direct Single Family Housing Loans	681,558	5.97	40,689
Sec. 502 Guaranteed Single Family Housing Blended	24,000,000	-0.25	0
Sec. 502 Guaranteed Single Family Housing Natural Disaster Funds			
Sec. 515 Direct Rural Rental Housing Loans	59,789	35.17	21,028
Sec. 538 Guaranteed Multi-Family Housing	130,000	-0.04	0
Sec. 538 Guaranteed Multi-Family Housing Natural Disaster Funds			0
Sec. 504 Housing Repair Loans	9,936	13.67	1,358
Sec. 504 Housing Repair Loans - 2005 Hurricanes	9	13.67	1
Sec. 524 Housing Site Development Loans	0	1.93	0
Sec. 523 Self-Help Land Development Housing Loans	5,000	-2.15	0
Single-Family Housing Credit Sales (Non-program)	10,000	-8.97	0
Multi-Family Housing Credit Sales of Acquired Property	0	35.99	0
Sec. 514 Farm Labor Housing Loans	52,389	33.34	17,467
Sec. 516 Domestic Farm Labor Housing Grants	17,584		17,584
<b>Total Rural Housing Insurance Fund</b>	<b>24,966,265</b>		<b>98,127</b>
<b>RENTAL ASSISTANCE PROGRAM:</b>			
Sec. 521 Rental Assistance Program Grants	860,857		860,857
Sec. 521 Rental Assistance - New Construction section 515	1,434		1,434
Sec. 521 Rental Assistance - New Construction 514/516	2,390		2,390
Sec. 502 Rental Assistance	0		0
Rural Assistance Vouchers	0		0
<b>Total Rental Assistance Program</b>	<b>864,680</b>		<b>864,680</b>
<b>MULTIFAMILY HOUSING REVITALIZATION PROGRAM:</b>			
Rural Housing Voucher Program	16,183		16,183
Rural Housing Voucher Program Administrative Expenses	1,358		1,358
Multi-Family Housing Revitalization Modifications (Sec. 515)	0		3,309
Multi-Family Housing Revitalization Zero Percent Loans (Sec. 515)	4,579	58.28	2,669
Multi-Family Housing Revitalization Soft Second Loans (Sec. 515)	9,250	61.44	5,683
Multi-Family Housing Revitalization Grants (Sec. 515)	4,098		4,098
Multi-Family Housing Preservation Demo Revolving Loan Fund	5,384	36.18	1,948
<b>Total MFH Revitalization Program</b>	<b>40,853</b>		<b>35,249</b>
<b>Mutual and Self-Help Grants</b>	<b>41,040</b>		<b>41,040</b>
<b>RURAL HOUSING ASSISTANCE GRANTS:</b>			
Seasonal and Migrant Farm Workers Natural Disaster	135		135
Sec. 504 Housing Repair Grants	28,432		28,432
Sec. 504 Housing Repair Grants - 2008 Disasters	2		2
Sec. 525 Supervisory and Technical Assistance Grants	0		0
Sec. 509 Compensation for Construction Defects	401		401

Sec. 533 Housing Preservation Grants	3,924		3,924
Processing Workers Housing Grants	2,167		2,167
<b>Total Rural Housing Assistance Grants</b>	<b>35,061</b>		<b>35,061</b>
<b>TOTAL RURAL HOUSING SERVICE PROGRAMS</b>	<b>27,399,067</b>		<b>1,112,662</b>

FY14:

(Dollars in Thousands)	FY 2014 Available		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL HOUSING SERVICE</b>			
<b>RURAL COMMUNITY FACILITIES PROGRAMS:</b>			
Direct Community Facility Loans	2,200,000	-13.21	
Direct Community Facility Loans Relending			1
Direct Community Facility Loans - 2008 Disasters			
Direct Community Facility Loans - 2005 Hurricanes			
Guaranteed Community Facility Loans	4,375	6.34	277
Guaranteed Community Facility Loans - 2008 Disasters	2,326	4.97	116
Community Facility Grants	15,887		15,887
Community Facility Grants - 2008 Disasters	186		186
Community Facility Grants - 5/6/07 Tomado	98		98
Community Facility Grants - 2005 Hurricanes	853		853
Community Facility Grants - 2003/2004 Hurricanes			
Rural Community Development Initiative Grants	12,802		12,802
Rural Cooperative Home Based Health Care Demo	583		583
Hazardous Weather Early Warning Grants	37		37
Economic Impact Initiative Grants	7,551		7,551
Tribal College Grants	4,142		4,142
Community Facilities Programs - Offsetting Collections			
<b>Total Rural Community Facilities Programs</b>	<b>2,374,431</b>		<b>48,777</b>
<b>RURAL HOUSING INSURANCE FUND:</b>			
Sec. 502 Direct Single Family Housing Loans	900,000	2.72	24,480
Sec. 502 Direct Single Family Housing Loans No Year			
Sec. 502 Guaranteed Single Family Housing Blended	24,000,000	-0.14	5
Sec. 502 Guaranteed Single Family Housing Natural Disaster Funds		-0.14	41
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			
Sec. 515 Direct Rural Rental Housing Loans	28,432	23.41	6,656
Sec. 538 Guaranteed Multi-Family Housing	150,000	-0.19	
Sec. 538 Guaranteed Multi-Family Housing Natural Disaster Funds		-0.19	692
Sec. 538 Guaranteed Multi-Family Housing - No Year			
Sec. 504 Housing Repair Loans	26,280	8.28	2,176
Sec. 504 Housing Repair Loans - 2005 Hurricanes	16	8.28	1
Sec. 524 Housing Site Development Loans	5,000	-5.95	
Sec. 523 Self-Help Land Development Housing Loans	5,000	-4.51	
Single-Family Housing Credit Sales (Non-program)	10,000	-8.97	
Sec. 514 Farm Labor Housing Loans	72,500	23.71	17,190
Sec. 516 Domestic Farm Labor Housing Grants	17,893		17,893
<b>Total Rural Housing Insurance Fund</b>	<b>25,215,121</b>		<b>69,135</b>
<b>RENTAL ASSISTANCE PROGRAM:</b>			
Sec. 521 Rental Assistance Program Grants	1,110,000		1,110,000
Sec. 521 Rental Assistance Program Grants - 2018/2019			
Sec. 521 Rental Assistance Program Grants - 2017/2018			
Sec. 521 Rental Assistance - New Construction section 515			
Sec. 521 Rental Assistance - New Construction 514/516			
<b>Total Rental Assistance Program</b>	<b>1,110,000</b>		<b>1,110,000</b>
<b>MULTIFAMILY HOUSING REVITALIZATION PROGRAM:</b>			
Rural Housing Voucher Program	16,158		16,158
Rural Housing Voucher Program Administrative Expenses	405		405
Multi-Family Housing Revitalization Modifications (Sec. 515 and Sec. 514)			3,405
Multi-Family Housing Revitalization Zero Percent Loans (Sec. 515)	20,822	48.86	10,173

Multi-Family Housing Revitalization Soft Second Loans (Sec. 515)	46,594	51.25	23,879
Multi-Family Housing Revitalization Grants (Sec. 515)	6,032		6,032
Multi-Family Housing Revitalization Technical Assistance			
Multi-Family Housing Preservation Pilot Program			
Multi-Family Housing Preservation Demo Revolving Loan Fund	16,427	26.16	4,297
MFH - Offsetting Collections			
<b>Total MFH Revitalization Program</b>	<b>106,437</b>		<b>64,350</b>

<b>Mutual and Self-Help Grants</b>	<b>33,884</b>		<b>33,884</b>
Mutual and Self-Help Grants - Offsetting Collections			
<b>RURAL HOUSING ASSISTANCE GRANTS:</b>			
Seasonal and Migrant Farm Workers Natural Disaster	135		135
Sec. 504 Housing Repair Grants	29,493		29,493
Sec. 504 Housing Repair Grants - 2008 Disasters	2		2
Sec. 504 Housing Repair Grants - 2005 Hurricanes			
Sec. 525 Supervisory and Technical Assistance Grants	0		0
Sec. 509 Compensation for Construction Defects	387		387
Sec. 533 Housing Preservation Grants	3,627		3,627
Processing Workers Housing Grants	2,167		2,167
<b>Total Rural Housing Assistance Grants</b>	<b>35,810</b>		<b>35,810</b>
<b>TOTAL RURAL HOUSING SERVICE PROGRAMS</b>	<b>28,875,684</b>		<b>1,361,957</b>

FY15:

	FY 2015 Available		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL HOUSING SERVICE</b>			
<b>RURAL COMMUNITY FACILITIES PROGRAMS:</b>			
Direct Community Facility Loans	2,200,000	-12.41	2,133
Direct Community Facility Loans Relending			
Direct Community Facility Loans - 2008 Disasters			3
Direct Community Facility Loans - 2005 Hurricanes			11
Guaranteed Community Facility Loans	135,456	4.78	6,475
Guaranteed Community Facility Loans - 2008 Disasters	1,947	4.78	93
Community Facility Grants	13,722		13,722
Community Facility Grants - 2008 Disasters	345		345
Community Facility Grants - 5/6/07 Tornado	99		99
Community Facility Grants - 2005 Hurricanes	1,402		1,402
Community Facility Grants - 2003/2004 Hurricanes			
Rural Community Development Initiative Grants	10,406		10,406
Rural Cooperative Home Based Health Care Demo	583		583
Hazardous Weather Early Warning Grants	37		37
Economic Impact Initiative Grants	6,744		6,744
Tribal College Grants	4,021		4,021
Community Facilities Programs - Offsetting Collections			
<b>Total Rural Community Facilities Programs</b>	<b>2,374,762</b>		<b>46,073</b>
<b>RURAL HOUSING INSURANCE FUND:</b>			
Sec. 502 Direct Single Family Housing Loans	900,000	7.38	66,420
Sec. 502 Direct Single Family Housing Loans No Year			
Sec. 502 Guaranteed Single Family Housing Blended	24,000,000	-0.58	5
Sec. 502 Guaranteed Single Family Housing Natural Disaster Funds			33
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			1
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			7
Sec. 515 Direct Rural Rental Housing Loans	28,398	34.51	9,800
Sec. 538 Guaranteed Multi-Family Housing	150,000	-1.27	
Sec. 538 Guaranteed Multi-Family Housing Natural Disaster Funds			692
Sec. 538 Guaranteed Multi-Family Housing - No Year			
Sec. 504 Housing Repair Loans	26,279	14.03	3,687
Sec. 504 Housing Repair Loans - 2005 Hurricanes			



Sec. 524 Housing Site Development Loans	5,000	-4.82	
Sec. 523 Self-Help Land Development Housing Loans	5,000	-2.48	
Single-Family Housing Credit Sales (Non-program)	10,000	-6.41	
Sec. 514 Farm Labor Housing Loans	51,421	32.20	16,558
Sec. 516 Domestic Farm Labor Housing Grants	13,293		13,293
<b>Total Rural Housing Insurance Fund</b>	<b>25,189,391</b>		<b>110,497</b>
<b>RENTAL ASSISTANCE PROGRAM:</b>			
Sec. 521 Rental Assistance Program Grants	1,088,500		1,088,500
Sec. 521 Rental Assistance Program Grants - 2018/2019			
Sec. 521 Rental Assistance Program Grants - 2017/2018			
Sec. 521 Rental Assistance - New Construction section 515			
Sec. 521 Rental Assistance - New Construction 514/516			
<b>Total Rental Assistance Program</b>	<b>1,088,500</b>		<b>1,088,500</b>
<b>MULTIFAMILY HOUSING REVITALIZATION PROGRAM:</b>			
Rural Housing Voucher Program	8,640		8,640
Rural Housing Voucher Program Administrative Expenses	1,409		1,409
Multi-Family Housing Revitalization Modifications (Sec. 515 and Sec. 514)			976
Multi-Family Housing Revitalization Zero Percent Loans (Sec. 515)	23,323	56.22	13,112
Multi-Family Housing Revitalization Soft Second Loans (Sec. 515)	44,205	60.71	26,837
Multi-Family Housing Revitalization Grants (Sec. 515)	10,829		10,829
Multi-Family Housing Revitalization Technical Assistance			
Multi-Family Housing Preservation Pilot Program			
Multi-Family Housing Preservation Demo Revolving Loan Fund	11,397	35.41	4,036
MFH - Offsetting Collections			
<b>Total MFH Revitalization Program</b>	<b>99,803</b>		<b>65,839</b>
<b>Mutual and Self-Help Grants</b>			
Mutual and Self-Help Grants - Offsetting Collections	45,508		45,508
<b>RURAL HOUSING ASSISTANCE GRANTS:</b>			
Seasonal and Migrant Farm Workers Natural Disaster	135		135
Sec. 504 Housing Repair Grants	29,290		29,290
Sec. 504 Housing Repair Grants - 2008 Disasters	0		0
Sec. 504 Housing Repair Grants - 2005 Hurricanes	2		2
Sec. 525 Supervisory and Technical Assistance Grants	10		10
Sec. 509 Compensation for Construction Defects	372		372
Sec. 533 Housing Preservation Grants	3,956		3,956
Processing Workers Housing Grants	2,167		2,167
<b>Total Rural Housing Assistance Grants</b>	<b>35,940</b>		<b>35,940</b>
<b>TOTAL RURAL HOUSING SERVICE PROGRAMS</b>	<b>28,833,903</b>		<b>1,392,356</b>

FY16:

	FY 2016 Available		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL HOUSING SERVICE</b>			
<b>RURAL COMMUNITY FACILITIES PROGRAMS:</b>			
Direct Community Facility Loans	2,200,000	-8.04	2,295
Direct Community Facility Loans Relending			3
Direct Community Facility Loans - 2008 Disasters			11
Direct Community Facility Loans - 2005 Hurricanes			
Guaranteed Community Facility Loans	246,052	2.36	5,807
Guaranteed Community Facility Loans - 2008 Disasters	3,944	2.36	93
Community Facility Grants	25,796		25,796
Community Facility Grants - 2008 Disasters	412		412
Community Facility Grants - 5/6/07 Tomado	99		99
Community Facility Grants - 2005 Hurricanes	1,402		1,402
Community Facility Grants - 2003/2004 Hurricanes			
Rural Community Development Initiative Grants	8,532		8,532

Rural Cooperative Home Based Health Care Demo	583		583,23489
Hazardous Weather Early Warning Grants	37		37,38200
Economic Impact Initiative Grants	6,592		6,592
Tribal College Grants	4,004		4,004
Community Facilities Programs - Offsetting Collections			
<b>Total Rural Community Facilities Programs</b>	<b>2,497,452</b>		<b>55,664</b>
<b>RURAL HOUSING INSURANCE FUND:</b>			
Sec. 502 Direct Single Family Housing Loans	900,000	6.75	60,750
Sec. 502 Direct Single Family Housing Loans No Year			
Sec. 502 Guaranteed Single Family Housing Blended	24,000,000	-0.15	10
Sec. 502 Guaranteed Single Family Housing Natural Disaster Funds			33
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			1
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			0
Sec. 515 Direct Rural Rental Housing Loans	28,397	29.63	8,414
Sec. 538 Guaranteed Multi-Family Housing	150,000	-2.97	
Sec. 538 Guaranteed Multi-Family Housing Natural Disaster Funds			692
Sec. 538 Guaranteed Multi-Family Housing - No Year			237
Sec. 504 Housing Repair Loans	26,278	13.03	3,424
Sec. 504 Housing Repair Loans - 2005 Hurricanes	10	13.03	1
Sec. 524 Housing Site Development Loans	5,000	-1.53	
Sec. 523 Self-Help Land Development Housing Loans	5,000	-0.30	
Single-Family Housing Credit Sales (Non-program)	10,000	-4.87	
Sec. 514 Farm Labor Housing Loans	60,934	28.46	17,342
Sec. 516 Domestic Farm Labor Housing Grants	18,845		18,845
<b>Total Rural Housing Insurance Fund</b>	<b>25,204,463</b>		<b>109,749</b>
<b>RENTAL ASSISTANCE PROGRAM:</b>			
Sec. 521 Rental Assistance Program Grants	1,389,695		1,389,695
Sec. 521 Rental Assistance Program Grants - 2018/2019			
Sec. 521 Rental Assistance Program Grants - 2017/2018			
Sec. 521 Rental Assistance - New Construction section 515			
Sec. 521 Rental Assistance - New Construction 514/516			
<b>Total Rental Assistance Program</b>	<b>1,389,695</b>		<b>1,389,695</b>
<b>MULTIFAMILY HOUSING REVITALIZATION PROGRAM:</b>			
Rural Housing Voucher Program	20,000		20,000
Rural Housing Voucher Program Administrative Expenses	1,690		1,690
Multi-Family Housing Revitalization Modifications (Sec. 515 and Sec. 514)			667
Multi-Family Housing Revitalization Zero Percent Loans (Sec. 515)	28,474	52.68	15,000
Multi-Family Housing Revitalization Soft Second Loans (Sec. 515)	25,868	54.12	14,000
Multi-Family Housing Revitalization Grants (Sec. 515)	7,301		7,301
Multi-Family Housing Revitalization Technical Assistance			
Multi-Family Housing Preservation Pilot Program			
Multi-Family Housing Preservation Demo Revolving Loan Fund	2,111	31.26	660
MFH - Offsetting Collections			
<b>Total MFH Revitalization Program</b>	<b>85,444</b>		<b>59,318</b>
<b>Mutual and Self-Help Grants</b>			
Mutual and Self-Help Grants - Offsetting Collections	35,876		35,876
<b>RURAL HOUSING ASSISTANCE GRANTS:</b>			
Seasonal and Migrant Farm Workers Natural Disaster	135		135
Sec. 504 Housing Repair Grants	29,996		29,996
Sec. 504 Housing Repair Grants - 2008 Disasters	2		2
Sec. 504 Housing Repair Grants - 2005 Hurricanes	7		7
Sec. 525 Supervisory and Technical Assistance Grants	0		0
Sec. 509 Compensation for Construction Defects	372		372
Sec. 533 Housing Preservation Grants	3,871		3,871
Processing Workers Housing Grants	2,167		2,167
<b>Total Rural Housing Assistance Grants</b>	<b>36,551</b>		<b>36,551</b>
<b>TOTAL RURAL HOUSING SERVICE PROGRAMS</b>	<b>29,249,481</b>		<b>1,686,853</b>

FY17:

	FY 2017 Available		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL HOUSING SERVICE</b>			
<b>RURAL COMMUNITY FACILITIES PROGRAMS:</b>			
Direct Community Facility Loans	2,596,000	-2.56	2,774
Direct Community Facility Loans - 2008 Disasters			3
Direct Community Facility Loans - 2005 Hurricanes			11
Guaranteed Community Facility Loans	149,503	2.24	3,349
Guaranteed Community Facility Loans - 2008 Disasters	4,155	2.24	93
Community Facility Grants	30,120		30,120
Community Facility Grants - 2008 Disasters	412		412
Community Facility Grants - 5/6/07 Tornado	99		99
Community Facility Grants - 2005 Hurricanes	1,402		1,402
Community Facility Grants - 2003/2004 Hurricanes			10
Rural Community Development Initiative Grants	4,089		4,089
Rural Cooperative Home Based Health Care Demo	0		0
Hazardous Weather Early Warning Grants	0		0
Economic Impact Initiative Grants	6,520		6,520
Tribal College Grants	4,001		4,001
Community Facilities Programs - Offsetting Collections			0
<b>Total Rural Community Facilities Programs</b>	<b>2,796,299</b>		<b>52,881</b>
<b>RURAL HOUSING INSURANCE FUND:</b>			
Sec. 502 Direct Single Family Housing Loans	1,000,000	6.77	67,700
Sec. 502 Direct Single Family Housing Loans No Year			0
Sec. 502 Guaranteed Single Family Housing Blended	24,000,000	-0.76	4
Sec. 502 Guaranteed Single Family Housing Natural Disaster Funds			33
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			1
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			7
Sec. 515 Direct Rural Rental Housing Loans	35,000	29.60	10,360
Sec. 538 Guaranteed Multi-Family Housing	230,000	-3.53	0
Sec. 538 Guaranteed Multi-Family Housing Natural Disaster Funds			692
Sec. 538 Guaranteed Multi-Family Housing - No Year			96
Sec. 504 Housing Repair Loans	26,277	13.94	3,663
Sec. 504 Housing Repair Loans - 2005 Hurricanes	9	13.94	1
Sec. 524 Housing Site Development Loans	5,000	2.22	111
Sec. 523 Self-Help Land Development Housing Loans	5,000	8.34	417
Single-Family Housing Credit Sales (Non-program)	10,000	-2.36	0
Sec. 514 Farm Labor Housing Loans	39,154	29.56	11,574
Sec. 516 Domestic Farm Labor Housing Grants	11,598		11,598
<b>Total Rural Housing Insurance Fund</b>	<b>25,362,036</b>		<b>106,258</b>
<b>RENTAL ASSISTANCE PROGRAM:</b>			
Sec. 521 Rental Assistance Program Grants	1,365,033		1,365,033
Sec. 521 Rental Assistance Program Grants - 2018/2019	0		0
Sec. 521 Rental Assistance Program Grants - 2017/2018	40,000		40,000
Sec. 521 Rental Assistance - New Construction section 515	0		0
Sec. 521 Rental Assistance - New Construction 514/516	0		0
<b>Total Rental Assistance Program</b>	<b>1,405,033</b>		<b>1,405,033</b>
<b>MULTIFAMILY HOUSING REVITALIZATION PROGRAM:</b>			
Rural Housing Voucher Program	22,232		22,232
Rural Housing Voucher Program Administrative Expenses	1,193		1,193
Multi-Family Housing Revitalization Modifications (Sec. 515 and Sec. 514)			375
Multi-Family Housing Revitalization Zero Percent Loans (Sec. 515)	5,882	51.29	3,017
Multi-Family Housing Revitalization Soft Second Loans (Sec. 515)	26,311	57.01	15,000
Multi-Family Housing Revitalization Grants (Sec. 515)	1,000		1,000
Multi-Family Housing Revitalization Technical Assistance	0		0
Multi-Family Housing Preservation Pilot Program	1,000		1,000
Multi-Family Housing Preservation Demo Revolving Loan Fund		32.38	0
MFH - Offsetting Collections			0
<b>Total MFH Revitalization Program</b>	<b>57,617</b>		<b>43,816</b>

<b>Mutual and Self-Help Grants</b>	39,517	39,517
Mutual and Self-Help Grants - Offsetting Collections	0	0
<b>RURAL HOUSING ASSISTANCE GRANTS:</b>		
Seasonal and Migrant Farm Workers Natural Disaster	0	0
Sec. 504 Housing Repair Grants	28,837	28,837
Sec. 504 Housing Repair Grants - 2008 Disasters	2	2
Sec. 504 Housing Repair Grants - 2005 Hurricanes	8	8
Sec. 525 Supervisory and Technical Assistance Grants	0	0
Sec. 509 Compensation for Construction Defects	348	348
Sec. 533 Housing Preservation Grants	5,428	5,428
Processing Workers Housing Grants	0	0
<b>Total Rural Housing Assistance Grants</b>	<b>34,622</b>	<b>34,622</b>
<b>TOTAL RURAL HOUSING SERVICE PROGRAMS</b>	<b>29,695,126</b>	<b>1,682,126</b>

h. The total discretionary and mandatory funding amounts obligated by each program;  
and

FY13:

(Dollars in Thousands)	FY 2013 Actual Obligations		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL HOUSING SERVICE</b>			
<b>RURAL COMMUNITY FACILITIES PROGRAMS:</b>			
Direct Community Facility Loans	1,316,695 a	-2.08	
Guaranteed Community Facility Loans			
Guaranteed Community Facility Loans - 2008 Disasters	101,036 a	6.75	6,820
Community Facility Grants	12,181 a		12,181
Community Facility Grants - 2008 Disasters			
Community Facility Grants - 5/6/07 Tornado			
Community Facility Grants - 2005 Hurricanes			
Rural Community Development Initiative Grants			
Rural Cooperative Home Based Health Care Demo			
Hazardous Weather Early Warning Grants	7,289		7,289
Economic Impact Initiative Grants	3,013		3,013
Tribal College Grants			
<b>Total Rural Community Facilities Programs</b>	<b>1,440,214</b>		<b>29,303</b>
<b>RURAL HOUSING INSURANCE FUND:</b>			
Sec. 502 Direct Single Family Housing Loans	827,165	5.97	49,382
Sec. 502 Guaranteed Single Family Housing Blended	22,350,462 g,h	-0.25	
Sec. 502 Guaranteed Single Family Housing Natural Disaster Funds			
Sec. 515 Direct Rural Rental Housing Loans	29,135	35.17	10,247
Sec. 538 Guaranteed Multi-Family Housing	52,227	-0.04	
Sec. 538 Guaranteed Multi-Family Housing Natural Disaster Funds			
Sec. 504 Housing Repair Loans	14,335	13.67	1,960
Sec. 504 Housing Repair Loans - 2005 Hurricanes			
Sec. 524 Housing Site Development Loans		1.93	
Sec. 523 Self-Help Land Development Housing Loans		-2.15	
Single-Family Housing Credit Sales (Non-program)	653	-8.97	
Multi-Family Housing Credit Sales of Acquired Property			
Sec. 514 Farm Labor Housing Loans	18,881 g	33.34	6,295
Sec. 516 Domestic Farm Labor Housing Grants	9,556 g		9,556
<b>Total Rural Housing Insurance Fund</b>	<b>23,302,412</b>		<b>77,439</b>
<b>RENTAL ASSISTANCE PROGRAM:</b>			
Sec. 521 Rental Assistance Program Grants	835,989		835,989
Sec. 521 Rental Assistance - New Construction section 515			
Sec. 521 Rental Assistance - New Construction 514/516	1,065		1,065
Sec. 502 Rental Assistance			
Rural Assistance Vouchers			
<b>Total Rental Assistance Program</b>	<b>837,054</b>		<b>837,054</b>

<b>MULTIFAMILY HOUSING REVITALIZATION PROGRAM:</b>			
Rural Housing Voucher Program	13,192		13,192
Rural Housing Voucher Program Administrative Expenses	945		945
Multi-Family Housing Revitalization Modifications (Sec. 515)			714
Multi-Family Housing Revitalization Zero Percent Loans (Sec. 515)	10,290	58.28	5,997
Multi-Family Housing Revitalization Soft Second Loans (Sec. 515)	3,339	61.44	2,051
Multi-Family Housing Revitalization Grants (Sec. 515)	155		155
Multi-Family Housing Preservation Demo Revolving Loan Fund	1,000	36.18	362
<b>Total MFH Revitalization Program</b>	<b>28,921</b>		<b>23,416</b>
<b>Mutual and Self-Help Grants</b>	<b>31,383</b>		<b>31,383</b>
<b>RURAL HOUSING ASSISTANCE GRANTS:</b>			
Seasonal and Migrant Farm Workers Natural Disaster			
Sec. 504 Housing Repair Grants	27,168 e		27,168
Sec. 504 Housing Repair Grants - 2008 Disasters			
Sec. 525 Supervisory and Technical Assistance Grants	e		
Sec. 509 Compensation for Construction Defects	10 e		10
Sec. 533 Housing Preservation Grants	4,086 e		4,086
Processing Workers Housing Grants			
<b>Total Rural Housing Assistance Grants</b>	<b>31,264</b>		<b>31,264</b>
<b>TOTAL RURAL HOUSING SERVICE PROGRAMS</b>	<b>25,671,248</b>		<b>1,029,858</b>

FY14:

(Dollars in Thousands)	FY 2014 Actual		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL HOUSING SERVICE</b>			
<b>RURAL COMMUNITY FACILITIES PROGRAMS:</b>			
Direct Community Facility Loans	929,512	-13.21	
Direct Community Facility Loans Relending			
Direct Community Facility Loans - 2008 Disasters			
Direct Community Facility Loans - 2005 Hurricanes			
Guaranteed Community Facility Loans		4.97	
Guaranteed Community Facility Loans - 2008 Disasters			
Community Facility Grants	15,867		15,867
Community Facility Grants - 2008 Disasters			
Community Facility Grants - 5/6/07 Tornado			
Community Facility Grants - 2005 Hurricanes			
Community Facility Grants - 2003/2004 Hurricanes			
Rural Community Development Initiative Grants	6,835		6,835
Rural Cooperative Home Based Health Care Demo	0		
Hazardous Weather Early Warning Grants	0		
Economic Impact Initiative Grants	7,134		7,134
Tribal College Grants	4,126		4,126
Community Facilities Programs - Offsetting Collections			
<b>Total Rural Community Facilities Programs</b>	<b>1,089,065</b>		<b>40,261</b>
<b>RURAL HOUSING INSURANCE FUND:</b>			
Sec. 502 Direct Single Family Housing Loans	808,101	2.72	21,980
Sec. 502 Direct Single Family Housing Loans No Year			
Sec. 502 Guaranteed Single Family Housing Blended	19,050,563	-0.14	
Sec. 502 Guaranteed Single Family Housing Natural Disaster Funds		-0.14	
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			
Sec. 515 Direct Rural Rental Housing Loans	27,219	23.41	6,372
Sec. 538 Guaranteed Multi-Family Housing	136,162	-0.19	
Sec. 538 Guaranteed Multi-Family Housing Natural Disaster Funds		-0.19	
Sec. 538 Guaranteed Multi-Family Housing - No Year			
Sec. 504 Housing Repair Loans	13,806	8.28	1,143
Sec. 504 Housing Repair Loans - 2005 Hurricanes		8.28	
Sec. 524 Housing Site Development Loans		-5.95	

Sec. 523 Self-Help Land Development Housing Loans		-4.51	
Single-Family Housing Credit Sales (Non-program)	960	-8.97	
Sec. 514 Farm Labor Housing Loans	37,659	23.71	8,929
Sec. 516 Domestic Farm Labor Housing Grants	12,936		12,936
<b>Total Rural Housing Insurance Fund</b>	<b>20,087,405</b>		<b>51,361</b>
<b>RENTAL ASSISTANCE PROGRAM:</b>			
Sec. 521 Rental Assistance Program Grants	1,109,913		1,109,913
Sec. 521 Rental Assistance Program Grants - 2018/2019			
Sec. 521 Rental Assistance Program Grants - 2017/2018			
Sec. 521 Rental Assistance - New Construction section 515			
Sec. 521 Rental Assistance - New Construction 514/516			
<b>Total Rental Assistance Program</b>	<b>1,109,913</b>		<b>1,109,913</b>
<b>MULTIFAMILY HOUSING REVITALIZATION PROGRAM:</b>			
Rural Housing Voucher Program	14,093		14,093
Rural Housing Voucher Program Administrative Expenses	1,000		1,000
Multi-Family Housing Revitalization Modifications (Sec. 515 and Sec. 514)			2,762
Multi-Family Housing Revitalization Zero Percent Loans (Sec. 515)	6,265	48.86	3,061
Multi-Family Housing Revitalization Soft Second Loans (Sec. 515)	6,651	51.25	3,409
Multi-Family Housing Revitalization Grants (Sec. 515)	203		203
Multi-Family Housing Revitalization Technical Assistance			
Multi-Family Housing Preservation Pilot Program			
Multi-Family Housing Preservation Demo Revolving Loan Fund	1,000	26.16	262
MFH - Offsetting Collections			
<b>Total MFH Revitalization Program</b>	<b>29,212</b>		<b>24,790</b>
<b>Mutual and Self-Help Grants</b>	<b>18,291</b>		<b>18,291</b>
Mutual and Self-Help Grants - Offsetting Collections			
<b>RURAL HOUSING ASSISTANCE GRANTS:</b>			
Seasonal and Migrant Farm Workers Natural Disaster			
Sec. 504 Housing Repair Grants	28,289		28,289
Sec. 504 Housing Repair Grants - 2008 Disasters			
Sec. 504 Housing Repair Grants - 2005 Hurricanes			
Sec. 525 Supervisory and Technical Assistance Grants			
Sec. 509 Compensation for Construction Defects	15		15
Sec. 533 Housing Preservation Grants	4,808		4,808
Processing Workers Housing Grants			
<b>Total Rural Housing Assistance Grants</b>	<b>33,112</b>		<b>33,112</b>
<b>TOTAL RURAL HOUSING SERVICE PROGRAMS</b>	<b>22,367,018</b>		<b>1,277,728</b>

FY15:

(Dollars in Thousands)

	FY 2015 Actual Obligations		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL HOUSING SERVICE</b>			
<b>RURAL COMMUNITY FACILITIES PROGRAMS:</b>			
Direct Community Facility Loans	1,712,737	-12.41	
Direct Community Facility Loans Relending			
Direct Community Facility Loans - 2008 Disasters			
Direct Community Facility Loans - 2005 Hurricanes			
Guaranteed Community Facility Loans	135,456	4.78	6,475
Guaranteed Community Facility Loans - 2008 Disasters	0	4.78	
Community Facility Grants	13,733		13,733
Community Facility Grants - 2008 Disasters	0		
Community Facility Grants - 5/6/07 Tornado	0		
Community Facility Grants - 2005 Hurricanes	0		
Community Facility Grants - 2003/2004 Hurricanes			
Rural Community Development Initiative Grants	6,290		6,290

Rural Cooperative Home Based Health Care Demo	0		
Hazardous Weather Early Warning Grants	0		
Economic Impact Initiative Grants	6,221		6,221
Tribal College Grants	4,017		4,017
Community Facilities Programs - Offsetting Collections			
<b>Total Rural Community Facilities Programs</b>	<b>1,878,454</b>		<b>36,735</b>
<b>RURAL HOUSING INSURANCE FUND:</b>			
Sec. 502 Direct Single Family Housing Loans	899,814	7.38	66,406
Sec. 502 Direct Single Family Housing Loans No Year			
Sec. 502 Guaranteed Single Family Housing Blended	18,623,238	-0.58	
Sec. 502 Guaranteed Single Family Housing Natural Disaster Funds			
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			
Sec. 515 Direct Rural Rental Housing Loans	28,290	34.51	9,763
Sec. 538 Guaranteed Multi-Family Housing	113,912	-1.27	
Sec. 538 Guaranteed Multi-Family Housing Natural Disaster Funds			
Sec. 538 Guaranteed Multi-Family Housing - No Year			
Sec. 504 Housing Repair Loans	15,127	14.03	2,122
Sec. 504 Housing Repair Loans - 2005 Hurricanes	0	14.03	
Sec. 524 Housing Site Development Loans	489	-4.82	
Sec. 523 Self-Help Land Development Housing Loans		-2.48	
Single-Family Housing Credit Sales (Non-program)	1,396	-6.41	
Sec. 514 Farm Labor Housing Loans	19,340	32.20	6,228
Sec. 516 Domestic Farm Labor Housing Grants	6,426		6,426
<b>Total Rural Housing Insurance Fund</b>	<b>19,708,034</b>		<b>90,945</b>
<b>RENTAL ASSISTANCE PROGRAM:</b>			
Sec. 521 Rental Assistance Program Grants	1,088,500		1,088,500
Sec. 521 Rental Assistance Program Grants - 2018/2019			
Sec. 521 Rental Assistance Program Grants - 2017/2018			
Sec. 521 Rental Assistance - New Construction section 515			
Sec. 521 Rental Assistance - New Construction 514/516			
<b>Total Rental Assistance Program</b>	<b>1,088,500</b>		<b>1,088,500</b>
<b>MULTIFAMILY HOUSING REVITALIZATION PROGRAM:</b>			
Rural Housing Voucher Program	15,638		15,638
Rural Housing Voucher Program Administrative Expenses	1,409		1,409
Multi-Family Housing Revitalization Modifications (Sec. 515 and Sec. 514)			6,383
Multi-Family Housing Revitalization Zero Percent Loans (Sec. 515)	19,765	56.22	11,112
Multi-Family Housing Revitalization Soft Second Loans (Sec. 515)	17,293	60.71	10,498
Multi-Family Housing Revitalization Grants (Sec. 515)			
Multi-Family Housing Revitalization Technical Assistance			
Multi-Family Housing Preservation Pilot Program			
Multi-Family Housing Preservation Demo Revolving Loan Fund	10,272	35.41	3,637
MFH - Offsetting Collections			
<b>Total MFH Revitalization Program</b>	<b>64,376</b>		<b>48,677</b>
<b>Mutual and Self-Help Grants</b>	<b>38,393</b>		<b>38,393</b>
Mutual and Self-Help Grants - Offsetting Collections			
<b>RURAL HOUSING ASSISTANCE GRANTS:</b>			
Seasonal and Migrant Farm Workers Natural Disaster	0		
Sec. 504 Housing Repair Grants	28,997		28,997
Sec. 504 Housing Repair Grants - 2008 Disasters			
Sec. 504 Housing Repair Grants - 2005 Hurricanes	0		
Sec. 525 Supervisory and Technical Assistance Grants	0		
Sec. 509 Compensation for Construction Defects	0		
Sec. 533 Housing Preservation Grants	4,256		4,256
Processing Workers Housing Grants	0		
<b>Total Rural Housing Assistance Grants</b>	<b>33,253</b>		<b>33,253</b>
<b>TOTAL RURAL HOUSING SERVICE PROGRAMS</b>	<b>22,811,010</b>		<b>1,336,504</b>

FY16:

	FY 2016 Actual Obligations		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL HOUSING SERVICE</b>			
<b>RURAL COMMUNITY FACILITIES PROGRAMS:</b>			
Direct Community Facility Loans	1,798,400.00000	-8.04	
Direct Community Facility Loans Relending	401,600.00000		
Direct Community Facility Loans - 2008 Disasters			
Direct Community Facility Loans - 2005 Hurricanes			
Guaranteed Community Facility Loans	237,217.02800	2.36	5,598.32186
Guaranteed Community Facility Loans - 2008 Disasters	0.00000	2.36	
Community Facility Grants	26,704.74100		26,704.74100
Community Facility Grants - 2008 Disasters	0.00000		
Community Facility Grants - 5/6/07 Tornado	0.00000		
Community Facility Grants - 2005 Hurricanes	0.00000		
Community Facility Grants - 2003/2004 Hurricanes			
Rural Community Development Initiative Grants	9,169.38000		9,169.38000
Rural Cooperative Home Based Health Care Demo	0.00000		
Hazardous Weather Early Warning Grants	0.00000		
Economic Impact Initiative Grants	5,857.38458		5,857.38458
Tribal College Grants	4,004.00000		4,004.00000
Community Facilities Programs - Offsetting Collections			
<b>Total Rural Community Facilities Programs</b>	<b>2,482,952.53358</b>		<b>51,333.82744</b>
<b>RURAL HOUSING INSURANCE FUND:</b>			
Sec. 502 Direct Single Family Housing Loans	903,536.59210	6.75	60,969.38175
Sec. 502 Direct Single Family Housing Loans No Year	54,869.83554	6.75	3,703.71415
Sec. 502 Guaranteed Single Family Housing Blended	16,357,325.76706	-0.15	
Sec. 502 Guaranteed Single Family Housing Natural Disaster Funds			
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			
Sec. 515 Direct Rural Rental Housing Loans	28,396.89500	29.63	8,413.99996
Sec. 538 Guaranteed Multi-Family Housing	186,935.10300	-2.97	
Sec. 538 Guaranteed Multi-Family Housing Natural Disaster Funds			
Sec. 538 Guaranteed Multi-Family Housing - No Year			
Sec. 504 Housing Repair Loans	17,406.89551	13.03	2,272.59610
Sec. 504 Housing Repair Loans - 2005 Hurricanes		13.03	
Sec. 524 Housing Site Development Loans	5,000.00000	-1.53	
Sec. 523 Self-Help Land Development Housing Loans	232.72000	-0.30	
Single-Family Housing Credit Sales (Non-program)	1,874.51234	-4.87	
Sec. 514 Farm Labor Housing Loans	32,173.57400	28.46	9,156.59914
Sec. 516 Domestic Farm Labor Housing Grants	15,658.06300		15,658.06300
<b>Total Rural Housing Insurance Fund</b>	<b>17,603,409.95755</b>		<b>100,174.35410</b>
<b>RENTAL ASSISTANCE PROGRAM:</b>			
Sec. 521 Rental Assistance Program Grants	1,389,695.00000		1,389,695.00000
Sec. 521 Rental Assistance Program Grants - 2018/2019			
Sec. 521 Rental Assistance Program Grants - 2017/2018			
Sec. 521 Rental Assistance - New Construction section 515			
Sec. 521 Rental Assistance - New Construction 514/516			
<b>Total Rental Assistance Program</b>	<b>1,389,695.00000</b>		<b>1,389,695.00000</b>
<b>MULTIFAMILY HOUSING REVITALIZATION PROGRAM:</b>			
Rural Housing Voucher Program	19,467.45079		19,467.45079
Rural Housing Voucher Program Administrative Expenses	1,497.91400		1,497.91400
Multi-Family Housing Revitalization Modifications (Sec. 515 and Sec. 514)			2,063.09741
Multi-Family Housing Revitalization Zero Percent Loans (Sec. 515)	11,652.37300	52.68	6,138.47007
Multi-Family Housing Revitalization Soft Second Loans (Sec. 515)	55,839.75860	54.12	30,220.47718
Multi-Family Housing Revitalization Grants (Sec. 515)	801.90000		801.90000
Multi-Family Housing Revitalization Technical Assistance			
Multi-Family Housing Preservation Pilot Program			
Multi-Family Housing Preservation Demo Revolving Loan Fund	2,111.20400	31.26	659.96268
MFH - Offsetting Collections			
<b>Total MFH Revitalization Program</b>	<b>91,370.60039</b>		<b>60,849.27213</b>
<b>Mutual and Self-Help Grants</b>	<b>28,528.58740</b>		<b>28,528.58740</b>



Mutual and Self-Help Grants - Offsetting Collections		
<b>RURAL HOUSING ASSISTANCE GRANTS:</b>		
Seasonal and Migrant Farm Workers Natural Disaster		
Sec. 504 Housing Repair Grants	30,648.32712	30,648.32712
Sec. 504 Housing Repair Grants - 2008 Disasters		
Sec. 504 Housing Repair Grants - 2005 Hurricanes		
Sec. 525 Supervisory and Technical Assistance Grants		
Sec. 509 Compensation for Construction Defects	24.46900	24.46900
Sec. 533 Housing Preservation Grants	3,871.19814	3,871.19814
Processing Workers Housing Grants	0.00000	
<b>Total Rural Housing Assistance Grants</b>	<b>34,543.99426</b>	<b>34,543.99426</b>
<b>TOTAL RURAL HOUSING SERVICE PROGRAMS</b>	<b>21,630,500.67318</b>	<b>1,665,125.03533</b>

FY17:

(Dollars in Thousands)	FY 2017 Available		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL HOUSING SERVICE</b>			
<b>RURAL COMMUNITY FACILITIES PROGRAMS:</b>			
Direct Community Facility Loans	2,596,000	-2.56	2,774
Direct Community Facility Loans - 2008 Disasters			3
Direct Community Facility Loans - 2005 Hurricanes			11
Guaranteed Community Facility Loans	149,503	2.24	3,349
Guaranteed Community Facility Loans - 2008 Disasters	4,155	2.24	93
Community Facility Grants	30,120		30,120
Community Facility Grants - 2008 Disasters	412		412
Community Facility Grants - 5/6/07 Tornado	99		99
Community Facility Grants - 2005 Hurricanes	1,402		1,402
Community Facility Grants - 2003/2004 Hurricanes			10
Rural Community Development Initiative Grants	4,089		4,089
Rural Cooperative Home Based Health Care Demo	0		0
Hazardous Weather Early Warning Grants	0		0
Economic Impact Initiative Grants	6,520		6,520
Tribal College Grants	4,001		4,001
Community Facilities Programs - Offsetting Collections			0
<b>Total Rural Community Facilities Programs</b>	<b>2,796,299</b>		<b>52,881</b>
<b>RURAL HOUSING INSURANCE FUND:</b>			
Sec. 502 Direct Single Family Housing Loans	1,000,000	6.77	67,700
Sec. 502 Direct Single Family Housing Loans No Year			0
Sec. 502 Guaranteed Single Family Housing Blended	24,000,000	-0.76	4
Sec. 502 Guaranteed Single Family Housing Natural Disaster Funds			33
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			1
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			7
Sec. 515 Direct Rural Rental Housing Loans	35,000	29.60	10,360
Sec. 538 Guaranteed Multi-Family Housing	230,000	-3.53	0
Sec. 538 Guaranteed Multi-Family Housing Natural Disaster Funds			692
Sec. 538 Guaranteed Multi-Family Housing - No Year			96
Sec. 504 Housing Repair Loans	26,277	13.94	3,663
Sec. 504 Housing Repair Loans - 2005 Hurricanes	9	13.94	1
Sec. 524 Housing Site Development Loans	5,000	2.22	111
Sec. 523 Self-Help Land Development Housing Loans	5,000	8.34	417
Single-Family Housing Credit Sales (Non-program)	10,000	-2.36	0
Sec. 514 Farm Labor Housing Loans	39,154	29.56	11,574
Sec. 516 Domestic Farm Labor Housing Grants	11,598		11,598
<b>Total Rural Housing Insurance Fund</b>	<b>25,362,038</b>		<b>106,258</b>
<b>RENTAL ASSISTANCE PROGRAM:</b>			
Sec. 521 Rental Assistance Program Grants	1,365,033		1,365,033
Sec. 521 Rental Assistance Program Grants - 2018/2019	0		0
Sec. 521 Rental Assistance Program Grants - 2017/2018	40,000		40,000
Sec. 521 Rental Assistance - New Construction section 515	0		0
Sec. 521 Rental Assistance - New Construction 514/516	0		0

Total Rental Assistance Program	1,405,033		1,405,033
<b>MULTIFAMILY HOUSING REVITALIZATION PROGRAM:</b>			
Rural Housing Voucher Program	22,232		22,232
Rural Housing Voucher Program Administrative Expenses	1,193		1,193
Multi-Family Housing Revitalization Modifications (Sec. 515 and Sec. 514)			375
Multi-Family Housing Revitalization Zero Percent Loans (Sec. 515)	5,882	51.29	3,017
Multi-Family Housing Revitalization Soft Second Loans (Sec. 515)	26,311	57.01	15,000
Multi-Family Housing Revitalization Grants (Sec. 515)	1,000		1,000
Multi-Family Housing Revitalization Technical Assistance	0		0
Multi-Family Housing Preservation Pilot Program	1,000		1,000
Multi-Family Housing Preservation Demo Revolving Loan Fund		32.38	0
MFH - Offsetting Collections			0
Total MFH Revitalization Program	57,617		43,816
<b>Mutual and Self-Help Grants</b>			
Mutual and Self-Help Grants - Offsetting Collections	39,517		39,517
	0		0
<b>RURAL HOUSING ASSISTANCE GRANTS:</b>			
Seasonal and Migrant Farm Workers Natural Disaster	0		0
Sec. 504 Housing Repair Grants	28,837		28,837
Sec. 504 Housing Repair Grants - 2008 Disasters	2		2
Sec. 504 Housing Repair Grants - 2005 Hurricanes	8		8
Sec. 525 Supervisory and Technical Assistance Grants	0		0
Sec. 509 Compensation for Construction Defects	348		348
Sec. 533 Housing Preservation Grants	5,428		5,428
Processing Workers Housing Grants	0		0
Total Rural Housing Assistance Grants	34,622		34,622
<b>TOTAL RURAL HOUSING SERVICE PROGRAMS</b>	<b>29,695,126</b>		<b>1,682,126</b>

i. The amounts of any funds left unobligated at the end of each fiscal year.  
 FY13:

	FY 2014 Anticipated Carryover		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL HOUSING SERVICE</b>			
<b>RURAL COMMUNITY FACILITIES PROGRAMS:</b>			
Direct Community Facility Loans		-13.21	
Guaranteed Community Facility Loans	47,947	6.34	3,040
Guaranteed Community Facility Loans - 2008 Disasters	1,045	6.34	66
Community Facility Grants	1,672		1,672
Community Facility Grants - 2008 Disasters	186		186
Community Facility Grants - 5/6/07 Tornado	96		96
Community Facility Grants - 2005 Hurricanes	781		781
Rural Community Development Initiative Grants	4,771		4,771
Rural Cooperative Home Based Health Care Demo	580		580
Hazardous Weather Early Warning Grants	30		30
Economic Impact Initiative Grants	1,698		1,698
Tribal College Grants	285		285
Total Rural Community Facilities Programs	59,091		13,204
<b>RURAL HOUSING INSURANCE FUND:</b>			
Sec. 502 Direct Single Family Housing Loans	0	2.72	0
Sec. 502 Guaranteed Single Family Housing Blended	0	-0.14	986
Sec. 502 Guaranteed Single Family Housing Natural Disaster Funds	0	-0.14	125
Sec. 515 Direct Rural Rental Housing Loans	0	23.41	0
Sec. 538 Guaranteed Multi-Family Housing		-0.19	
Sec. 538 Guaranteed Multi-Family Housing Natural Disaster Funds		-0.19	692
Sec. 504 Housing Repair Loans	0	8.28	0
Sec. 504 Housing Repair Loans - 2005 Hurricanes	16	8.28	1
Sec. 524 Housing Site Development Loans	0	-5.95	0
Sec. 523 Self-Help Land Development Housing Loans		-4.51	
Single-Family Housing Credit Sales (Non-program)		-8.97	
Multi-Family Housing Credit Sales of Acquired Property	0	35.99	0

Sec. 514 Farm Labor Housing Loans	19,637	23.71	4,656
Sec. 516 Domestic Farm Labor Housing Grants	5,220		5,220
<b>Total Rural Housing Insurance Fund</b>	<b>24,872</b>		<b>11,680</b>
<b>RENTAL ASSISTANCE PROGRAM:</b>			
Sec. 521 Rental Assistance Program Grants	0		0
Sec. 521 Rental Assistance - New Construction section 515	0		0
Sec. 521 Rental Assistance - New Construction 514/516	0		0
Sec. 502 Rental Assistance	0		0
Rural Assistance Vouchers	0		0
<b>Total Rental Assistance Program</b>	<b>0</b>		<b>0</b>
<b>MULTIFAMILY HOUSING REVITALIZATION PROGRAM:</b>			
Rural Housing Voucher Program	2,941		2,941
Rural Housing Voucher Program Administrative Expenses	0		0
Multi-Family Housing Revitalization Modifications (Sec. 515)	0		0
Multi-Family Housing Revitalization Zero Percent Loans (Sec. 515)	0	48.86	0
Multi-Family Housing Revitalization Soft Second Loans (Sec. 515)	0	51.25	0
Multi-Family Housing Revitalization Grants (Sec. 515)	0		0
Multi-Family Housing Preservation Demo Revolving Loan Fund	0	36.18	0
<b>Total MFH Revitalization Program</b>	<b>2,941</b>		<b>2,941</b>
<b>Mutual and Self-Help Grants</b>	<b>12,591</b>		<b>12,591</b>
<b>RURAL HOUSING ASSISTANCE GRANTS:</b>			
Seasonal and Migrant Farm Workers Natural Disaster	135		135
Sec. 504 Housing Repair Grants	429		429
Sec. 504 Housing Repair Grants - 2008 Disasters	2		2
Sec. 525 Supervisory and Technical Assistance Grants	0		0
Sec. 509 Compensation for Construction Defects	296		296
Sec. 533 Housing Preservation Grants	470		470
Processing Workers Housing Grants	2,167		2,167
<b>Total Rural Housing Assistance Grants</b>	<b>3,499</b>		<b>3,499</b>
<b>TOTAL RURAL HOUSING SERVICE PROGRAMS</b>	<b>102,994</b>		<b>43,916</b>

FY14:

	FY 2014 Estimated Carryover		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL HOUSING SERVICE</b>			
<b>RURAL COMMUNITY FACILITIES PROGRAMS:</b>			
Direct Community Facility Loans		-13.21	
Direct Community Facility Loans Relending			
Direct Community Facility Loans - 2008 Disasters			1
Direct Community Facility Loans - 2005 Hurricanes			
Guaranteed Community Facility Loans		6.34	
Guaranteed Community Facility Loans - 2008 Disasters	2,326	4.97	116
Community Facility Grants	2,887		2,887
Community Facility Grants - 2008 Disasters	186		186
Community Facility Grants - 5/6/07 Tornado	98		98
Community Facility Grants - 2005 Hurricanes	853		853
Community Facility Grants - 2003/2004 Hurricanes			
Rural Community Development Initiative Grants	6,835		6,835
Rural Cooperative Home Based Health Care Demo	583		583
Hazardous Weather Early Warning Grants	37		37
Economic Impact Initiative Grants	1,773		1,773
Tribal College Grants	142		142
Community Facilities Programs - Offsetting Collections			
<b>Total Rural Community Facilities Programs</b>	<b>70,936</b>		<b>16,257</b>
<b>RURAL HOUSING INSURANCE FUND:</b>			
Sec. 502 Direct Single Family Housing Loans	0	2.72	
Sec. 502 Direct Single Family Housing Loans No Year			
Sec. 502 Guaranteed Single Family Housing Blended	0	-0.14	1,319
Sec. 502 Guaranteed Single Family Housing Natural Disaster Funds	0	-0.14	41

Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			
Sec. 515 Direct Rural Rental Housing Loans	0	23.41	
Sec. 538 Guaranteed Multi-Family Housing	0	-0.19	
Sec. 538 Guaranteed Multi-Family Housing Natural Disaster Funds	0	-0.19	692
Sec. 538 Guaranteed Multi-Family Housing - No Year	0		
Sec. 504 Housing Repair Loans	0	8.28	
Sec. 504 Housing Repair Loans - 2005 Hurricanes	16	8.28	1
Sec. 524 Housing Site Development Loans		-5.95	
Sec. 523 Self-Help Land Development Housing Loans		-4.51	
Single-Family Housing Credit Sales (Non-program)		-8.97	
Sec. 514 Farm Labor Housing Loans	48,645	23.71	11,534
Sec. 516 Domestic Farm Labor Housing Grants	9,557		9,557
<b>Total Rural Housing Insurance Fund</b>	<b>58,218</b>		<b>23,145</b>
<b>RENTAL ASSISTANCE PROGRAM:</b>			
Sec. 521 Rental Assistance Program Grants			
Sec. 521 Rental Assistance Program Grants - 2018/2019			
Sec. 521 Rental Assistance Program Grants - 2017/2018			
Sec. 521 Rental Assistance - New Construction section 515			
Sec. 521 Rental Assistance - New Construction 514/516			
<b>Total Rental Assistance Program</b>			
<b>MULTIFAMILY HOUSING REVITALIZATION PROGRAM:</b>			
Rural Housing Voucher Program	3,583		3,583
Rural Housing Voucher Program Administrative Expenses	405		405
Multi-Family Housing Revitalization Modifications (Sec. 515 and Sec. 514)			3,405
Multi-Family Housing Revitalization Zero Percent Loans (Sec. 515)	5,517	48.86	2,696
Multi-Family Housing Revitalization Soft Second Loans (Sec. 515)	26,062	51.25	13,357
Multi-Family Housing Revitalization Grants (Sec. 515)	4,032		4,032
Multi-Family Housing Revitalization Technical Assistance			
Multi-Family Housing Preservation Pilot Program			
Multi-Family Housing Preservation Demo Revolving Loan Fund	16,427	26.16	4,297
MFH - Offsetting Collections			
<b>Total MFH Revitalization Program</b>	<b>56,027</b>		<b>31,775</b>
<b>Mutual and Self-Help Grants</b>	<b>8,884</b>		<b>8,884</b>
Mutual and Self-Help Grants - Offsetting Collections			
<b>RURAL HOUSING ASSISTANCE GRANTS:</b>			
Seasonal and Migrant Farm Workers Natural Disaster	135		135
Sec. 504 Housing Repair Grants	792		792
Sec. 504 Housing Repair Grants - 2008 Disasters	2		2
Sec. 504 Housing Repair Grants - 2005 Hurricanes			
Sec. 525 Supervisory and Technical Assistance Grants			
Sec. 509 Compensation for Construction Defects	387		387
Sec. 533 Housing Preservation Grants	89		89
Processing Workers Housing Grants	2,167		2,167
<b>Total Rural Housing Assistance Grants</b>	<b>3,571</b>		<b>3,571</b>
<b>TOTAL RURAL HOUSING SERVICE PROGRAMS</b>	<b>197,636</b>		<b>83,633</b>

FY15:

	FY 2015 Estimated Carryover		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL HOUSING SERVICE</b>			
<b>RURAL COMMUNITY FACILITIES PROGRAMS:</b>			
Direct Community Facility Loans		-12.41	2,133
Direct Community Facility Loans Relending			3
Direct Community Facility Loans - 2008 Disasters			11
Direct Community Facility Loans - 2005 Hurricanes			
Guaranteed Community Facility Loans	62,234	4.78	2,975

(Dollars in Thousands)

Guaranteed Community Facility Loans - 2008 Disasters	1,947	4.78	93
Community Facility Grants	722		722
Community Facility Grants - 2008 Disasters	345		345
Community Facility Grants - 5/6/07 Tornado	99		99
Community Facility Grants - 2005 Hurricanes	1,402		1,402
Community Facility Grants - 2003/2004 Hurricanes			
Rural Community Development Initiative Grants	6,406		6,406
Rural Cooperative Home Based Health Care Demo	583		583
Hazardous Weather Early Warning Grants	37		37
Economic Impact Initiative Grants	966		966
Tribal College Grants	21		21
Community Facilities Programs - Offsetting Collections			
<b>Total Rural Community Facilities Programs</b>	<b>74,762</b>		<b>15,795</b>
<b>RURAL HOUSING INSURANCE FUND:</b>			
Sec. 502 Direct Single Family Housing Loans	0	7.38	
Sec. 502 Direct Single Family Housing Loans No Year			5
Sec. 502 Guaranteed Single Family Housing Blended		-0.58	
Sec. 502 Guaranteed Single Family Housing Natural Disaster Funds			33
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			1
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			7
Sec. 515 Direct Rural Rental Housing Loans	0	34.51	
Sec. 538 Guaranteed Multi-Family Housing		-1.27	
Sec. 538 Guaranteed Multi-Family Housing Natural Disaster Funds			692
Sec. 538 Guaranteed Multi-Family Housing - No Year			
Sec. 504 Housing Repair Loans	0	14.03	
Sec. 504 Housing Repair Loans - 2005 Hurricanes	9	14.03	1
Sec. 524 Housing Site Development Loans		-4.82	
Sec. 523 Self-Help Land Development Housing Loans		-2.48	
Single-Family Housing Credit Sales (Non-program)		-6.41	
Sec. 514 Farm Labor Housing Loans	27,818	32.20	8,958
Sec. 516 Domestic Farm Labor Housing Grants	4,957		4,957
<b>Total Rural Housing Insurance Fund</b>	<b>32,785</b>		<b>14,655</b>
<b>RENTAL ASSISTANCE PROGRAM:</b>			
Sec. 521 Rental Assistance Program Grants	0		
Sec. 521 Rental Assistance Program Grants - 2018/2019			
Sec. 521 Rental Assistance Program Grants - 2017/2018			
Sec. 521 Rental Assistance - New Construction section 515			
Sec. 521 Rental Assistance - New Construction 514/516			
<b>Total Rental Assistance Program</b>	<b>0</b>		<b>0</b>
<b>MULTIFAMILY HOUSING REVITALIZATION PROGRAM:</b>			
Rural Housing Voucher Program	2,640		2,640
Rural Housing Voucher Program Administrative Expenses	409		409
Multi-Family Housing Revitalization Modifications (Sec. 515 and Sec. 514)			976
Multi-Family Housing Revitalization Zero Percent Loans (Sec. 515)	12,651	56.22	7,112
Multi-Family Housing Revitalization Soft Second Loans (Sec. 515)	34,322	60.71	20,837
Multi-Family Housing Revitalization Grants (Sec. 515)	5,829		5,829
Multi-Family Housing Revitalization Technical Assistance			
Multi-Family Housing Preservation Pilot Program			
Multi-Family Housing Preservation Demo Revolving Loan Fund	11,397	35.41	4,036
MFH - Offsetting Collections			
<b>Total MFH Revitalization Program</b>	<b>67,247</b>		<b>41,839</b>
<b>Mutual and Self-Help Grants</b>			
Mutual and Self-Help Grants - Offsetting Collections	18,008		18,008
<b>RURAL HOUSING ASSISTANCE GRANTS:</b>			
Seasonal and Migrant Farm Workers Natural Disaster	135		135
Sec. 504 Housing Repair Grants	589		589
Sec. 504 Housing Repair Grants - 2008 Disasters			
Sec. 504 Housing Repair Grants - 2005 Hurricanes	2		2
Sec. 525 Supervisory and Technical Assistance Grants	10		10
Sec. 509 Compensation for Construction Defects	372		372
Sec. 533 Housing Preservation Grants	418		418
Processing Workers Housing Grants	2,167		2,167
<b>Total Rural Housing Assistance Grants</b>	<b>3,701</b>		<b>3,701</b>

<b>TOTAL RURAL HOUSING SERVICE PROGRAMS</b>	196,502		93,997
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FY16:

(Dollars in Thousands)	FY 2016 Estimated Carryover		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL HOUSING SERVICE</b>			
<b>RURAL COMMUNITY FACILITIES PROGRAMS:</b>			
Direct Community Facility Loans		-8.04	2,295
Direct Community Facility Loans Relending			3
Direct Community Facility Loans - 2008 Disasters			11
Direct Community Facility Loans - 2005 Hurricanes			2,307
Guaranteed Community Facility Loans	97,747	2.36	93
Guaranteed Community Facility Loans - 2008 Disasters	3,944	2.36	796
Community Facility Grants	796		412
Community Facility Grants - 2008 Disasters	412		99
Community Facility Grants - 5/6/07 Tornado	99		1,402
Community Facility Grants - 2005 Hurricanes	1,402		4,532
Community Facility Grants - 2003/2004 Hurricanes			583
Rural Community Development Initiative Grants	4,532		37
Rural Cooperative Home Based Health Care Demo	583		814
Hazardous Weather Early Warning Grants	37		4
Economic Impact Initiative Grants	814		
Tribal College Grants	4		
Community Facilities Programs - Offsetting Collections			
<b>Total Rural Community Facilities Programs</b>	<b>110,369</b>		<b>13,386</b>
<b>RURAL HOUSING INSURANCE FUND:</b>			
Sec. 502 Direct Single Family Housing Loans	0	6.75	
Sec. 502 Direct Single Family Housing Loans No Year			10
Sec. 502 Guaranteed Single Family Housing Blended		-0.15	33
Sec. 502 Guaranteed Single Family Housing Natural Disaster Funds			1
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			
Sec. 515 Direct Rural Rental Housing Loans	0	29.63	
Sec. 538 Guaranteed Multi-Family Housing		-2.97	692
Sec. 538 Guaranteed Multi-Family Housing Natural Disaster Funds			237
Sec. 538 Guaranteed Multi-Family Housing - No Year			
Sec. 504 Housing Repair Loans	0	13.03	
Sec. 504 Housing Repair Loans - 2005 Hurricanes	10	13.03	1
Sec. 524 Housing Site Development Loans		-1.53	
Sec. 523 Self-Help Land Development Housing Loans		-0.30	
Single-Family Housing Credit Sales (Non-program)		-4.87	
Sec. 514 Farm Labor Housing Loans	37,079	28.46	10,553
Sec. 516 Domestic Farm Labor Housing Grants	10,509		10,509
<b>Total Rural Housing Insurance Fund</b>	<b>47,598</b>		<b>22,036</b>
<b>RENTAL ASSISTANCE PROGRAM:</b>			
Sec. 521 Rental Assistance Program Grants			
Sec. 521 Rental Assistance Program Grants - 2018/2019			
Sec. 521 Rental Assistance Program Grants - 2017/2018			
Sec. 521 Rental Assistance - New Construction section 515			
Sec. 521 Rental Assistance - New Construction 514/516			
<b>Total Rental Assistance Program</b>	<b>0</b>		<b>0</b>
<b>MULTIFAMILY HOUSING REVITALIZATION PROGRAM:</b>			
Rural Housing Voucher Program	1,664		1,664
Rural Housing Voucher Program Administrative Expenses	690		690
Multi-Family Housing Revitalization Modifications (Sec. 515 and Sec. 514)			667
Multi-Family Housing Revitalization Zero Percent Loans (Sec. 515)	940	52.68	495
Multi-Family Housing Revitalization Soft Second Loans (Sec. 515)	20,414	54.12	11,048
Multi-Family Housing Revitalization Grants (Sec. 515)	7,094		7,094
Multi-Family Housing Revitalization Technical Assistance			
Multi-Family Housing Preservation Pilot Program			
Multi-Family Housing Preservation Demo Revolving Loan Fund	2,111	31.26	660

MFH - Offsetting Collections		
<b>Total MFH Revitalization Program</b>	<b>32,913</b>	<b>22,318</b>
<b>Mutual and Self-Help Grants</b>	<b>8,376</b>	<b>8,376</b>
Mutual and Self-Help Grants - Offsetting Collections		
<b>RURAL HOUSING ASSISTANCE GRANTS:</b>		
Seasonal and Migrant Farm Workers Natural Disaster	135	135
Sec. 504 Housing Repair Grants	1,295	1,295
Sec. 504 Housing Repair Grants - 2008 Disasters	2	2
Sec. 504 Housing Repair Grants - 2005 Hurricanes	7	7
Sec. 525 Supervisory and Technical Assistance Grants	0	
Sec. 509 Compensation for Construction Defects	372	372
Sec. 533 Housing Preservation Grants	333	333
Processing Workers Housing Grants	2,167	2,167
<b>Total Rural Housing Assistance Grants</b>	<b>4,312</b>	<b>4,312</b>
<b>TOTAL RURAL HOUSING SERVICE PROGRAMS</b>	<b>203,567</b>	<b>70,428</b>

FY17:

	FY 2017 Available		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL HOUSING SERVICE</b>			
<b>RURAL COMMUNITY FACILITIES PROGRAMS:</b>			
Direct Community Facility Loans	2,596,000	-2.56	2,774
Direct Community Facility Loans - 2008 Disasters			3
Direct Community Facility Loans - 2005 Hurricanes			11
Guaranteed Community Facility Loans	149,503	2.24	3,349
Guaranteed Community Facility Loans - 2008 Disasters	4,155	2.24	93
Community Facility Grants	30,120		30,120
Community Facility Grants - 2008 Disasters	412		412
Community Facility Grants - 5/6/07 Tornado	99		99
Community Facility Grants - 2005 Hurricanes	1,402		1,402
Community Facility Grants - 2003/2004 Hurricanes			10
Rural Community Development Initiative Grants	4,089		4,089
Rural Cooperative Home Based Health Care Demo	0		0
Hazardous Weather Early Warning Grants	0		0
Economic Impact Initiative Grants	6,520		6,520
Tribal College Grants	4,001		4,001
Community Facilities Programs - Offsetting Collections			0
<b>Total Rural Community Facilities Programs</b>	<b>2,796,299</b>		<b>52,881</b>
<b>RURAL HOUSING INSURANCE FUND:</b>			
Sec. 502 Direct Single Family Housing Loans	1,000,000	6.77	67,700
Sec. 502 Direct Single Family Housing Loans No Year			0
Sec. 502 Guaranteed Single Family Housing Blended	24,000,000	-0.76	4
Sec. 502 Guaranteed Single Family Housing Natural Disaster Funds			33
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			1
Sec. 502 Guaranteed Single Family Housing 2005 Hurricane Funds			7
Sec. 515 Direct Rural Rental Housing Loans	35,000	29.60	10,360
Sec. 538 Guaranteed Multi-Family Housing	230,000	-3.53	0
Sec. 538 Guaranteed Multi-Family Housing Natural Disaster Funds			692
Sec. 538 Guaranteed Multi-Family Housing - No Year			96
Sec. 504 Housing Repair Loans	26,277	13.94	3,663
Sec. 504 Housing Repair Loans - 2005 Hurricanes	9	13.94	1
Sec. 524 Housing Site Development Loans	5,000	2.22	111
Sec. 523 Self-Help Land Development Housing Loans	5,000	8.34	417
Single-Family Housing Credit Sales (Non-program)	10,000	-2.36	0
Sec. 514 Farm Labor Housing Loans	39,154	29.56	11,574
Sec. 516 Domestic Farm Labor Housing Grants	11,598		11,598
<b>Total Rural Housing Insurance Fund</b>	<b>25,362,038</b>		<b>106,258</b>
<b>RENTAL ASSISTANCE PROGRAM:</b>			
Sec. 521 Rental Assistance Program Grants	1,365,033		1,365,033
Sec. 521 Rental Assistance Program Grants - 2018/2019	0		0

Sec. 521 Rental Assistance Program Grants - 2017/2018	40,000		40,000
Sec. 521 Rental Assistance - New Construction section 515	0		0
Sec. 521 Rental Assistance - New Construction 514/516	0		0
<b>Total Rental Assistance Program</b>	<b>1,405,033</b>		<b>1,405,033</b>
<b>MULTIFAMILY HOUSING REVITALIZATION PROGRAM:</b>			
Rural Housing Voucher Program	22,232		22,232
Rural Housing Voucher Program Administrative Expenses	1,193		1,193
Multi-Family Housing Revitalization Modifications (Sec. 515 and Sec. 514)			375
Multi-Family Housing Revitalization Zero Percent Loans (Sec. 515)	5,882	51.29	3,017
Multi-Family Housing Revitalization Soft Second Loans (Sec. 515)	26,311	57.01	15,000
Multi-Family Housing Revitalization Grants (Sec. 515)	1,000		1,000
Multi-Family Housing Revitalization Technical Assistance	0		0
Multi-Family Housing Preservation Pilot Program	1,000		1,000
Multi-Family Housing Preservation Demo Revolving Loan Fund		32.38	0
MFH - Offsetting Collections			0
<b>Total MFH Revitalization Program</b>	<b>57,617</b>		<b>43,816</b>
<b>Mutual and Self-Help Grants</b>			
Mutual and Self-Help Grants - Offsetting Collections	39,517		39,517
	0		0
<b>RURAL HOUSING ASSISTANCE GRANTS:</b>			
Seasonal and Migrant Farm Workers Natural Disaster	0		0
Sec. 504 Housing Repair Grants	28,837		28,837
Sec. 504 Housing Repair Grants - 2008 Disasters	2		2
Sec. 504 Housing Repair Grants - 2005 Hurricanes	8		8
Sec. 525 Supervisory and Technical Assistance Grants	0		0
Sec. 509 Compensation for Construction Defects	348		348
Sec. 533 Housing Preservation Grants	5,428		5,428
Processing Workers Housing Grants	0		0
<b>Total Rural Housing Assistance Grants</b>	<b>34,622</b>		<b>34,622</b>
<b>TOTAL RURAL HOUSING SERVICE PROGRAMS</b>	<b>29,695,126</b>		<b>1,682,126</b>

**Senator John Thune**

- 1) Question for Mr. Davis - As we write the next farm bill under tight budget constraints, how should this committee adjust spending for the programs in your mission areas you have mentioned? If more spending is necessary, which program or programs are most effective and should be prioritized higher?

Response: Thank you, Senator Thune, for your support of Rural Development programs. We are working agency-wide on several recommendations for the Farm Bill and look forward to working with the committee on the next Farm Bill.

**Senator Patrick Leahy**



- 1) While dramatic improvements have been made in rural housing quality in recent decades, deferred maintenance plagues much of the USDA-financed rental properties throughout the United States. That is why I was disappointed and frankly stunned that the President's FY18 budget proposed to eliminate Rural Housing Service grant programs including Section 502, 504 and 515. The administration seems tone deaf to the fact that thousands of affordable units funded by the 515 Multifamily Loan Program will soon no longer be guaranteed rent subsidies as a result of maturing mortgages, threatening low-income tenant households with drastic rent increases and even homelessness.

Following Secretary Perdue's confirmation hearing in March 2017, he stated that if confirmed he planned to review the Section 515 program and work with USDA staff, Congress and the Administration to ensure appropriate funding for these programs.

- a. What plan does the Department have to address maturing 515 mortgages in the immediate future, and over the next several years?

Response: Rural Development is using its existing authorities to mitigate the potential loss of Section 515 properties with mortgages that will mature over the next several years, ensuring very low income families in rural communities can continue to have safe, decent and affordable rental housing. These tools include:

- Re-amortizing loans and extending their maturity date;
- Deferring payment on loans for up to 20 years to prevent loan payoff;
- Prioritizing rehabilitation of maturing mortgage properties in the Multifamily Preservation and Revitalization program; and
- Providing Section 515 loans and the opportunity to earn a return on investment to nonprofit organizations to facilitate the acquisition and rehabilitation of existing Section 515 properties by nonprofit housing providers.

- b. When will the Department have a plan in place to work with community housing providers to incentivize and support the transfer of maturing 515 properties to ensure we do not fall behind on the growing housing needs in rural communities?

Response: Rural Development has a plan in place to incentivize and support the transfer of maturing 515 properties to community housing providers. In September 2016, Rural Development announced a demonstration program to encourage nonprofit housing providers to acquire and retain maturing Section 515 affordable rental housing. The demonstration plan went into effect on March 1, 2017 and expires on March 1, 2019.

The demonstration provides nonprofit organizations the opportunity to earn a return on funds they invest to acquire and rehabilitate Section 515 housing with loans scheduled to mature through 2030. The demonstration also allows non-profits to earn a return on

certain third party funds invested in the acquisition and rehabilitation, reducing the need for Rural Development to contribute additional federal funds towards the transfer and acquisition of the maturing mortgage property. Rural Development does not yet have any results to report.

- c. In instances when mortgages expire and properties no longer guarantee rentals subsidies, is the Department considering options that would allow residents to remain in their homes and maintain the affordability, similar to the enhanced vouchers utilized by the Department of Housing and Urban Development? If not, why?

Response: Rural Development is not currently authorized to provide USDA housing vouchers to tenants in Section 515 properties after the maturity of the Section 515 loan. Instead, Rural Development has focused its efforts on retaining Section 515 properties with loans nearing maturity through several innovative tools such as, financing the transfer of maturing mortgage properties to nonprofit organizations through the 515 program.

- 2) I hear regularly from constituents that the high cost of maintenance and utilities on their manufactured homes is prohibitive to their financial stability. Efficiency Vermont, the nation's first statewide energy efficiency utility, estimates for example that a manufactured home made prior to 1976, when new construction and safety standards were put into place, costs approximately \$3,800 a year for heat and electricity. In contrast, a high-performance modular home costs a homeowner only \$180 a year for heat and electricity.

I applaud the Department for launching the Energy Efficient Manufactured Home Pilot Program in order to make available to low income homebuyers a low-interest option to purchase high-performance modular or manufactured homes. The pilot program is an important resource for my state as a safe and affordable option for rural families, meanwhile improving our energy footprint.

- a. Can you please share what data the Department has available on the usage of the Energy Efficient Manufactured Home Pilot Program?

Response: The demonstration program referenced here allows the Agency to be a better partner to the manufactured housing community, and helps rural borrowers take advantage of important affordable homeownership opportunities. Prior to the pilot, Rural Development required leaseholds to be at least 50 percent longer than the term of the loan. The demonstration program shortened these requirements for qualifying energy efficient manufactured homes.

An agency survey indicates that ten new homeowners purchased homes with reduced leasehold requirements in participating states. These loans, which were originated in Vermont and New Hampshire, set the stage for nineteen other pilot states to begin their outreach to the affordable and manufactured housing communities.

- b. Housing providers in my home state have identified this pilot as the best manufactured housing finance options available. Does the Department have plans to make permanent this Demonstration to allow more homeowners access to low-interest mortgages? If not, why?

Response: Yes, Rural Development's plan is to continue with these pilots and begin the rulemaking in 2018 to make the pilot enhancements permanent.

- c. Homeowners mention that the cost of their manufactured or mobile home increases substantially as a result of the site pads that must be purchased for up to \$15,000 each. These costs may not be rolled into their financing package of the home, creating a large gap that must be paid for by the homeowner, or the park owner who leases the site land. Can you please share what actions the Department has considered to allow site pads to be included within financing for manufactured homes?

Response: Thank you for raising this concern. Rural Development is looking forward to working with the manufactured housing community and affordable housing providers to explore possible solutions to this issue.

**Senate Committee on Agriculture, Nutrition, & Forestry**  
Rural Development and Energy Programs: Perspectives for the 2018 Farm Bill  
Thursday, September 28, 2017  
Questions for the Record  
**Ms. Anne C. Hazlett**

**Chairman Pat Roberts**

- 1) It has come to my attention that there is an EPA procurement policy for forest products which prefers forest products largely coming from foreign countries at the expense of our U.S. producers. This would appear to undermine the procurement preference included in the last Farm Bill (Section 9002). How does USDA interact with other federal agencies through the Biobased Markets Program in setting the federal government policy for purchasing forest products, particularly since USDA has the appropriate expertise on forest products, not EPA?

Response: The Biobased Markets Program, known as the USDA BioPreferred Program, was reauthorized in the 2014 Farm Bill and expanded to include forest products. This program is administered by USDA's Departmental Management office. Staff for the BioPreferred Program will coordinate and work with EPA to make sure the USDA designated purchasing preferences for forest products are given priority. Currently, the program collaborates and works with other agencies, such as the Environmental Protection Agency, Department of Energy, Department of Defense, and Department of Interior to remove obstacles and barriers to federal biobased and forest product purchasing and to make sure there are no contradictions with designated products for federal purchase. The BioPreferred Program is an important and active member of the White House Sustainable Acquisition and Materials Management Practices Working Group coordinated by the General Services Administration where there is collaboration on federal procurement policy among 30 federal agencies. Staff for the BioPreferred Program also offer extensive training and outreach to government agencies, purchasers, and technical experts on purchasing designated biobased products.

- 2) Are there any regulatory reforms the Senate Agriculture Committee should consider during Farm Bill reauthorization that could help streamline or otherwise improve the application process, program implementation and delivery of USDA Rural Development programs within this Committee's jurisdiction?

Response: The primary goal of Rural Development programs is to enhance rural prosperity through economic development. An ongoing challenge Rural Development faces in administering Farm Bill programs is how best to streamline delivery of services, reduce the complexity and burden to apply for assistance, and simplify administrative requirements and costs associated with program operations.

**Ranking Member Debbie Stabenow****Water Program Data**

- 1) Ms. Hazlett, please provide the Committee with updated data on the backlog of USDA's Water and Wastewater Loan/Grant Program (WEP)? Please provide the Committee with general nationwide data and state-by-state breakouts.

Response: The information below is submitted for the record.

<b>2017 Water And Environmental Program Grants And Loans</b>						
Program	# Projects	# Loans	Current Loan Status Amount	# Grants	Current Grant Status Amount	\$ Total
Appalachian Regional Commission	6	0	\$0	6	\$4,650,000	\$4,650,000
Colonias	5	0	\$0	5	\$17,597,902	\$17,597,902
Emergency Community Water Assistance Grant	56	0	\$0	56	\$17,139,306	\$17,139,306
Guaranteed Loans	3	3	\$1,545,236	0	\$0	\$1,545,236
Native American	23	0	\$0	23	\$36,412,282	\$36,412,282
Predevelopment Planning Grants	31	0	\$0	31	\$831,182	\$831,182
Rural Alaskan Village Grants	2	0	\$0	2	\$4,691,625	\$4,691,625
Rural Economic Area Partnerships	1	0	\$0	1	\$500,000	\$500,000
Regular	1114	1098	\$2,745,602,999	936	\$874,444,482	\$3,620,047,481
Special Evaluation Assistance for Rural Communities and Households Program	66	0	\$0	66	\$1,696,718	\$1,696,718

Strategic Economic and Community Development	1	1	\$12,011,000	1	\$3,979,000	\$15,990,000
<b>Grand Total</b>	<b>1308</b>	<b>1102</b>	<b>\$2,759,159,235</b>	<b>1127</b>	<b>\$961,942,497</b>	<b>\$3,721,101,732</b>

**Water Program Funding Backlog by State**

State Name	# Projects	# Loans	Current Loan Status Amount	# Grants	Current Grant Status Amount	\$ Backlog Total
Alabama	35	27	\$42,190,710	33	\$12,804,183	\$54,994,893
Alaska	9	5	\$20,186,355	9	\$12,158,777	\$32,345,132
Arizona	11	8	\$22,543,256	10	\$11,670,411	\$34,213,667
Arkansas	20	19	\$29,669,300	12	\$10,204,505	\$39,873,805
California	73	62	\$144,932,148	65	\$52,196,716	\$197,128,864
Colorado	28	23	\$44,105,408	23	\$11,425,244	\$55,530,652
Connecticut	9	7	\$36,634,098	6	\$8,369,718	\$45,003,816
Delaware	3	3	\$34,297,591	3	\$9,529,398	\$43,826,989
Florida	17	13	\$43,892,950	16	\$11,980,299	\$55,873,249
Georgia	25	22	\$90,115,153	22	\$26,978,458	\$117,093,611
Hawaii	10	9	\$18,408,604	10	\$5,632,151	\$24,040,755
Idaho	34	21	\$23,085,086	32	\$10,728,962	\$33,814,048
Illinois	25	19	\$43,102,350	18	\$13,428,950	\$56,531,300
Indiana	30	30	\$99,193,536	29	\$29,309,116	\$128,502,652
Iowa	38	35	\$86,114,874	35	\$37,083,543	\$123,198,417
Kansas	57	51	\$92,818,884	45	\$24,380,631	\$117,199,515
Kentucky	20	19	\$27,476,929	20	\$11,086,113	\$38,563,042
Louisiana	20	15	\$44,589,650	18	\$16,717,518	\$61,307,168
Maine	7	7	\$16,954,500	6	\$5,612,500	\$22,567,000
Maryland	26	18	\$26,039,762	25	\$11,532,811	\$37,572,573
Massachusetts	9	7	\$17,800,223	9	\$5,269,287	\$23,069,510
Michigan	27	24	\$120,019,790	23	\$20,039,510	\$140,059,300
Minnesota	57	51	\$98,153,972	50	\$45,872,973	\$144,026,945
Mississippi	34	33	\$38,394,186	30	\$14,453,211	\$52,847,397
Missouri	37	28	\$61,973,913	34	\$25,729,361	\$87,703,274
Montana	14	12	\$21,138,866	13	\$9,417,429	\$30,556,295
Nebraska	28	21	\$22,280,926	23	\$8,541,179	\$30,822,105
Nevada	6	6	\$45,089,398	5	\$9,932,400	\$55,021,798

New Hampshire	27	20	\$33,698,115	22	\$9,858,064	\$43,556,179
New Jersey	15	15	\$30,655,052	11	\$11,384,894	\$42,039,946
New Mexico	19	14	\$37,165,084	10	\$15,948,381	\$53,113,465
New York	74	66	\$143,586,175	65	\$46,687,881	\$190,274,056
North Carolina	31	28	\$69,871,472	27	\$17,448,768	\$87,320,240
North Dakota	29	23	\$62,178,662	27	\$17,591,049	\$79,769,711
Ohio	38	37	\$174,241,596	33	\$50,264,212	\$224,505,808
Oklahoma	28	24	\$60,478,340	21	\$17,793,374	\$78,271,714
Oregon	6	4	\$10,338,764	5	\$2,874,617	\$13,213,381
Pennsylvania	13	12	\$53,097,800	10	\$38,036,195	\$91,133,995
Puerto Rico	11	8	\$21,165,433	4	\$5,800,415	\$26,965,848
Rhode Island	8	8	\$17,193,420	6	\$6,557,380	\$23,750,800
South Carolina	21	21	\$76,116,687	19	\$21,748,988	\$97,865,675
South Dakota	25	18	\$67,113,013	23	\$32,483,811	\$99,596,824
Tennessee	16	9	\$16,130,975	13	\$5,985,500	\$22,116,475
Texas	62	52	\$195,557,160	55	\$67,897,722	\$263,454,882
Utah	3	3	\$20,625,345	3	\$6,465,555	\$27,090,900
Vermont	24	21	\$50,899,421	19	\$13,108,918	\$64,008,339
Virgin Islands	1	1	\$2,283,850	0	\$0	\$2,283,850
Virginia	32	32	\$63,846,738	23	\$23,335,309	\$87,182,047
Washington	40	33	\$47,929,390	36	\$33,601,622	\$81,531,012
Western Pacific	1	0	\$0	1	\$500,000	\$500,000
West Virginia	42	35	\$66,174,042	40	\$31,407,121	\$97,581,163
Wisconsin	18	16	\$18,850,058	17	\$9,546,611	\$28,396,669
Wyoming	15	7	\$8,760,224	13	\$3,530,757	\$12,290,981
Grand Total	1,308	1,102	\$2,759,159,235	1,127	\$961,942,497	\$3,721,101,732

- 2) Additionally, in a state-by-state breakout, can you provide the committee with updated data on number of households, businesses and individuals served by the WEP program?

**Water Program Funding With Households and Business Served by State**

State	Project Pop Served	Households	Businesses	Total
Alabama	76,932	28,970	28,970	57,941
Alaska	18,733	3,236	3,236	6,473
Arizona	18,708	6,929	6,073	13,002
Arkansas	35,401	10,289	10,289	20,577
California	32,293	11,441	10,308	21,749
Colorado	5,517	2,260	1,177	3,437
Connecticut	8,909	3,300	3,300	6,599
Delaware	7,278	3,914	1,719	5,633
Florida	5,057	1,873	1,873	3,746
Georgia	32,414	6,059	5,746	11,804
Hawaii	4,280	1,585		1,585
Idaho	13,862	5,999	4,799	10,797
Illinois	78,874	20,793	18,652	39,444
Indiana	43,104	17,311	12,753	30,063
Iowa	39,408	14,596	14,316	28,911
Kansas	31,873	7,537	7,537	15,074
Kentucky	177,284	59,731	58,814	118,545
Louisiana	18,340	6,285	5,247	11,532
Maine	42,695	15,813	17,420	33,233
Maryland	35,521	14,807	14,807	29,615
Massachusetts	7,500	2,778	2,778	5,556
Michigan	81,889	30,329	25,586	55,915
Minnesota	7,324	2,814	2,786	5,600
Mississippi	27,531	11,786	9,968	21,754
Missouri	51,453	19,725	18,879	38,604
Montana	25,944	9,655	6,222	15,877
Nebraska	12,851	4,922	4,822	9,744
Nevada	7,896	2,893	2,893	5,787
New Hampshire	34,618	11,512	11,377	22,889
New Jersey	20,591	7,626	6,783	14,409
New Mexico	25,390	9,198	6,360	15,557
New York	9,316	3,154	2,554	5,707
North Carolina	139,115	51,524	49,671	101,196
North Dakota	26,795	11,047	11,047	22,095
Ohio	667,020	246,091	245,766	491,857
Oklahoma	27,006	10,002	9,657	19,659
Oregon	7,519	3,742	3,742	7,484
Pennsylvania	42,229	15,640	15,640	31,281
Puerto Rico	0	0	0	0
Rhode Island	0	0	0	0
South Carolina	44,581	15,392	16,328	31,720
South Dakota	60,770	22,507	22,119	44,626
Tennessee	166,780	60,102	52,744	112,846
Texas	97,507	34,670	30,209	64,879
Utah	9,709	3,455	3,455	6,910
Vermont	31,628	11,714	9,334	21,048
Virgin Islands	0	0	0	0
Virginia	36,471	13,508	13,508	27,016



Washington	31,758	11,994	4,801	16,794
West Virginia	28,001	11,309	11,309	22,618
Western Pacific	70	0	0	0
Wisconsin	41,480	14,981	14,981	29,962
Wyoming	14,647	7,189	7,123	14,312
<b>TOTAL</b>	<b>2,511,872</b>	<b>903,984</b>	<b>849,476</b>	<b>1,753,460</b>

**Energy**

- 3) One of the big success from the last Farm Bill not strictly related to food or farming was the mandatory funding this Committee provided for USDA renewable energy programs. We'd like to build on that success in the next Farm Bill and one of the concerns I hear is that some programs need more funding while others may need to be retooled a bit. What programs are oversubscribed and could use more resources? Finally, can USDA please provide the committee with a comprehensive breakdown of all agency expenditures under all Energy title programs since over the last 8 years, including program expenses, resources spent on salaries, and other expenditures? Have any funds been transferred or reprogrammed from one energy title program to another program in the title, or elsewhere in USDA, over that time?

Response: The grant portions of the Rural Energy for America Program (REAP) have been very popular and consequently, oversubscribed. For agency program expenditures, please refer to the data table below listing program expenses over the last eight years. Grant programs are reported as actual outlays or disbursements in the fiscal year and loan guarantees are the total loan amount of conditional commitments obligated in the fiscal year. USDA administers the delivery of a majority of the Energy Title programs through its Rural Development field offices. Agency resources spent on salaries and other direct and indirect expenditures are not itemized to the Energy title programs and are consolidated into expenditures with other programs under the Rural Development mission area. The Agency estimates its costs to administer the Energy programs in FY 2017 to be approximately \$15.4 million of direct and indirect costs including the cost of 118 FTEs. USDA has not transferred or reprogrammed funds from one energy title program to another program in the title, or elsewhere in USDA, over the last eight years.

<b>Mandatory Energy Outlays 2010-2017</b>					
<b>Program Description</b>	<b>Repowering Assistance Grants</b>	<b>Bioenergy Program for Advanced Biofuels Payments</b>	<b>Rural Energy for America Program Grants</b>	<b>Rural Energy for America Program Loan Guarantees*</b>	<b>Biorefinery Renewable Chemical and Biobased Product Manufacturing Assistance</b>
<b>Fiscal Year</b>					
2010		\$18,507,443.38	\$43,984,770.32	\$55,205,456.00	\$54,500,000.00
2011		\$135,888,391.67	\$48,057,058.87	\$17,720,391.00	\$255,675,000.00

2012	\$4,500,000.00	\$35,204,748.14	\$16,454,209.48	\$8,590,965.00	\$461,500,000.00
2013		\$47,600,662.17	\$33,595,488.09	\$32,485,553.00	\$0.00
2014		\$48,297,008.45	\$10,569,939.05	\$56,149,700.00	\$161,000,000.00
2015	\$1,286,244.16	\$14,500,729.03	\$65,093,321.43	\$148,792,538.00	\$80,000,000.00
2016		\$14,096,457.64	\$23,482,170.27	\$257,221,919.00	\$0.00
2017		\$13,790,617.89	\$9,939,218.37	\$372,075,740.00	\$321,580,000.00

\*Loan Guarantees are the total loan amount of conditional commitments obligated in the Fiscal Year.

- 4) The REAP program has consistently faced demand far outstripping available resources. REAP has served every state in the union and assists every agricultural sector. Given the strong demand from US agriculture, will the USDA continue to promote the REAP program in the Energy Title of the Farm Bill?

Response: USDA is committed to stewarding the resources Congress has provided in the Energy Title of the Farm Bill. The REAP program is delivered through the Rural Development field offices. In April and May of 2017, USDA conducted regional training sessions for Rural Development state offices focusing on administration and delivery of the REAP program. As of October 31, 2017, USDA has received REAP grant and guaranteed loan applications that will fully utilize the mandatory funding for Fiscal Year 2018. Working with stakeholders, USDA will continue to assist agricultural producers and rural small business owners with filing applications for the REAP program.

- 5) Since the beginning of the Energy Title programs in 2003, the USDA has published news on awards made under the programs. Will the USDA continue to publicly announce awards under Farm Bill's Energy Title programs and make the program results publicly available?

Response: USDA is committed to transparency while stewarding the resources Congress has provided in the Energy Title of the Farm Bill. Results from government fiscal year 2017 in all USDA Rural Development programs will soon be publicly available in the Rural Development Performance Report. This report will be posted on [rd.usda.gov/publications/reports](http://rd.usda.gov/publications/reports).

- 6) The agricultural sector is struggling with low commodity and livestock prices. They cannot control commodity prices and the weather, but they can help control energy costs with energy efficiency upgrades and installing renewable energy systems. Do you see a role for energy programs to help the agricultural sector to improve their competitive position, create new business opportunities and generate jobs? How will USDA strengthen and implement these energy programs?

Response: Energy Title programs have and will continue to have a role in helping the agricultural sector to improve their competitive position, create new business opportunities and generate jobs. Financial assistance through the REAP Program helps agricultural producers reduce their operating expenses and cost of energy by implementing energy efficiency improvement projects such as high efficiency lighting, irrigation systems, grain

dryers, refrigeration systems, and ventilation systems. REAP also helps agricultural producers install renewable energy systems to reduce energy costs or generate income by selling excess electricity.

Along with REAP, the Energy Title programs support the development of new biorefineries and installation of new technologies in existing biorefineries. These programs support markets for corn, oil seed, and other agricultural commodities and new energy crops. In addition, the manufacturing, installation and maintenance of new energy efficiency and renewable energy technologies create new business opportunities and generate jobs.

Rural Development is committed to strengthening customer service at our field, regional, and national offices. To accomplish this goal, Rural Development is taking action to improve processes and streamline applications, developing capacity for the digitization of applications, and working to unify our information technology infrastructure. With these enhancements, we can continue to deliver the programs that Congress authorizes with a strong focus on our rural customer.

- 7) The Administration's FY18 budget request would have essentially eliminated Farm Bill Energy Title programs. What was the rationale for that decision in the budget? Has the Administration changed its position upon learning about the value these programs bring across the country? Will USDA commit to implementation of Congressional intent on these Energy programs?

Response: The budget proposal for Fiscal Year 2018 was developed prior to the leadership of Secretary Perdue. Secretary Perdue is committed to increasing prosperity in rural America and you have my commitment to steward the resources that Congress provides for programs in the Energy Title.

- 8) In your experience in Indiana have you seen examples where energy efficiency and rural energy can help to spark economic growth for our rural communities?

Response: In Indiana, Rural Development has used the REAP program to assist rural small businesses and agricultural producers with installing renewable energy systems and making energy efficiency improvements. These improvements help rural small businesses by reducing their energy costs. In Lapel, Indiana, for example, a coin operated laundromat was awarded \$10,894 to install roof-mounted solar panels to offset \$3,353 in utility costs. This new system will assist the business in becoming more efficient and able to provide an important service for quality of life in the community.

In addition to renewable energy generation, REAP funds have been used to make energy efficiency improvements that help reduce energy costs for rural small businesses. One example is a grant made to Integrity Biofuels, a biodiesel producer located in Shelby County. There, the company received a grant for \$11,900 to help offset the costs associated with replacing old lighting with energy efficient LED lighting. The project will save 213,585 KWH or approximately \$25,000 per year.

**Regional Emphasis**

- 9) A key accomplishment in the 2014 Farm Bill was encouraging regions to work together on strategies to drive rural economic development. We told USDA to give priority to funding applications that emphasized a regional approach, rather than several different dispersed projects. Can you give the Committee a status update how things are going with this program, known as Strategic Economic Community Development (SECD)? What additional tools can the Committee provide USDA to enhance and encourage communities to adopt this approach?

Response: The Strategic Economic and Community Development Program was implemented beginning in Fiscal Year 2015 with a policy enabling the four underlying programs to give priority points for projects meeting SECD requirements in the national pool of funding. In subsequent years, SECD has been implemented using set-asides of funds.

In Fiscal Year 2015, 2016, and 2017, Rural Development obligated \$13 million, \$94 million, and \$126 million, respectively for an array of business, water and community facilities projects. The funding obligations in Fiscal Year 2017 represented a 34 percent increase from the prior year. We anticipate these obligations will increase even further as more communities and stakeholders recognize the opportunity SECD provides to support the implementation of regional plans. To maximize the results, Rural Development and the Economic Development Administration executed a Memorandum of Understanding in Fiscal Year 2017 to formalize information sharing and streamlining of program requirements with respect to the regional planning process.

**Senator John Thune**

- 1) South Dakota is home to nine reservations, and I have worked closely with the tribes on strategies to leverage federal funds to promote affordable housing and homeownership on trust land. It is my understanding that USDA has been working with the members of the SD Native Homeownership Coalition to pilot in South Dakota the 502 relending demonstration program that would allow Native community development financial institutions (CDFIs) to borrow mortgage capital from the USDA 502 direct home loan program and then relend it to eligible low-income families on trust land.

What is the status of this demonstration program, specifically when it will be implemented? How will it help to increase the flow of mortgage capital to some of the most underserved areas in South Dakota?

Response: Rural Development is committed to working with tribes to address the unique needs of these communities on many critical issues, including housing resources. Loan packaging by nonprofit partners, including CDFIs, and the new construction to permanent guaranteed lending product are financing opportunities already available to Native communities. Rural Development will continue to explore partnership options such as the

502 relending demonstration program to help facilitate the leveraging of federal funds to promote affordable housing in tribal areas.

**Senator Patrick Leahy**

- 1) According to the administration's FY18 USDA Budget Explanatory Notes for the Committee on Appropriations, in FY15 RD had 198 unfilled positions of 5,047 total permanent positions. In FY16, that number rose to 477 of 5,179. In FY17 it is estimated at 415 of 5,240 however in the President's FY18 proposed budget, there would be 1,340 positions unfilled of 5,240 total permanent positions. That is an additional 925 unfilled positions from FY17 estimates or a 223 percent increase. Secretary Purdue has often stated he hopes to improve upon customer service at USDA.

- a. How does USDA RD expect to maintain existing service with this sharp increase in unfilled positions?

Response: Rural Development is committed to strengthening customer service at our field, regional, and national offices. To accomplish this goal, Rural Development is taking action to improve processes and streamline applications, developing capacity for the digitization of applications, and working to unify our information technology infrastructure. With these enhancements, we can continue to deliver the programs that Congress authorizes with exceptional customer service.

- b. How does USDA RD expect to improve overall administration of programs and customer service with an increase of 223 percent of unfilled positions?

Response: We can improve the overall administration of our programs by improving processes and streamlining applications, digitizing the application process, unifying our information technology infrastructure, and ensuring communication and transparency with our customers throughout the process. With these tools, we can increase the overall level of customer service.

- 2) We know that efficiency and renewable energy is creating countless rural jobs and supporting rural economies. That is one of the reasons why I have heard from partners in Vermont who are asking for more flexibility in the Energy Efficiency and Conservation Loan Program and the Rural Energy for America Program. For instance, it can be difficult for USDA to finance and offer loans for important community solar projects. I have been asked that other entities such as energy efficiency non-profits or state energy programs be made eligible for these efficiency loans in addition to utilities, since those entities may have experience and capacity in renewable energy and efficiency work.

- a. Do you agree that we should find ways to offer more flexibility in USDA energy programs to help our rural constituents to implement new energy efficiency measures?

Response: The existing legislative authorities provide us with a great deal of flexibility. Our existing Federal Financing Bank guarantee loan program can accommodate loans for community solar projects. And, the Energy Efficiency and Conservation Loan Program allows for relending by a utility to a beneficiary for energy efficiency purposes.

- b. What changes are needed in this next Farm Bill to ensure that your USDA energy programs can support Community Solar projects that allow businesses, municipalities, homeowners, renters, and nonprofits who cannot have solar panels on their roof or grounds, to access this low cost local energy that supports rural jobs?

Response: At present, the limitation on our ability to support community solar projects is a lack of qualified applications with an adequate revenue stream and sufficient developer capacity. Project financing is inherently riskier than utility lending and requires substantially greater administrative resources. Going forward, appropriations for this type of lending might be more optimally directed to the RBS loan programs that guarantee private bank lending. Here, the agency has recourse through the underwriting staff in those institutions.

- 3) Rural Utilities Service has some valuable tools that hold the potential to make significant investments in rural America that have been underutilized. From my perspective this includes the Energy Efficiency & Conservation Loan Program that has approved only a small number of applications.

- a. Are there changes that Congress could make to the program to increase its usage?

Response: We are aware that the cost of loans under the Energy Efficiency and Conservation Loan program has been a disincentive for utilities to use this tool. In addition, there is a need for a program that insures these utilities against defaults by retail borrowers.

- b. Are there ways that the traditional definition of a utility could be updated to reflect other types of utilities that might not have hard assets like poles and wires to collateralize to back a loan?

Response: We would be pleased to work with the Committee to identify ways to bring greater flexibility, simplicity and synergy to the Rural Development programs—so they can be more effective tools for partnering with communities to build rural prosperity. There are multiple ways to do this and certainly making adjustments to the definition of a utility is one path.

- 4) I have heard from some constituents who would like to see other entities such as energy efficiency nonprofits or state energy programs made eligible for the Energy & Conservation Loan Program, in addition to utilities, since those non-utility entities may have better capacity to help reduce energy burdens. What suggestions do you have for us as we look to potentially expand the list of eligible entities for the Energy Efficiency & Conservation Loan Program?

Response: Energy efficiency and conservation have been core values of rural electrification since its inception. The Energy Efficiency and Conservation Loan Program offers consumers the opportunity to save money, increase comfort and improve home values. Non-utility entities are already eligible applicants in our traditional FFB guarantee program – without the re-lending feature and subject to adequate collateral. The largest impediment to use of this tool by non-utility entities is that as a loan program, the energy efficiency program must have reasonably adequate security to ensure that loans are repaid. New entities that want to participate in energy efficiency loan programs need to be able to pledge assets or revenues sufficient to secure their RUS loans.

- 5) While I fully recognize that new technologies like broadband are transformative and essential in this new digital age, we must maintain and rebuild our existing critical rural infrastructure. That is why I was very disturbed by reports earlier this year about the significant backlogs that the USDA's Rural Utilities Service had for eligible infrastructure projects, particularly for water and wastewater infrastructure loans and grants. We had a backlog of over \$33 million worth of water and waste water projects in Vermont alone, including grants and loan requests. What steps are you taking at USDA to reduce the backlog of rural infrastructure projects waiting for additional investment?

Response: Rural Development is taking several steps to reduce the backlog of water infrastructure projects. First, the agency is working with commercial lenders and other funding agencies to leverage funding for projects to reduce the level of funding needed per project. Second, the agency also optimizes the use of loans and grants by pooling available funding twice a year to move funds from low demand states to high priority projects. We target limited grant dollars to their greatest need and work to leverage our investments with other private and public funders. Finally, the agency is working to reduce the unliquidated obligations and to complete projects funded during prior years.

Beyond these steps, Rural Development has also given special focus to expanding the utilization of guaranteed loans. In recent weeks, we have met with a major lender to explain the guaranteed opportunity. We will be further expanding outreach to lenders. One issue that constrains the use of WEP loan guarantees is the restriction that federal guarantees generally cannot be used with tax exempt bonds. We look forward to working with the Committee to find innovative ways to maximize investments from limited budget authority.

- 6) I hear from many towns and partners on the ground about the importance of strategic plan development, coordination, training, and technical assistance to implement economic development. Many Vermont groups have applied unsuccessfully for Rural Community Development Initiative grants, due to the very limited funding available each year. What impact do you think would we see on the ground if we increased the funding for this initiative to support more rural communities that are trying to increase their capacity and ability to undertake economic development projects?

Response: Rural Development is committed to working with Congress to address rural economic development issues. Under the Rural Community Development Initiative (RCDI),

grants are awarded to intermediary organizations to help develop the capacity of non-profit housing and community development organizations, low-income rural communities and federally recognized tribes to support housing, community and economic development projects across rural America. In Fiscal Year 2017, the agency received \$4 million in annual appropriations under the RCDI program. The RCDI program is very competitive and the agency utilized 100 percent of the funds appropriated by Congress. We are committed to stewarding the resources Congress provides to increase rural prosperity and economic opportunity.

- 7) In many places, like my home state of Vermont, one of the key barriers to the widespread availability of broadband is the high cost of last mile service. What can we do with the existing RUS broadband programs to help close the broadband gap in Rural America particularly in places where incumbent providers are not offering last mile service?

Response: The high cost of last mile internet connectivity in rural areas can be attributed to many factors, including challenging geographies that increase capital costs and low population density which means there are fewer opportunities for paying customers to recuperate the investment costs. Where feasible, RUS broadband programs can enhance incentives for carriers to invest in technologies that are less cost-intensive and easier to deploy. For loan programs, better interest rates, longer amortization periods and the consideration of principal and interest deferments in the first three or four years of a loan could also help defer costs until a sufficient number of subscribers are connected and begin billable service.

Additionally, many government policies elongate approval processes and add expense, which increase risk and inhibit private sector investment in network expansion. By streamlining the development processes with “dig once” and “hang once” policies, allowing easier and less expensive access to existing infrastructure, and reducing environmental permitting barriers to buildout, risk can be reduced and service providers can be encouraged to expand affordable, reliable internet throughout rural America.

- 8) Thank you for sharing with the committee Secretary Perdue’s vision for the new “Rural Development Innovation Center” within RD. You mentioned a team that would work alongside the three administrators to carry out activities like data analysis and outcomes measurement. I am interested in additional information and details on exactly how that Center will function, and how it will engage rural stakeholders outside of DC in evaluating the impacts of RD programs and suggesting changes.
- a. What additional information or details can you share with the committee on how the new Innovation Center will function?

Response: The Rural Development Innovation Center will focus on several core activities designed to enhance the impact of our resources such as policy and trend analysis, regulatory affairs, strategic partnerships, capacity building, and data analytics. The Innovation Center will work alongside the three agency administrators and State Directors to ensure the most effective delivery of our programs. Leadership



for the Innovation Center will be provided by a Chief Innovation Officer and will report directly to the Chief of Staff.

- b. Will the new Rural Development Innovation Center be internal, or will the Agency engage the users of RD programs to understand how they can function in the field?

Response: The Innovation Center will guide both the internal and external activities of the Rural Development mission area. With respect to the field, the Innovation Center will work directly with the State Directors to help shape their performance goals for the programs and their partnerships with local, state, regional and non-profit partners. Through the Innovation Center, Rural Development will implement targeted strategies to create a work environment and culture focused on outcomes for rural America. Rural Development will align its priorities with the Department's goals-- incorporating decisions that will streamline business processes, enhance customer-centric approaches, and produce tangible results in the communities we serve.

While the Innovation Center will reside within Rural Development, customer and stakeholder input and engagement will be critical in achieving the outlined objectives. Through strategic partnerships and capacity building activity in the Innovation Center, Rural Development will be actively working with program stakeholders to create a work environment and culture focused on outcomes for rural America. Lastly, with the Secretary's focus on customer service, our team will be actively engaged with our stakeholders and program users to know how we can do better.

- 9) We often hear that RD programs are critical sources of support for rural economic development and infrastructure. Yet we also hear that developing these projects, and then applying for these resources, is a challenge for rural communities, which often rely on part time or volunteer leadership. Many programs provide capital for specific transactions, but there is also a need to support the rural leadership capacity necessary for project and entrepreneurial development. How effective are RD programs at supporting this rural leadership capacity?

Response: Rural Development has a strong interest in building leadership capacity in rural communities. Rural Development programs support a broad array of training and technical assistance projects that assist rural communities, including leadership and entrepreneur training, rural business incubators and long-term business strategic planning. These program investments are the resources that enable rural communities to build the local capacity needed for sustainable economic development.

Going forward, the partnerships team in the Rural Development Innovation Center will work to form alliances with other public and private organizations that share Rural Development's commitment to prosperity in rural America. This includes engaging with existing and potential partners at the local, state, and national levels to build capacity and improve the impact of Rural Development programs on the rural economy. Additionally,

this effort will include collecting and sharing best practices for partnerships and creating opportunities for closer working relationships with partner organizations.

- 10) Rural economies are inherently regional in scope. How effectively do RD programs reflect this reality and support regional economic development approaches?

Response: Rural Development has used the Strategic Economic and Community Development program authority to prioritize projects that support the implementation of regional economic development plans through select Rural Development programs. Projects that promote regional economic development can be used to capitalize on the unique strengths of specific rural areas. Rural Development is a partner in regional economic development by helping applicants overcome multi-jurisdictional challenges and leverage federal, state, local or private funding. Through regionally focused projects, Rural Development can leverage our resources to have a larger impact, enabling greater wealth creation and quality of life improvements.

- 11) While dramatic improvements have been made in rural housing quality in recent decades, deferred maintenance plagues much of the USDA-financed rental properties throughout the United States. That is why I was disappointed and frankly stunned that the President's FY18 budget proposed to eliminate Rural Housing Service grant programs including Section 502, 504 and 515. The administration seems tone deaf to the fact that thousands of affordable units funded by the 515 Multifamily Loan Program will soon no longer be guaranteed rent subsidies as a result of maturing mortgages, threatening low-income tenant households with drastic rent increases and even homelessness.

Following Secretary Perdue's confirmation hearing in March 2017, he stated that if confirmed he planned to review the Section 515 program and work with USDA staff, Congress and the Administration to ensure appropriate funding for these programs.

- a. What plan does the Department have to address maturing 515 mortgages in the immediate future, and over the next several years?

Response: Rural Development is using its existing authorities to mitigate the potential loss of Section 515 properties with mortgages that will mature over the next several years, ensuring very-low-income families in rural communities can continue to have safe, decent and affordable rental housing. Rural Development will look at all available options including prioritizing rehabilitation of maturing mortgage properties in the Multi-Family Preservation and Revitalization program and providing Section 515 loans to nonprofits to finance the acquisition of existing Section 515 properties. For example, in September 2016, Rural Development announced a demonstration program to incentivize non-profit organizations to acquire maturing mortgage Section 515 rental housing by providing non-profits the ability to earn a return on their funds invested in the rehabilitation of the acquired properties. The demonstration program is open from March 1, 2017 to March 1, 2019.

- b. When will the Department have a plan in place to work with community housing providers to incentivize and support the transfer of maturing 515 properties to ensure we do not fall behind on the growing housing needs in rural communities?

Response: Under the leadership of Secretary Perdue, Rural Development is focused on increasing rural prosperity and economic development through three core priorities: infrastructure, partnerships, and innovation. As we look to address the challenge of maturing mortgages, we will seek to engage with stakeholders to find a solution through innovative best practices and partnerships.

- c. In instances when mortgages expire and properties no longer guarantee rental subsidies, is the Department considering options that would allow residents to remain in their homes and maintain the affordability, similar to the enhanced vouchers utilized by the Department of Housing and Urban Development? If not, why?

Response: Under the leadership of Secretary Perdue, Rural Development is focused on increasing rural prosperity and economic development through three core priorities: infrastructure, partnerships, and innovation. As we look to address the challenge of availability of housing in rural communities, we will seek to engage with stakeholders to find a solution to these challenges through innovative best practices and partnerships.

- 12) I have heard great things about how the new RD Apply application system has made a tremendous technological advancement for your field staff working on Rural Utility Services projects, allowing them to work together across offices and have multiple people working on a project together. However, I understand that some portions of your Rural Housing programs are still stuck using inefficient paper files. When will see these sort of technological advancements in Housing that RUS is benefitting from?

Response: The Rural Development Community Facilities Program, Single Family Housing, and Multi-Family Housing programs are actively working to streamline and automate their applications to create a more efficient, consistent and customer-friendly application process. The rollout of the automated application system will significantly improve our customer experience and efficiency of program delivery. The Section 502 Direct and Guaranteed programs both use an Electronic Customer file. The Community Facilities Program is expected to begin an electronic file in Fiscal Year 2018. And, lastly, we are actively working towards an automated process in our Multi-Family Housing program.

- 13) The 521 Rental Assistance Program is a critical component of the Department of Agriculture, as it provides an additional subsidy for tenants in Section 515 or 514/516 financed rental housing with incomes too low to otherwise pay the subsidized rent. Last year, this program helped nearly 300,000 low-income families nationwide in achieving safe, affordable housing in our most rural communities. The cost of the Section 521 Rental Assistance program is growing every year, as the number of program participants expands to serve more low-income families.

I applaud the USDA's priority to increase funding for this program, however, I am concerned about how we keep costs manageable as more households participate in the program. In recent years, recommendations have been made to the USDA to improve energy efficiency, eliminate duplicative administrative requirements, and refinance USDA mortgages at lower interest rates to achieve greater program affordability. I encourage the USDA to pursue these ideas as a way to lower program costs, without negatively impacting vulnerable tenants. When can we expect to see a plan presented to the Senate Agriculture Committee for how the USDA plans to reduce these costs, meanwhile ensuring protections for the most at-risk families who receive rental subsidies from the 521 Rental Assistance Program?

Response: Rural Development has taken action to steward the resources Congress has provided in the 521 Rental Assistance Program and will continue to look for efficiencies in delivering this assistance. These actions include reduced duplicative administrative requirements, replacing older, less efficient equipment with more energy efficient equipment, reducing property operating costs, and conducting regular monitoring activities to help keep costs manageable and to ensure that rental assistance is benefitting eligible tenants most in need of assistance. The success of Rural Development's oversight of the rental assistance program was recognized in 2017 when Rural Development was able to remove the Section 521 program from USDA's list of high risk programs.

**Senator Amy Klobuchar**

- 1) Renewable energy is an important economic development tool in Minnesota, but it also helps improve the environment and makes our country more energy independent. How do you see renewable energy programs fitting into Rural Development's responsibility for creating opportunities and improving the quality of life in rural areas? Do you believe that renewable energy – and specifically advanced biofuels and chemicals – are an important part of promoting innovation in rural America?

Response: Renewable energy systems including advanced biofuels and renewable chemicals are an opportunity for innovation and prosperity in rural America. As we work to facilitate economic opportunity in rural communities, Rural Development is continuing to improve delivery of the Energy Title programs to align with industry needs and trends.

- 2) The Rural Energy for America Program, or REAP, supports nearly every form of renewable energy as well as energy efficiency on farms, ranches, and at rural small businesses. REAP has funded projects in every state and benefits all agricultural sectors. How can Rural Development help ensure that key energy title programs like REAP and others are continually improving and providing opportunities for our rural citizens, communities and businesses?

Response: Rural Development is continually working to ensure key energy title programs such as REAP are delivered efficiently, effectively, and with integrity by:

- a. Modernizing information technology infrastructure, facilities, and support services to improve the customer experience;
- b. Empowering and engaging Rural Development employees;
- c. Removing obstacles for participation in Rural Development programs by reducing the regulatory burden and streamlining its processes; and
- d. Improving the financial stewardship of resources and utilizing data-driven analyses to maximize program return on investment, thereby providing opportunities for our rural citizens, communities and businesses.

- 3) The USDA REAP program is popular in Minnesota and across the country. As a result, the oversubscription rate is very high. We all want programs to continually improve and evolve. It has come to our attention that REAP doesn't effectively serve commercially proven technologies that farmers and rural businesses want to deploy – like small-scale wind power and biogas systems. The lack of recent program success for these technologies has turned a lot of people away from the program. REAP was always intended to serve and support multiple technologies. What can USDA do to improve grant success rates for these underserved technologies, either through the farm bill or more balanced regulation, in the near future?

Response: Rural Development continues to explore ways to improve program delivery to support a wide diversity across all commercially available technologies and regions of the country. While the number of applications submitted for certain technologies has declined in recent years, the success rate of awards to applications received among commercially available technologies (e.g., small scale wind in particular) has remained relatively unchanged through time and equitable across the types of technologies. To address the decline in applications, Rural Development continues to work with stakeholders and supporting organizations to encourage the number of applications submitted.

While commercially available small scale biogas systems are emerging and continue to improve, the deployment challenge with these technologies is less technical in nature and more one financial viability. Because of the relatively low energy density of the biofuels that tend to be used in such projects, these technologies are not scale neutral. The agency is working creatively with agricultural producers and stakeholders so as to aggregate a number of small projects into those of sufficiently viable scale.

**Senator Kirsten Gillibrand**

- 1) Like many Committee members, I am deeply concerned by and oppose the President's decision to demote the critical mission of rural development from an Under Secretary level.

A Senate-confirmed Under Secretary has political legitimacy that empowers the kind of leadership within USDA and across the federal government that our rural communities deserve. While you certainly have the ear of the Secretary, would you agree that this reorganization makes your advocacy more difficult and jeopardizes the historic, critical mission of Rural Development?

Response: By elevating Rural Development to be a part of the Office of the Secretary, barriers to prosperity for rural America's success have been removed. Program and policy actions that will increase efficiency and implementation will have less bureaucracy to endure in order to come to fruition. Nothing in the day-to-day operations has changed, except for the direct access that Rural Development now has to the Secretary. The Assistant to the Secretary has walk-in privileges to the Office of the Secretary, and is able to bring focus and attention to the challenges which are affecting rural areas and the impact of Rural Development's programs most. In this role, the Assistant to the Secretary for Rural Development is managing the issues which arise in Rural Development's three agencies and ensuring the budget is being stewarded in a way that most effectively reaches intended recipients to create prosperity in rural America.

- 2) Many of our small town and rural community leaders want to revitalize their local economies, but lack the resources and technical capacity they need. How can USDA make it easier for communities, particularly ones that lack capacity, to access the assistance they need to rebuild their economy?

Response: As Rural Development focuses on building prosperity in rural America, we will look for ways to enhance the use of Rural Development tools through partnerships and coordination. At the local level, promoting collaboration between Rural Development, state and local government and organizations is an important way to have the greatest impact with limited resources. Rural Development works closely with local and county governments, rural businesses and cooperatives, schools, hospitals, and other non-profit organizations. The presence of Rural Development field offices in every state helps us serve the specific needs of local communities. Rural Development staff are rural residents themselves, tuned-in to the local institutions that actually make things work on the ground. Rural Development is a capacity-building organization. We help build the platforms for our community and business partners to provide access to better education through distance learning, improve rural health care, support workforce development, and ultimately create thriving businesses and expand jobs.

- 3) We often hear that rural development programs are critical sources of support for rural economic development and infrastructure. Yet we also hear that developing these projects, and then applying for these resources, is a challenge for rural communities, which often rely on part-time or volunteer leadership. Many programs invest provide capital for specific transactions, but there is also a need to support the rural leadership capacity necessary for project and entrepreneurial development. How effective are rural development programs at supporting this capacity?

Response: Many communities lack the capacity necessary for complex projects and entrepreneurial development. We believe that capacity building is critical to maximizing the effectiveness of our program resources on the ground and will look to focus on improving this critical function in the Rural Development Innovation Center.

- 4) Will you commit to working with me to improve the Farm Bill by expanding the existing Rural Utilities Service's (RUS) Broadband Loan and Loan Guarantee Program to allow for grants to be awarded in combination with the available financing so we can finally close the access gap?

Response: Yes. We believe that pairing grants from existing programs and existing fund sources with existing loan financing options would assist with certain aspects of closing the access gap in internet connectivity. Such packaging of funding tools would help lower the up-front cost of money to construct infrastructure and allow for ramp-up of billable service to repay debt and sustain operations.

Also, though, many government policies can be amended to incentivize the private sector to invest in needed new and upgraded infrastructure to close the access gap. These include reducing the elongated approval processes that add time and expense, and add risk, all of which inhibit private sector investment in network expansion. By streamlining the deployment processes with "dig once" and "hang once" policies, allowing easier and less expensive access to existing infrastructure, and reducing environmental permitting barriers to buildout, risk can be reduced and service providers would be encouraged to expand affordable, reliable internet throughout rural America.

- 5) Despite the progress that has been made since the introduction of the Healthy Food Financing Initiative (HFFI), the USDA estimates that 40 million people nationwide still live with inadequate access to fresh and healthy food options. To increase rural food access, HFFI needs a National Fund Manager that can provide technical assistance and capital to eligible fresh, healthy food projects and help underserved communities overcome their higher initial costs. I know that the USDA has selected a National Fund Manager understand and that USDA is close to finalizing that contract. HFFI will work even better with a coordinator who can pool of resources to address entrepreneurial capacity, CDFI capacity, capital access, and food industry specific challenges. How will you coordinate the HFFI program with other Rural Development resources to ensure the greatest increase to food access?

Response: Food insecurity is a very real challenge in many communities, urban and rural. Rural Development is working with the HFFI National Fund Manager and the Reinvestment Fund to ensure that the rollout of funds is well-coordinated with our Rural Development State and area offices. Toward this end, Rural Development staff have participated in a train-the-trainer program so they are equipped to train Rural Development staff in State and area offices on how to integrate HFFI into Rural Development's grant, loan, and technical assistance programs.

- 6) I am preparing to introduce a bill to reauthorize the HFFI program and am considering changes that would expand the types of fresh food projects that could seek funding to include rural food hubs, cold storage facilities, and farm centered packing and holding facilities. Do

you think that that expanding HFFI to include these rural focused projects could help support food retailers and increase food access in rural communities and could these types of projects bring some additional value back to our farmers and producers?

Response: Food insecurity is a very real challenge in many communities, urban and rural. Rural Development is committed to being a part of that solution, not only through the Healthy Food Financing Initiative, but through our other programs. Our programs support the development of not only physical grocery and other food delivery stores, but the entire food chain.

Under Section 4206 of the 2014 Farm Bill, the National Fund Manager has the authority to raise private capital, provide financial and technical assistance to partnerships, and fund eligible projects to support retailers and their supply chains that bring fresh, healthy food into underserved areas. The existing eligibility requirements and characteristics of priority projects provide the National Fund Manager with the capacity to fund fresh food projects such as rural food hubs, cold storage facilities, and farm centered packing and holding facilities. These types of projects support local food economies and rural entrepreneurship as well as creating new and expanded marketing opportunities for farmers and producers.

- 7) In 2016, the national poverty rate was 12.7 percent, and even higher in rural communities at 15.8 percent. Access to affordable housing for any family living in a community with high rates of poverty is difficult, and home ownership may be impossible. While most affordable housing and homeownership programs are targeted towards urban communities, the 502 Single Family Housing Direct and 504 Home Repair Loan Programs assist low and very low-income families to obtain, repair, or upgrade, safe and affordable housing in rural areas. Given the importance of 502 and 504 lending programs in addressing underserved, rural communities, what steps will you take to ensure that these critical programs continue to meet the growing needs of rural homeowners?

Response: Rural Development is committed to ensuring that families and individuals with limited means have access to affordable housing in rural communities. Rural Development partners with both affordable housing practitioners (e.g., nonprofits and state housing finance agencies) and commercial businesses involved with the real estate industry, such as real estate agents and builders to meet affordable housing needs in rural communities. These entities recognize the importance of all affordable homeownership programs available to rural residents including the hundred percent financing options offered by the Section 502 Guaranteed program. This program continues to be an important option for a significant number of low and very low income borrowers in this low interest rate environment. Community Development Financial Institutions that work closely with underserved, rural communities can also serve as guaranteed lenders for the Section 502 program and help aspiring rural homebuyers access affordable financing for homeownership.

In addition, Rural Development is ensuring its programs continue to meet the needs of rural homeowners through targeted trainings, process improvements, technology enhancements, policy refinements, and other tools and strategies. The agency remains committed to



effectively managing and stewarding the resources Congress provides to meet the needs of rural homebuyers and increase rural prosperity.

- 8) Home ownership is a key factor in addressing high rates of poverty, and plays an important role in ensuring a community's economic well-being. While the Census Bureau reports that homeownership rates are higher in rural areas, houses are often older, in need of rehabilitation or repair, and may need to be rebuilt entirely. Despite the more than the \$975 million in high-quality loans provided to low-income families in rural communities who otherwise may not have been able to obtain a mortgage in FY16, the 502 and 504 programs have not met the needs of families in rural communities wishing to buy homes.

- a) How will you work to expand homeownership opportunities for rural Americans?

Response: Rural Development remains committed to effectively managing and stewarding the resources Congress provides to meet the needs of rural homebuyers and increase rural prosperity. Rural Development can meet these goals through improved program delivery of the Sec 502 Guaranteed Loan Program. With improved delivery, the agency is confident of expanding homeownership opportunities to additional rural homebuyers in this low interest rate environment, and fully utilizing the resources provided by Congress.

- b) Would increasing the number of loans available through the 502 and 504 programs, or leveraging partnerships with non-profit organizations, be a viable option to address affordable homeownership and rural poverty?

Response: Rural Development is committed to addressing the affordable housing needs of rural residents with limited income and will take the necessary measures to effectively and efficiently utilize all available program funds. In the current low interest rate environment, the Section 502 Guaranteed program can provide access to affordable mortgage financing to a significant number of low and very low income families and individuals in rural communities. The agency will continue to seek to extend the programs' reach by leveraging partnerships with nonprofit entities such as CDFIs, as well as for-profit businesses involved with the real estate and mortgage industries.

- 9) In addition to housing needs, rural communities often lack the necessary capital to invest in much-needed infrastructure like schools, libraries, health clinics, and food banks. The Community Facilities Direct Loan & Grant Program and Community Facilities Relending Program have helped to invest more than \$60 million in projects in rural communities throughout New York State. Given the unique needs of low-income rural communities, how will you target these programs and prioritize areas with persistent rural poverty?

Response: Rural Development has implemented outreach and community engagement strategies to strengthen investment in rural community infrastructure in persistent poverty counties in rural America. As a result, the agency used all of its funds appropriated for persistent poverty counties. In Fiscal Year 2017, Rural Development invested \$222 million in CF direct and guaranteed loan and grant funds, in 128 projects located in 16 states.

- 10) USDA's StrikeForce Initiative launch in 2010, and has since launched more than 1500 partnerships across the United States to invest in high-poverty rural communities. In my state, and many other states in the Northeast, there is a significant rural population. However, USDA has not designated a single county in these states as a StrikeForce zone. Does USDA have plans to expand the StrikeForce Initiative to cover Northeastern communities that struggle with high rates of poverty, and would an expansion address their higher costs-of-living when compared to their Southern and Mid-Western counterparts?

Response: Rural Development shares your concern about poverty in rural America. We are committed to working with you to build prosperity and improve quality of life, particularly in areas of persistent poverty. When we look at how to do this, partnership, flexibility and innovation are key priorities. Rural Development looks forward to initiatives coming from the rural Prosperity Task Force and evaluation from the Innovation Center team to ensure that we are using resources effectively to assist these places in great need.

**Senator Heidi Heitkamp**

Our tribal communities in Indian Country face an atrocious and unacceptable shortage of safe, affordable housing. In North Dakota, native households are overcrowded at almost four times the rate of the rest of the country, and often live without functioning plumbing or other basics. I have worked closely with the tribes in my state on many issues, including strategies to leverage federal funds to promote affordable housing and homeownership on trust land, and believe strongly that Rural Development and the USDA rural housing programs are in a position to help address this unmet need.

- 1) Can our tribal communities count on a redoubled effort from Rural Development to invest in affordable housing in Indian Country and explore new public private partnerships with entities on the ground, like Native Community Development Financial Institutions (CDFIs)?

Response: Rural Development recognizes the need for increased access to mortgage financing in Indian country, and will continue to explore public private partnerships with entities such as Native CDFIs to promote affordable homeownership opportunities for Tribal communities. The agency has already been partnering with Native Community Finance NCF, a Native CDFI, to deliver training to tribal organizations in New Mexico.

- 2) What innovative strategies and pilot programs have Rural Development being working on in the housing realm to better serve Indian Country?

Response: Rural Development is continually exploring innovative ways to deliver its programs more effectively. Rural Development has been exploring expanded partnerships with Native CDFIs to better serve the homeownership needs of Tribal communities. Rural Development is also exploring case-by-case exceptions to regulatory requirements when the authority conditions are met in order to better serve the needs in Indian country.

**Senate Committee on Agriculture, Nutrition, & Forestry**  
Rural Development and Energy Programs: Perspectives for the 2018 Farm Bill  
Thursday, September 28, 2017  
Questions for the Record  
**Mr. Denny Law**

**Senator Kirsten Gillibrand**

- 1) Can you speak to the needs of small, rural telecom companies when it comes to the RUS assistance as a complement or alternative to non-government lenders?

There are a limited number of non-government lenders (such as CoBank and RTFC) willing to provide lending to help finance rural broadband deployment. Providing sustainable broadband in rural areas does not attract substantial capital from multiple private lending sources. But even where capital may be available from RUS or private lenders, it can be difficult, if not impossible, to justify loans for investment in rural areas. Therefore, direct support from the federal Universal Service Fund (USF) High Cost program is essential for rural broadband. Support from the USF helps rural carriers make the business case for providing the service and securing loans from RUS and the other, very few lenders committed and willing to finance broadband-capable plant in rural America.

- 2) What changes would make borrowing from RUS more user-friendly and more attractive to small, rural telecom companies?

While RUS provides a unique financing option for rural broadband companies and plays an important role in helping generate broadband deployment, the time and cost of borrowing from RUS detracts from the competitive interest rates available. Rural providers report needing extra cash on hand to borrow from RUS to navigate the application process. Loan sequencing reform would help companies put off costly reviews when they are unsure about the possibility of securing a loan. Also, for some of the costliest to serve areas, where a loan is not incentive enough to invest, adding a grant component to the RUS Broadband Loan Program may help spur investment.

**Senate Committee on Agriculture, Nutrition, & Forestry**  
**Rural Development and Energy Programs: Perspectives for the 2018 Farm Bill**  
**Thursday, September 28, 2017**  
**Questions for the Record**  
**Mr. Christopher A. McLean**

**Chairman Pat Roberts**

- 1) Do you believe the four telecommunications programs administered by USDA Rural Development are making sufficient progress in addressing the disparity in broadband access between rural and urban areas? Furthermore, do you think the current speeds USDA broadband programs mandate for award recipients are sufficient?

Response: The RUS Telecommunications loan and grant programs are making a profound impact in communities where they are used. Grants and low interest loans help address the largest barrier to rural broadband service – cost.

Recent RUS loans have financed fiber to the home technologies in some of the more remote areas of the nation. Our Community Connect broadband grant program is consistently oversubscribed and is bringing first time broadband to some of the nation's most underserved and economically challenges areas.

Loan demand is driven by the predictability and sufficiency of customer and universal service support revenues. We see growth in demand for loans when universal service support mechanisms for rural service providers are stable.

The RUS just increased its minimum speed for new broadband loan applications in its current funding round to a minimum of 25 megabits downstream and 3 megabits upstream.

The Community Connect program uses a lower eligibility speed to target funds towards the most underserved communities. These bandwidth requirements are a floor, not a ceiling. Most RUS borrowers construct systems capable of service that significantly exceeds the eligibility speed. The function of the speed test is to target limited resources to areas that are the most underserved. When eligibility speeds are raised more communities are eligible to participate in the program. The agency reviews the appropriate eligibility speed with each funding round.

Like the Community Connect Program, The Distance Learning and Telemedicine Program (DLT) is consistently oversubscribed. Currently the Agency is in the process of implementing a revised regulation that will hopefully make the program easier for applicants to use and faster for the agency to obligate funds.

- 2) Our committee will be asked to do more for rural America in this upcoming Farm Bill with likely less resources. The Farm Bill broadband program is limited to a loan portfolio. How would the addition of a grant authority affect the numbers and dollar amounts of awards that could be made under this program?

Response: There are a number of rural communities seeking broadband service that do not have a sufficiently large customer base or low enough costs to be financially feasible on a loan only basis. If the agency had the authority to provide, loan/grant combinations there would be significant interest as evidenced by the persistent oversubscription of the Community Connect grant program which is approved each year as part of the appropriations process.

- 3) Please provide a breakdown for each grant, loan, and loan guarantee program your mission administers to include for each of fiscal years 2013 through 2017:

- a. The number of applications received;

**Electric Programs**

Total number of loan & grants applications received				
Fiscal Year	# of Approved Loans	# of Approved Grants	# of Loans Rejected/Withdrawn	Total Applications Received
2013	136	7	4	147
2014	97	7	5	109
2015	107	6	1	114
2016	91	8	0	99
2017	115	11	2	128
Total	546	39	12	597

**Telecommunications Programs**

Broadband Loans	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(a) Number of Applications Received	13	12	15	0	7

Infrastructure Loans	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(a) Number of Applications Received	15	27	18	20	15

Distance Learning and Telemedicine Grants	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013

(a) Number of Applications Received	208	182	191	370
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Community Connect Grants	FY 2017*	FY 2016*	FY 2015	FY 2014	FY 2013
(a) Number of Applications Received	48	72	68	78	65

Water and Environmental Programs

Fiscal Year	WEP Direct Loan Applications Received	WEP Grant Applications Received	WEP Guaranteed Loan Applications Received
2013	584	658	8
2014	619	904	1
2015	708	1014	8
2016	854	1002	9
2017	792	1049	6

b. The aggregate dollar amount of applications received;

Electric Programs

Total number and Aggregate amount of loan & grants applications received (summary)								
Fiscal Year	# of Approved Loans	Aggregate Dollar Loan Amount	# of Approved Grants	Aggregate Dollar Grant Amount	# Rejected/Withdrawn	Aggregate Dollar Withdrawn/Rejected Amount	Total # Applications Received	Total Aggregate Amount
2013	136	4,910,328,000	7	16,332,921	4	553,000,000	147	5,479,660,921
2014	97	2,766,015,013	7	9,872,126	5	250,621,000	109	3,026,508,139
2015	107	3,398,412,000	6	8,484,253	1	4,672,000	114	3,411,568,253
2016	91	3,915,750,000	8	8,894,692	0	-	99	3,924,644,692
2017	115	4,230,681,000	11	17,039,101	2	3,270,000	128	4,250,990,101
<b>Total</b>	<b>546</b>	<b>19,221,186,013</b>	<b>39</b>	<b>60,623,093</b>	<b>12</b>	<b>811,563,000</b>	<b>597</b>	<b>20,093,372,106</b>

Telecommunications Programs

Broadband Loans	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(b) Aggregate dollar amount of apps received	\$127,516,000	\$109,141,000	\$117,953,000	\$0	\$134,691,000
Infrastructure Loans	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013

(b) Aggregate dollar amount of apps received	\$249,596,000	\$410,884,000	\$220,029,000	\$354,140,000	\$287,614,000
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Distance Learning and Telemedicine Grants	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(b) Aggregate dollar amount of apps received	\$59,294,732	\$54,817,764	\$58,266,549	\$109,151,053	

Community Connect Grants	FY 2017*	FY 2016*	FY 2015	FY 2014	FY 2013
(b) Aggregate dollar amount of apps received	\$90,802,749	\$120,011,653.35	\$106,112,213	\$142,832,332	\$76,791,089

#### Water and Environmental Programs

Fiscal Year	Aggregate \$ of Loan Apps	Aggregate \$ of Grant Apps	Aggregate \$ of Guaranteed Apps
2013	\$1,069,746,474	\$547,178,839	\$21,389,086
2014	\$1,085,792,732	\$631,475,135	\$327,500
2015	\$1,461,297,095	\$660,270,275	\$14,362,112
2016	\$1,994,967,654	\$638,338,015	\$9,773,500
2017	\$1,993,076,556	\$742,226,906	\$5,221,700

c. The number of applications approved / funded;

#### Electric Programs

# of Applications Funded FY 2013 - FY 2017			
Fiscal Year	# of Approved Loans	# of Approved Grants	Total # Applications Funded
2013	136	7	143
2014	97	7	104
2015	107	6	113
2016	91	8	99
2017	115	11	126
Total	546	39	585

## Telecommunications Programs

Broadband Loans	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(c) Number of apps approved / funded	2	1	0	0	1

Infrastructure Loans	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(c) Number of apps approved / funded	21	14	17	14	13

Distance Learning and Telemedicine Grants	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(c) Number of apps approved / funded	72	99	75	153	1

Community Connect Grants	FY 2017*	FY 2016*	FY 2015	FY 2014	FY 2013
(c) Number of apps approved / funded	8	9	5	8	14

## Water and Environmental Programs

Fiscal Year	WEP Direct Loan Applications Funded	WEP Grant Applications Funded	WEP Guaranteed Loan Applications Funded
2013	554	618	6
2014	542	799	5
2015	566	874	8
2016	617	868	5
2017	630	781	6



d. The aggregate dollar amount of applications approved / funded;

Electric Programs

Aggregate Amount of Loan & Grants Applications Funded			
Fiscal Year	Aggregate Dollar Loan Amount	Aggregate Dollar Grant Amount	Total Aggregate Amount
2013	4,910,328,000	16,332,921	4,926,660,921
2014	2,766,015,013	9,872,126	2,775,887,139
2015	3,398,412,000	8,484,253	3,406,896,253
2016	3,915,750,000	8,894,692	3,924,644,692
2017	4,230,681,000	17,039,101	4,247,720,101
Total	19,221,186,013	60,623,093	\$19,281,809,106

Telecommunications Programs

Broadband Loans	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(d) Dollar amount of apps approved	\$24,008,000	\$4,131,000	\$0	\$0	\$88,935,000

Infrastructure Loans	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(d) Dollar amount of apps approved	\$427,353,000	\$194,461,000	\$245,553,000	\$213,993,000	\$196,159,000

Distance Learning and Telemedicine Grants	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(d) Dollar amount of apps approved	\$23,551,179	\$27,848,191	\$23,455,724	\$49,629,905	

Community Connect Grants	FY 2017*	FY 2016*	FY 2015	FY 2014	FY 2013
(d) Dollar amount of apps approved	\$18,737,332	\$15,604,851	\$11,025,336	\$13,685,608	\$20,259,299

Water and Environmental Programs

Fiscal Year	Aggregate \$ of Loan Apps Funded	Aggregate \$ of Grant Apps Funded	Aggregate \$ of Guaranteed Apps Funded
2013	\$879,339,549	\$443,720,435	\$18,010,350
2014	\$824,364,570	\$681,064,066	\$7,248,840
2015	\$1,105,989,139	\$540,151,517	\$14,673,500
2016	\$1,203,999,301	\$555,223,348	\$7,118,000
2017	\$1,310,758,050	\$600,005,393	\$5,070,341

e. The "backlog" (number) of applications unfunded;

Electric Programs

Total Aggregate amount of Unfunded Applications (summary)		
Fiscal Year	# Rejected/Withdrawn	Aggregate Dollar Withdrawn/Rejected Amount
2013	4	553,000,000
2014	5	250,621,000
2015	1	4,672,000
2016	0	-
2017	2	3,270,000
Total	12	811,563,000

Telecommunications Programs

Broadband Loans	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(e) Number of applications unfunded (rejected)	14	13	0	2	38

Infrastructure Loans	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(e) Number of applications unfunded (rejected)	4	4	2	0	0

Distance Learning and Telemedicine Grants	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(e) Number of applications unfunded (rejected)	136	83	116	217	

Community Connect Grants	FY 2017*	FY 2016*	FY 2015	FY 2014	FY 2013
(e) Number of applications unfunded	40	63	63	70	51

## Water and Environmental Programs

Fiscal Year	WEP Direct Loan Applications Backlog	WEP Grant Applications Backlog	WEP Guaranteed Loan Applications Backlog
2013	659	607	0
2014	588	607	1
2015	128	179	0
2016	588	607	0
2017	1099	1127	3

f. The backlog (aggregate dollar amount) of applications not funded;

## Electric Programs

Total Aggregate amount of Unfunded Applications (summary)		
Fiscal Year	# Rejected/Withdrawn	Aggregate Dollar Withdrawn/Rejected Amount
2013	4	553,000,000
2014	5	250,621,000
2015	1	4,672,000
2016	0	-
2017	2	3,270,000
Total	12	811,563,000

## Telecommunications Programs

Broadband Loans	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(f) Dollar Amount of applications unfunded (rejected)	\$107,414,000	\$98,514,000	\$0	\$19,551,000	\$809,948,000

Infrastructure Loans	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(f) Dollar Amount of applications unfunded (rejected)	\$49,880,000	\$33,704,000	\$26,411,000	\$0	\$0

Distance Learning and Telemedicine Grants	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
(f) Dollar Amount of applications unfunded (rejected)	\$35,743,553	\$26,969,573	\$34,810,825	\$59,521,148	

Community Connect Grants	FY 2017*	FY 2016*	FY 2015	FY 2014	FY 2013
(f) Dollar Amount of applications unfunded	\$72,065,417	\$104,406,802	\$95,086,877	\$129,146,724	\$56,531,790

Water and Environmental Programs

Fiscal Year	Aggregate \$ of Loan Backlog	Aggregate \$ of Grant Backlog	Aggregate \$ of Guaranteed Backlog
2013	\$1,537,930,574	\$673,784,574	\$0
2014	\$1,364,096,885	\$595,778,603	\$327,500
2015	\$268,808,621	\$151,812,900	\$0
2016	\$1,514,179,290	\$580,381,258	\$0
2017	\$2,757,613,999	\$961,942,497	\$1,545,236

g. The total discretionary and mandatory funding amounts made available to each program;

FY13:

	FY 2013 Available		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL UTILITIES SERVICE</b>			
<b>RURAL WATER AND WASTE DISPOSAL PROGRAMS:</b>			
Direct Water and Waste Disposal Loans	907,356	8.07	73,224
Direct Water and Waste Disposal Loans PL 83-566			0
Guaranteed Water and Waste Disposal Loans	172,070	1.06	1,824
Water and Waste Disposal Grants	341,147		341,147
Water and Waste Disposal Grants - 2003/2004 Hurricanes	3,536		3,536
Water and Waste Disposal Grants - 2008 Disasters	931		931
Technical Assistance Grants for Rural Waste Systems	18,160		18,160
Circuit Rider - Technical Assistance Grants for Rural Water Systems	14,337		14,337
Water and Waste Disposal Grants Alaskan Villages	39,876		39,876
Water and Waste Disposal Grants Native American Tribes	15,768		15,768
Water and Waste Disposal Grants Colonias	25,863		25,863
Hawaiian Homelands	17,767		17,767
Individually-Owned Water Well System Grants	949		949
Grants for Water and Wastewater Revolving Funds	475		475
Solid Waste Management Grants	3,250		3,250
Emergency and Imminent Community Water Asst. Grants	11,415		11,415
High Energy Cost Grants	0		0

(Dollars in Thousands)

Total Rural Water and Waste Disposal Programs	1,572,902		568,524
<b>RURAL ELECTRIC LOANS:</b>			
Direct Electric Loans	100,000	-16.41	0
Treasury Electric Loans	0	0.01	0
Municipal Electric Loans	0	0.05	0
FFB Electric Loans	6,500,000	-6.29	0
Guaranteed Electric Underwriting Loans for Bonds and Notes	424,286	-8.00	0
Guaranteed Electric Loans	0		0
Electric Treasury Plus Loans		-2.39	
Total Rural Electric Loans	7,024,286		0
<b>RURAL TELECOMMUNICATIONS LOANS:</b>			
Direct Telecommunications Loans	145,000	-15.09	0
Treasury Telecommunications Loans	250,000	-1.14	0
FFB Telecommunications Loans	295,000	-3.94	0
Telecommunications Treasury Plus Loans		-1.87	
Total Telecommunications Loans	690,000		0
Total Electric & Telecommunications Loans	7,714,286		0
<b>DIST. LEARNING, TELEMEDICINE &amp; BROADBAND PROGRAM:</b>			
Treasury Distance Learning Loans		9.68	
Distance Learning and Telemedicine Grants	20,700		20,700
Con Farm & RD Act, Sec. 379G Delta Healthcare Grants	5,867		5,867
Public Broadcasting Systems Grants	2,867		2,867
Mandatory Direct Broadband Telecommunications 4% Loans	0		5
Mandatory Direct Broadband Telecommunications - Treas Rate Lns	1,295	9.47	123
Mandatory Guaranteed Broadband Telecommunications Loans	0		0
Direct Broadband Telecommunications 4% Loans		-6.82	0
Direct Broadband Telecommunications Loans - Treas Rate	314,817	9.47	29,813
Guaranteed Broadband Telecommunications Loans			0
Broadband Telecommunication Grants	21,675		21,675
Total Distance Learning Program	367,222		81,050
High Energy Cost Grants	28,481		28,481
<b>TOTAL RURAL UTILITIES SERVICE PROGRAMS</b>	<b>9,682,890</b>		<b>678,054</b>
Farm Bill Mandatory	236,756		147,521
Total without Farm Bill	38,031,880		1,925,673

FY14:

	FY 2014 Available		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL UTILITIES SERVICE</b>			
<b>RURAL WATER AND WASTE DISPOSAL PROGRAMS:</b>			
Direct Water and Waste Disposal Loans	1,200,000	-0.87	
Direct Water and Waste Disposal Loans - 2008 Disasters	4,259		4,259
Direct Water and Waste Disposal Loans PL 83-566	40,000		
Guaranteed Water and Waste Disposal Loans	230,089	0.71	1,634
Water and Waste Disposal Grants	409,756		409,756
Water and Waste Disposal Grants	150,000		150,000
Water and Waste Disposal Grants - 2003/2004 Hurricanes	931		931
Water and Waste Disposal Grants - 2008 Disasters	4,259		4,259
Technical Assistance Grants for Rural Waste Systems	19,116		19,116
American Steel Admin Expenses GP 746 - 0.25% of appropriations			
Circuit Rider - Technical Assistance Grants for Rural Water Systems	17,691		17,691
Water and Waste Disposal Grants Alaskan Villages	34,713		34,713
Water and Waste Disposal Grants Native American Tribes	24,439		24,439
Water and Waste Disposal Grants Colonias	29,329		29,329
Hawaiian Homelands	18,615		18,615
Individually-Owned Water Well System Grants	1,019		1,019
Grants for Water and Wastewater Revolving Funds	1,000		1,000
Solid Waste Management Grants	4,260		4,260
Emergency and Imminent Community Water Asst. Grants	11,000		11,000
Emergency and Imminent Community Water Asst. Grants Appropriated			
High Energy Cost Grants			

Offsetting collections			
Total Rural Water and Waste Disposal Programs	2,200,476		732,020
<b>RURAL ELECTRIC LOANS:</b>			
Direct Electric Loans		0.02	
Treasury Electric Loans			
Municipal Electric Loans			
FFB Electric Loans	5,000,000	-3.31	
Pilot Program for refinancing electric loans			
Guaranteed Electric Underwriting Loans for Bonds and Notes	500,000	-4.32	
Rural Energy Savings Program			
Total Rural Electric Loans	5,500,000		0
<b>RURAL TELECOMMUNICATIONS LOANS:</b>			
Direct Telecommunications Loans	20,000	-23.30	
Treasury Telecommunications Loans	270,000	-1.19	
Direct Treasury Rate - Modification			
FFB Telecommunications Loans	400,000	-2.99	
Total Telecommunications Loans	690,000		0
Total Electric & Telecommunications Loans	6,190,000		0
<b>DIST. LEARNING, TELEMEDICINE &amp; BROADBAND PROGRAM:</b>			
Treasury Distance Learning Loans			
Broadband Telecommunications Grants for Combinations			
Distance Learning and Telemedicine Grants	48,410		48,410
Con Farm & RD Act, Sec. 379G Delta Healthcare Grants	5,775		5,775
Public Broadcasting Systems Grants	5,031		5,031
Mandatory Direct Broadband Telecommunications 4% Loans			5
Mandatory Direct Broadband Telecommunications - Treas Rate Lns	939	13.07	123
Direct Broadband Telecommunications 4% Loans			
Direct Broadband Telecommunications Loans - Treas Rate	43,829	13.07	5,728
Guaranteed Broadband Telecommunications Loans			
Broadband Telecommunication Grants	12,824		12,824
DLTB - Offsetting Collections			
Total Distance Learning Program	116,808		77,895
High Energy Cost Grants	26,497		26,497
<b>TOTAL RURAL UTILITIES SERVICE PROGRAMS</b>	<b>8,533,781</b>		<b>836,413</b>

FY15:

	FY 2015 Available		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL UTILITIES SERVICE</b>			
<b>RURAL WATER AND WASTE DISPOSAL PROGRAMS:</b>			
Direct Water and Waste Disposal Loans	1,200,000	-0.61	10,535
Direct Water and Waste Disposal Loans - 2008 Disasters			132
Direct Water and Waste Disposal Loans PL 83-566	0		
Guaranteed Water and Waste Disposal Loans	318,200	0.59	1,877
Water and Waste Disposal Grants	375,084		375,084
Water and Waste Disposal Grants	0		0
Water and Waste Disposal Grants - 2003/2004 Hurricanes	931		931
Water and Waste Disposal Grants - 2008 Disasters	4,973		4,973
Technical Assistance Grants for Rural Waste Systems	19,214		19,214
American Steel Admin Expenses GP 746 - 0.25% of appropriations			
Circuit Rider - Technical Assistance Grants for Rural Water Systems	16,316		16,316
Water and Waste Disposal Grants Alaskan Villages	41,000		41,000
Water and Waste Disposal Grants Native American Tribes	27,191		27,191
Water and Waste Disposal Grants Colonias	28,544		28,544
Hawaiian Homelands	19,615		19,615
Individually-Owned Water Well System Grants	1,285		1,285
Grants for Water and Wastewater Revolving Funds	1,000		1,000
Solid Waste Management Grants	4,206		4,206
Emergency and Imminent Community Water Asst. Grants	11,039		11,039
Emergency and Imminent Community Water Asst. Grants Appropriated			
High Energy Cost Grants			

Offsetting collections			
Total Rural Water and Waste Disposal Programs	2,068,598		562,941
<b>RURAL ELECTRIC LOANS:</b>			
Direct Electric Loans			
Treasury Electric Loans			
Municipal Electric Loans			
FFB Electric Loans	5,000,000	-5.64	
Pilot Program for refinancing electric loans			
Guaranteed Electric Underwriting Loans for Bonds and Notes	500,000	-3.97	
Rural Energy Savings Program			
Total Rural Electric Loans	5,500,000		0
<b>RURAL TELECOMMUNICATIONS LOANS:</b>			
Direct Telecommunications Loans			
Treasury Telecommunications Loans	345,000	-1.17	
Direct Treasury Rate - Modification			
FFB Telecommunications Loans	345,000	-3.49	
Total Telecommunications Loans	690,000		0
Total Electric & Telecommunications Loans	6,190,000		0
<b>DIST. LEARNING, TELEMEDICINE &amp; BROADBAND PROGRAM:</b>			
Treasury Distance Learning Loans			
Broadband Telecommunications Grants for Combinations			
Distance Learning and Telemedicine Grants	22,587		22,587
Con Farm & RD Act, Sec. 379G Delta Healthcare Grants	6,226		6,226
Public Broadcasting Systems Grants	319		319
Mandatory Direct Broadband Telecommunications 4% Loans			5
Mandatory Direct Broadband Telecommunications - Treas Rate Lns	656	18.69	123
Direct Broadband Telecommunications 4% Loans			
Direct Broadband Telecommunications Loans - Treas Rate	55,343	18.69	10,344
Guaranteed Broadband Telecommunications Loans			
Broadband Telecommunication Grants	11,025		11,025
DLTB - Offsetting Collections			
Total Distance Learning Program	96,157		50,628
High Energy Cost Grants	26,625		26,625
<b>TOTAL RURAL UTILITIES SERVICE PROGRAMS</b>	<b>8,381,379</b>		<b>640,195</b>

FY16:

(Dollars in Thousands)

	FY 2016 Available		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL UTILITIES SERVICE</b>			
<b>RURAL WATER AND WASTE DISPOSAL PROGRAMS:</b>			
Direct Water and Waste Disposal Loans	1,903,802	2.61	49,689
Direct Water and Waste Disposal Loans - 2008 Disasters	29,033	2.61	758
Direct Water and Waste Disposal Loans PL 83-566	0		
Guaranteed Water and Waste Disposal Loans	375,931	0.55	2,068
Water and Waste Disposal Grants	361,162		361,162
Water and Waste Disposal Grants	94		94
Water and Waste Disposal Grants - 2003/2004 Hurricanes	931		931
Water and Waste Disposal Grants - 2008 Disasters	4,895		4,895
Technical Assistance Grants for Rural Waste Systems	20,053		20,053
American Steel Admin Expenses GP 746 - 0.25% of appropriations			
Circuit Rider - Technical Assistance Grants for Rural Water Systems	16,795		16,795
Water and Waste Disposal Grants Alaskan Villages	39,607		39,607
Water and Waste Disposal Grants Native American Tribes	25,079		25,079
Water and Waste Disposal Grants Colonias	32,504		32,504
Hawaiian Homelands	19,615		19,615
Individually-Owned Water Well System Grants	1,192		1,192
Grants for Water and Wastewater Revolving Funds	1,000		1,000
Solid Waste Management Grants	4,285		4,285
Emergency and Imminent Community Water Asst. Grants	11,338		11,338
Emergency and Imminent Community Water Asst. Grants Appropriated	10,000		10,000
High Energy Cost Grants	0		0

Offsetting collections			
Total Rural Water and Waste Disposal Programs	2,857,314		601,063
<b>RURAL ELECTRIC LOANS:</b>			8,000
Direct Electric Loans			
Treasury Electric Loans			
Municipal Electric Loans			
FFB Electric Loans	5,500,000	-4.97	
Pilot Program for refinancing electric loans			
Guaranteed Electric Underwriting Loans for Bonds and Notes	750,000	-4.05	
Rural Energy Savings Program	59,970	13.34	
Total Rural Electric Loans	6,309,970		8,000
<b>RURAL TELECOMMUNICATIONS LOANS:</b>			104
Direct Telecommunications Loans			
Treasury Telecommunications Loans	346,667	0.03	
Direct Treasury Rate - Modification			
FFB Telecommunications Loans	345,000	-2.74	
Total Telecommunications Loans	691,667		104
Total Electric & Telecommunications Loans	7,001,637		8,104
<b>DIST. LEARNING, TELEMEDICINE &amp; BROADBAND PROGRAM:</b>			
Treasury Distance Learning Loans			
Broadband Telecommunications Grants for Combinations			
Distance Learning and Telemedicine Grants	23,481		23,481
Con Farm & RD Act, Sec. 379G Delta Healthcare Grants	8,413		8,413
Public Broadcasting Systems Grants	402		402
Mandatory Direct Broadband Telecommunications 4% Loans			5
Mandatory Direct Broadband Telecommunications - Treas Rate Lns	538	22.80	123
Direct Broadband Telecommunications 4% Loans			
Direct Broadband Telecommunications Loans - Treas Rate	65,103	22.80	14,844
Guaranteed Broadband Telecommunications Loans			
Broadband Telecommunication Grants	11,740		11,740
DLTB - Offsetting Collections			
Total Distance Learning Program	109,678		59,007
High Energy Cost Grants	29,010		29,010
<b>TOTAL RURAL UTILITIES SERVICE PROGRAMS</b>	<b>9,997,639</b>		<b>697,185</b>

FY17:

	FY 2017 Available		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL UTILITIES SERVICE</b>			
<b>RURAL WATER AND WASTE DISPOSAL PROGRAMS:</b>			
Direct Water and Waste Disposal Loans	1,211,818	4.34	52,593
Direct Water and Waste Disposal Loans - 2008 Disasters	15,054	4.34	653
Guaranteed Water and Waste Disposal Loans	476,503	0.48	2,287
Water and Waste Disposal Grants	416,102		416,102
Water and Waste Disposal Grants	674		674
Water and Waste Disposal Grants - 2003/2004 Hurricanes	958		958
Water and Waste Disposal Grants - 2008 Disasters	3,838		3,838
Technical Assistance Grants for Rural Waste Systems	20,109		20,109
American Steel Admin Expenses GP 746 - 0.25% of appropriations	1,400		1,400
Circuit Rider - Technical Assistance Grants for Rural Water Systems	17,413		17,413
Water and Waste Disposal Grants Alaskan Villages	25,013		25,013
Water and Waste Disposal Grants Native American Tribes	24,163		24,163
Water and Waste Disposal Grants Colonias	25,767		25,767
Hawaiian Homelands	3,592		3,592
Individually-Owned Water Well System Grants	993		993
Grants for Water and Wastewater Revolving Funds	1,000		1,000
Solid Waste Management Grants	4,344		4,344
Emergency and Imminent Community Water Asst. Grants	12,000		12,000
Emergency and Imminent Community Water Asst. Grants Appropriated	10,013		10,013
High Energy Cost Grants	10,000		10,000



Offsetting collections			0
Total Rural Water and Waste Disposal Programs	2,280,754		632,912
<b>RURAL ELECTRIC LOANS:</b>			
Direct Electric Loans			
Treasury Electric Loans			
Municipal Electric Loans			
FFB Electric Loans	4,900,000	-4.92	
Pilot Program for refinancing electric loans	600,000		13,800
Guaranteed Electric Underwriting Loans for Bonds and Notes	750,000		
Rural Energy Savings Program	110,803	14.44	16,000
Total Rural Electric Loans	6,360,803		29,800
			7,985
<b>RURAL TELECOMMUNICATIONS LOANS:</b>			
Direct Telecommunications Loans			
Treasury Telecommunications Loans	345,056	0.89	3,071
Direct Treasury Rate - Modification			
FFB Telecommunications Loans	345,000	-2.53	
Total Telecommunications Loans	690,056		3,071
Total Electric & Telecommunications Loans	7,050,860		32,871
<b>DIST. LEARNING, TELEMEDICINE &amp; BROADBAND PROGRAM:</b>			
Treasury Distance Learning Loans			
Broadband Telecommunications Grants for Combinations			
Distance Learning and Telemedicine Grants	24,670		24,670
Con Fam & RD Act, Sec. 379G Delta Healthcare Grants	7,428		7,428
Public Broadcasting Systems Grants	418		418
Mandatory Direct Broadband Telecommunications 4% Loans		-4.46	0
Mandatory Direct Broadband Telecommunications - Treas Rate Lns	0	16.64	0
Direct Broadband Telecommunications 4% Loans			0
Direct Broadband Telecommunications Loans - Treas Rate	115,210	16.64	19,171
Guaranteed Broadband Telecommunications Loans			0
Broadband Telecommunication Grants	40,711		40,711
DLTB - Offsetting Collections			0
Total Distance Learning Program	188,436		92,397
High Energy Cost Grants	30,297		30,297
<b>TOTAL RURAL UTILITIES SERVICE PROGRAMS</b>	<b>9,550,347</b>		<b>788,478</b>

h. The total discretionary and mandatory funding amounts obligated by each program; and

FY13:

	FY 2013 Actual Obligations		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL UTILITIES SERVICE</b>			
<b>RURAL WATER AND WASTE DISPOSAL PROGRAMS:</b>			
Direct Water and Waste Disposal Loans	876,812 a	8.07	70,759
Guaranteed Water and Waste Disposal Loans	18,010 a	1.06	191
Water and Waste Disposal Grants	333,701 a		333,701
Water and Waste Disposal Grants - 2003/2004 Hurricanes			
Water and Waste Disposal Grants - 2008 Disasters			
Technical Assistance Grants for Rural Waste Systems	17,550 a		17,550
Circuit Rider - Technical Assistance Grants for Rural Water Systems	13,814 a		13,814
Water and Waste Disposal Grants Alaskan Villages	27,785 a		27,785
Water and Waste Disposal Grants Native American Tribes	11,093 a		11,093
Water and Waste Disposal Grants Colonias	21,617 a		21,617
Hawaiian Homelands			
Individually-Owned Water Well System Grants	917		917
Grants for Water and Wastewater Revolving Funds	924		924
Solid Waste Management Grants	3,141 a		3,141
Emergency and Imminent Community Water Asst. Grants	5,805 a		5,805
High Energy Cost Grants			
Total Rural Water and Waste Disposal Programs	1,331,167		507,295

<b>RURAL ELECTRIC LOANS:</b>			
Direct Electric Loans		-16.41	
Treasury Electric Loans		0.01	
Municipal Electric Loans		0.05	
FFB Electric Loans	4,410,308	-6.29	
Guaranteed Electric Underwriting Loans for Bonds and Notes	500,000	-8.00	
Guaranteed Electric Loans			
Electric Treasury Plus Loans		-2.39	
<b>Total Rural Electric Loans</b>	<b>4,910,308</b>		<b>0</b>
<b>RURAL TELECOMMUNICATIONS LOANS:</b>			
Direct Telecommunications Loans	196,159	-15.09	
Treasury Telecommunications Loans		-1.14	
FFB Telecommunications Loans		-3.94	
Telecommunications Treasury Plus Loans		-1.87	
<b>Total Telecommunications Loans</b>	<b>196,159</b>		<b>0</b>
<b>Total Electric &amp; Telecommunications Loans</b>	<b>5,106,467</b>		<b>0</b>
<b>DIST. LEARNING, TELEMEDICINE &amp; BROADBAND PROGRAM:</b>			
Treasury Distance Learning Loans		9.68	
Distance Learning and Telemedicine Grants	92		92
Con Fam & RD Act, Sec. 379G Delta Healthcare Grants	3,000		3,000
Public Broadcasting Systems Grants			
Mandatory Direct Broadband Telecommunications 4% Loans		-6.82	
Mandatory Direct Broadband Telecommunications - Treas Rate Lns		9.47	
Mandatory Guaranteed Broadband Telecommunications Loans			
Direct Broadband Telecommunications 4% Loans		-6.82	
Direct Broadband Telecommunications Loans - Treas Rate	88,935	9.47	8,422
Guaranteed Broadband Telecommunications Loans			
Broadband Telecommunication Grants	20,259		20,259
<b>Total Distance Learning Program</b>	<b>112,286</b>		<b>31,773</b>
High Energy Cost Grants	16,333		16,333
<b>TOTAL RURAL UTILITIES SERVICE PROGRAMS</b>	<b>6,566,253.10929</b>		<b>555,400.95652</b>

FY14:

	FY 2014 Actual		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL UTILITIES SERVICE</b>			
<b>RURAL WATER AND WASTE DISPOSAL PROGRAMS:</b>			
Direct Water and Waste Disposal Loans	824,365	-0.87	
Direct Water and Waste Disposal Loans - 2008 Disasters	0		
Direct Water and Waste Disposal Loans PL 83-566			
Guaranteed Water and Waste Disposal Loans	7,249	0.71	51
Water and Waste Disposal Grants	406,305		406,305
Water and Waste Disposal Grants	150,000		150,000
Water and Waste Disposal Grants - 2003/2004 Hurricanes	0		
Water and Waste Disposal Grants - 2008 Disasters	0		
Technical Assistance Grants for Rural Waste Systems	19,065		19,065
American Steel Admin Expenses GP 746 - 0.25% of appropriations			
Circuit Rider - Technical Assistance Grants for Rural Water Systems	17,495		17,495
Water and Waste Disposal Grants Alaskan Villages	21,493		21,493
Water and Waste Disposal Grants Native American Tribes	13,476		13,476
Water and Waste Disposal Grants Colonias	28,837		28,837
Hawaiian Homelands			
Individually-Owned Water Well System Grants	1,019		1,019
Grants for Water and Wastewater Revolving Funds	1,000		1,000
Solid Waste Management Grants	4,000		4,000
Emergency and Imminent Community Water Asst. Grants	14,711		14,711
Emergency and Imminent Community Water Asst. Grants Appropriated			
High Energy Cost Grants			
Offsetting collections			
<b>Total Rural Water and Waste Disposal Programs</b>	<b>1,509,014</b>		<b>677,453</b>

<b>RURAL ELECTRIC LOANS:</b>			
Direct Electric Loans		0.02	
Treasury Electric Loans			
Municipal Electric Loans			
FFB Electric Loans	2,239,968	-3.31	
Pilot Program for refinancing electric loans			
Guaranteed Electric Underwriting Loans for Bonds and Notes	500,000	-4.32	
Rural Energy Savings Program			
<b>Total Rural Electric Loans</b>	<b>2,739,968</b>		<b>0</b>
<b>RURAL TELECOMMUNICATIONS LOANS:</b>			
Direct Telecommunications Loans		-23.30	
Treasury Telecommunications Loans	165,317	-1.19	
Direct Treasury Rate - Modification			
FFB Telecommunications Loans	48,676	-2.99	
<b>Total Telecommunications Loans</b>	<b>213,993</b>		<b>0</b>
<b>Total Electric &amp; Telecommunications Loans</b>	<b>2,953,961</b>		<b>0</b>
<b>DIST. LEARNING, TELEMEDICINE &amp; BROADBAND PROGRAM:</b>			
Treasury Distance Learning Loans			
Broadband Telecommunications Grants for Combinations			
Distance Learning and Telemedicine Grants	49,268		49,268
Con Farm & RD Act, Sec. 379G Delta Healthcare Grants	3,232		3,232
Public Broadcasting Systems Grants	5,434		5,434
Mandatory Direct Broadband Telecommunications 4% Loans			
Mandatory Direct Broadband Telecommunications - Treas Rate Lns	0	13.07	
Direct Broadband Telecommunications 4% Loans			
Direct Broadband Telecommunications Loans - Treas Rate	0	13.07	
Guaranteed Broadband Telecommunications Loans			
Broadband Telecommunication Grants	13,686		13,686
DLTB - Offsetting Collections			
<b>Total Distance Learning Program</b>	<b>71,620</b>		<b>71,620</b>
High Energy Cost Grants	9,872		9,872
<b>TOTAL RURAL UTILITIES SERVICE PROGRAMS</b>	<b>4,544,467</b>		<b>758,944</b>

FY15:

	FY 2015 Actual Obligations		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL UTILITIES SERVICE</b>			
<b>RURAL WATER AND WASTE DISPOSAL PROGRAMS:</b>			
Direct Water and Waste Disposal Loans	1,105,989	-0.61	
Direct Water and Waste Disposal Loans - 2008 Disasters			
Direct Water and Waste Disposal Loans PL 83-566			
Guaranteed Water and Waste Disposal Loans	14,674	0.59	87
Water and Waste Disposal Grants	400,429		400,429
Water and Waste Disposal Grants			
Water and Waste Disposal Grants - 2003/2004 Hurricanes	0		
Water and Waste Disposal Grants - 2008 Disasters	0		
Technical Assistance Grants for Rural Waste Systems	19,214		19,214
American Steel Admin Expenses GP 746 - 0.25% of appropriations			
Circuit Rider - Technical Assistance Grants for Rural Water Systems	15,918		15,918
Water and Waste Disposal Grants Alaskan Villages	23,627		23,627
Water and Waste Disposal Grants Native American Tribes	26,558		26,558
Water and Waste Disposal Grants Colonias	26,608		26,608
Hawaiian Homelands	0		
Individually-Owned Water Well System Grants	1,285		1,285
Grants for Water and Wastewater Revolving Funds	1,000		1,000
Solid Waste Management Grants	4,000		4,000
Emergency and Imminent Community Water Asst. Grants	15,133		15,133
Emergency and Imminent Community Water Asst. Grants Appropriated			
High Energy Cost Grants	0		
Offsetting collections			
<b>Total Rural Water and Waste Disposal Programs</b>	<b>1,654,435</b>		<b>533,858</b>

<b>RURAL ELECTRIC LOANS:</b>			
Direct Electric Loans			
Treasury Electric Loans			
Municipal Electric Loans			
FFB Electric Loans	2,898,112	-5.64	
Pilot Program for refinancing electric loans			
Guaranteed Electric Underwriting Loans for Bonds and Notes	500,000	-2.15	
Rural Energy Savings Program			
<b>Total Rural Electric Loans</b>	<b>3,398,112</b>		<b>0</b>
<b>RURAL TELECOMMUNICATIONS LOANS:</b>			
Direct Telecommunications Loans			
Treasury Telecommunications Loans	122,043	-1.17	
Direct Treasury Rate - Modification			
FFB Telecommunications Loans	123,510	-3.49	
<b>Total Telecommunications Loans</b>	<b>245,553</b>		<b>0</b>
<b>Total Electric &amp; Telecommunications Loans</b>	<b>3,643,665</b>		<b>0</b>
<b>DIST. LEARNING, TELEMEDICINE &amp; BROADBAND PROGRAM:</b>			
Treasury Distance Learning Loans			
Broadband Telecommunications Grants for Combinations			
Distance Learning and Telemedicine Grants	23,456		23,456
Con Farm & RD Act, Sec. 379G Delta Healthcare Grants	944		944
Public Broadcasting Systems Grants	0		
Mandatory Direct Broadband Telecommunications 4% Loans		-3.76	
Mandatory Direct Broadband Telecommunications - Treas Rate Lns	0	18.69	
Direct Broadband Telecommunications 4% Loans			
Direct Broadband Telecommunications Loans - Treas Rate	0	18.69	
Guaranteed Broadband Telecommunications Loans			
Broadband Telecommunication Grants	11,025		11,025
DLTB - Offsetting Collections			
<b>Total Distance Learning Program</b>	<b>35,425</b>		<b>35,425</b>
High Energy Cost Grants	8,484		8,484
<b>TOTAL RURAL UTILITIES SERVICE PROGRAMS</b>	<b>5,342,008</b>		<b>577,767</b>

FY16:

(Dollars in Thousands)	FY 2016 Actual Obligations		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL UTILITIES SERVICE</b>			
<b>RURAL WATER AND WASTE DISPOSAL PROGRAMS:</b>			
Direct Water and Waste Disposal Loans	1,199,999.30100	2.61	31,319.98177
Direct Water and Waste Disposal Loans - 2008 Disasters	4,000.00000	2.61	104.40000
Direct Water and Waste Disposal Loans PL 83-566			
Guaranteed Water and Waste Disposal Loans	7,118.00000	0.55	39,14900
Water and Waste Disposal Grants	383,927.24100		383,927.24100
Water and Waste Disposal Grants	94,10700		94,10700
Water and Waste Disposal Grants - 2003/2004 Hurricanes	0.00000		
Water and Waste Disposal Grants - 2008 Disasters	1,100.00000		1,100.00000
Technical Assistance Grants for Rural Waste Systems	20,118.51100		20,118.51100
American Steel Admin Expenses GP 746 - 0.25% of appropriations			
Circuit Rider - Technical Assistance Grants for Rural Water Systems	16,279.42000		16,279.42000
Water and Waste Disposal Grants Alaskan Villages	32,761.22012		32,761.22012
Water and Waste Disposal Grants Native American Tribes	25,078.50467		25,078.50467
Water and Waste Disposal Grants Colonias	33,234.49203		33,234.49203
Hawaiian Homelands	16,022.23200		16,022.23200
Individually-Owned Water Well System Grants	1,192.08100		1,192.08100
Grants for Water and Wastewater Revolving Funds	1,000.00000		1,000.00000
Solid Waste Management Grants	4,284.79100		4,284.79100
Emergency and Imminent Community Water Asst. Grants	3,559.15200		3,559.15200
Emergency and Imminent Community Water Asst. Grants Appropriated	9,987.25000		9,987.25000
High Energy Cost Grants	0.00000		0.00000
Offsetting collections			

Total Rural Water and Waste Disposal Programs	1,759,756.30282		580,102.53259
<b>RURAL ELECTRIC LOANS:</b>			0.00000
Direct Electric Loans			
Treasury Electric Loans			
Municipal Electric Loans			
FFB Electric Loans	3,165,750.00000	-4.97	
Pilot Program for refinancing electric loans			
Guaranteed Electric Underwriting Loans for Bonds and Notes	750,000.00000	-4.05	
Rural Energy Savings Program	0.00000	13.34	
Total Rural Electric Loans	3,915,750.00000		0.00000
<b>RURAL TELECOMMUNICATIONS LOANS:</b>			29.47170
Direct Telecommunications Loans			
Treasury Telecommunications Loans	98,239.00000	0.03	
Direct Treasury Rate - Modification			
FFB Telecommunications Loans	96,222.00000	-2.74	
Total Telecommunications Loans	194,461.00000		29.47170
Total Electric & Telecommunications Loans	4,110,211.00000		29.47170
<b>DIST. LEARNING, TELEMEDICINE &amp; BROADBAND PROGRAM:</b>			
Treasury Distance Learning Loans			
Broadband Telecommunications Grants for Combinations			
Distance Learning and Telemedicine Grants	27,921.06100		27,921.06100
Con Farm & RD Act, Sec. 379G Delta Healthcare Grants	4,027.81800		4,027.81800
Public Broadcasting Systems Grants	0.00000		
Mandatory Direct Broadband Telecommunications 4% Loans			
Mandatory Direct Broadband Telecommunications - Treas Rate Lns	0.00000	22.80	
Direct Broadband Telecommunications 4% Loans			
Direct Broadband Telecommunications Loans - Treas Rate	4,131.00000	22.80	941.86800
Guaranteed Broadband Telecommunications Loans			
Broadband Telecommunication Grants	13,716.35100		13,716.35100
DLTB - Offsetting Collections			
Total Distance Learning Program	49,796.23000		46,607.09800
High Energy Cost Grants	8,894.69200		8,894.69200
<b>TOTAL RURAL UTILITIES SERVICE PROGRAMS</b>	<b>5,928,658.22482</b>		<b>635,633.79429</b>

FY17:

	FY 2017 Available		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL UTILITIES SERVICE</b>			
<b>RURAL WATER AND WASTE DISPOSAL PROGRAMS:</b>			
Direct Water and Waste Disposal Loans	1,211,818	4.34	52,593
Direct Water and Waste Disposal Loans - 2006 Disasters	15,054	4.34	653
Guaranteed Water and Waste Disposal Loans	476,503	0.48	2,287
Water and Waste Disposal Grants	416,102		416,102
Water and Waste Disposal Grants	674		674
Water and Waste Disposal Grants - 2003/2004 Hurricanes	956		858
Water and Waste Disposal Grants - 2008 Disasters	3,838		3,838
Technical Assistance Grants for Rural Waste Systems	20,109		20,109
American Steel Admin Expenses GP 746 - 0.25% of appropriations	1,400		1,400
Circuit Rider - Technical Assistance Grants for Rural Water Systems	17,413		17,413
Water and Waste Disposal Grants Alaskan Villages	25,013		25,013
Water and Waste Disposal Grants Native American Tribes	24,163		24,163
Water and Waste Disposal Grants Colonias	25,767		25,767
Hawaiian Homelands	3,592		3,592
Individually-Owned Water Well System Grants	993		993
Grants for Water and Wastewater Revolving Funds	1,000		1,000
Solid Waste Management Grants	4,344		4,344
Emergency and Imminent Community Water Asst. Grants	12,000		12,000
Emergency and Imminent Community Water Asst. Grants Appropriated	10,013		10,013
High Energy Cost Grants	10,000		10,000
Offsetting collections			0

Total Rural Water and Waste Disposal Programs	2,280,754		632,912
<b>RURAL ELECTRIC LOANS:</b>			
Direct Electric Loans			
Treasury Electric Loans			
Municipal Electric Loans			
FFB Electric Loans	4,900,000	-4.92	
Pilot Program for refinancing electric loans	600,000		13,800
Guaranteed Electric Underwriting Loans for Bonds and Notes	750,000		
Rural Energy Savings Program	110,803	14.44	16,000
Total Rural Electric Loans	6,360,803		29,800
			7,985
<b>RURAL TELECOMMUNICATIONS LOANS:</b>			
Direct Telecommunications Loans			
Treasury Telecommunications Loans	345,056	0.89	3,071
Direct Treasury Rate - Modification			
FFB Telecommunications Loans	345,000	-2.53	
Total Telecommunications Loans	690,056		3,071
Total Electric & Telecommunications Loans	7,050,860		32,871
<b>DIST. LEARNING, TELEMEDICINE &amp; BROADBAND PROGRAM:</b>			
Treasury Distance Learning Loans			
Broadband Telecommunications Grants for Combinations			
Distance Learning and Telemedicine Grants	24,670		24,670
Con Farm & RD Act, Sec. 379G Delta Healthcare Grants	7,428		7,428
Public Broadcasting Systems Grants	418		418
Mandatory Direct Broadband Telecommunications 4% Loans		-4.46	0
Mandatory Direct Broadband Telecommunications - Treas Rate Lns	0	16.64	0
Direct Broadband Telecommunications 4% Loans			0
Direct Broadband Telecommunications Loans - Treas Rate	115,210	16.64	19,171
Guaranteed Broadband Telecommunications Loans			0
Broadband Telecommunication Grants	40,711		40,711
DLTB - Offsetting Collections			0
Total Distance Learning Program	188,436		92,397
High Energy Cost Grants	30,297		30,297
<b>TOTAL RURAL UTILITIES SERVICE PROGRAMS</b>	<b>9,550,347</b>		<b>788,478</b>

i. The amounts of any funds left unobligated at the end of each fiscal year.

FY13:

	FY 2014 Anticipated Carryover		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL UTILITIES SERVICE</b>			
<b>RURAL WATER AND WASTE DISPOSAL PROGRAMS:</b>			
Direct Water and Waste Disposal Loans	0	-0.87	0
Guaranteed Water and Waste Disposal Loans	97,694	0.71	694
Water and Waste Disposal Grants	32,463		32,463
Water and Waste Disposal Grants - 2003/2004 Hurricanes	3,536		3,536
Water and Waste Disposal Grants - 2008 Disasters	931		931
Technical Assistance Grants for Rural Waste Systems	0		0
Circuit Rider - Technical Assistance Grants for Rural Water Systems	744		744
Water and Waste Disposal Grants Alaskan Villages	12,268		12,268
Water and Waste Disposal Grants Native American Tribes	486		486
Water and Waste Disposal Grants Colonias	3,590		3,590
Hawaiian Homelands	4,341		4,341
Individually-Owned Water Well System Grants	0		0
Grants for Water and Wastewater Revolving Funds	0		0
Solid Waste Management Grants	0		0
Emergency and Imminent Community Water Asst. Grants	0		0
High Energy Cost Grants	0		0
Total Rural Water and Waste Disposal Programs	156,052		59,052
<b>RURAL ELECTRIC LOANS:</b>			
Direct Electric Loans	0	-16.41	0
Treasury Electric Loans	0	0.01	0

Municipal Electric Loans	0	0.05	0
FFB Electric Loans	0	-3.31	0
Guaranteed Electric Underwriting Loans for Bonds and Notes	0	-8.00	0
Guaranteed Electric Loans	0		0
Electric Treasury Plus Loans		-2.32	
<b>Total Rural Electric Loans</b>	<b>0</b>		<b>0</b>
<b>RURAL TELECOMMUNICATIONS LOANS:</b>			
Direct Telecommunications Loans	0	-15.09	0
Treasury Telecommunications Loans	0	-1.19	0
FFB Telecommunications Loans	0	-3.94	0
Telecommunications Treasury Plus Loans		-3.78	
<b>Total Telecommunications Loans</b>	<b>0</b>		<b>0</b>
<b>Total Electric &amp; Telecommunications Loans</b>	<b>0</b>		<b>0</b>
<b>DIST. LEARNING, TELEMEDICINE &amp; BROADBAND PROGRAM:</b>			
Treasury Distance Learning Loans		9.68	
Distance Learning and Telemedicine Grants	-755		-755
Con Farm & RD Act, Sec. 379G Delta Healthcare Grants	3,000		3,000
Public Broadcasting Systems Grants	0		0
Mandatory Direct Broadband Telecommunications 4% Loans	0		0
Mandatory Direct Broadband Telecommunications - Treas Rate Lns	940	13.05	123
Mandatory Guaranteed Broadband Telecommunications Loans	0		0
Direct Broadband Telecommunications 4% Loans		-6.82	
Direct Broadband Telecommunications Loans - Treas Rate	192,260	13.05	25,090
Guaranteed Broadband Telecommunications Loans			
Broadband Telecommunication Grants	4,148		4,148
<b>Total Distance Learning Program</b>	<b>199,594</b>		<b>31,606</b>
High Energy Cost Grants	9,558		9,558
<b>TOTAL RURAL UTILITIES SERVICE PROGRAMS</b>	<b>365,204</b>		<b>100,216</b>

FY14:

	FY 2014 Estimated Carryover		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL UTILITIES SERVICE</b>			
<b>RURAL WATER AND WASTE DISPOSAL PROGRAMS:</b>			
Direct Water and Waste Disposal Loans		-0.87	
Direct Water and Waste Disposal Loans - 2008 Disasters	4,259		4,259
Direct Water and Waste Disposal Loans PL 83-566			
Guaranteed Water and Waste Disposal Loans	180,089	0.71	1,279
Water and Waste Disposal Grants	75,233		75,233
Water and Waste Disposal Grants			
Water and Waste Disposal Grants - 2003/2004 Hurricanes	931		931
Water and Waste Disposal Grants - 2008 Disasters	4,259		4,259
Technical Assistance Grants for Rural Waste Systems	116		116
American Steel Admin Expenses GP 746 - 0.25% of appropriations			
Circuit Rider - Technical Assistance Grants for Rural Water Systems	2,691		2,691
Water and Waste Disposal Grants Alaskan Villages	11,713		11,713
Water and Waste Disposal Grants Native American Tribes	4,939		4,939
Water and Waste Disposal Grants Colonias	6,329		6,329
Hawaiian Homelands	17,615		17,615
Individually-Owned Water Well System Grants	26		26
Grants for Water and Wastewater Revolving Funds			
Solid Waste Management Grants	260		260
Emergency and Imminent Community Water Asst. Grants			
Emergency and Imminent Community Water Asst. Grants Appropriated			
High Energy Cost Grants			
Offsetting collections			
<b>Total Rural Water and Waste Disposal Programs</b>	<b>308,460</b>		<b>129,649</b>
<b>RURAL ELECTRIC LOANS:</b>			
Direct Electric Loans		0.02	
Treasury Electric Loans			
Municipal Electric Loans			

FFB Electric Loans		-3.31	
Pilot Program for refinancing electric loans			
Guaranteed Electric Underwriting Loans for Bonds and Notes		-4.32	
Rural Energy Savings Program			
<b>Total Rural Electric Loans</b>	<b>0</b>		<b>0</b>
<b>RURAL TELECOMMUNICATIONS LOANS:</b>			
Direct Telecommunications Loans		-1.19	
Treasury Telecommunications Loans			
Direct Treasury Rate - Modification			
FFB Telecommunications Loans			
<b>Total Telecommunications Loans</b>	<b>0</b>		<b>0</b>
<b>Total Electric &amp; Telecommunications Loans</b>	<b>0</b>		<b>0</b>
<b>DIST. LEARNING, TELEMEDICINE &amp; BROADBAND PROGRAM:</b>			
Treasury Distance Learning Loans			
Broadband Telecommunications Grants for Combinations			
Distance Learning and Telemedicine Grants	29,087		29,087
Con Farm & RD Act, Sec. 379G Delta Healthcare Grants	2,775		2,775
Public Broadcasting Systems Grants	3,031		3,031
Mandatory Direct Broadband Telecommunications 4% Loans			5
Mandatory Direct Broadband Telecommunications - Treas Rate Lns	939	13.07	123
Direct Broadband Telecommunications 4% Loans			
Direct Broadband Telecommunications Loans - Treas Rate	9,399	13.07	1,228
Guaranteed Broadband Telecommunications Loans			
Broadband Telecommunication Grants	2,452		2,452
DLTB - Offsetting Collections			
<b>Total Distance Learning Program</b>	<b>47,683</b>		<b>38,700</b>
High Energy Cost Grants	16,497		16,497
<b>TOTAL RURAL UTILITIES SERVICE PROGRAMS</b>	<b>372,640</b>		<b>184,847</b>

FY15:

	FY 2015 Estimated Carryover		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL UTILITIES SERVICE</b>			
<b>RURAL WATER AND WASTE DISPOSAL PROGRAMS:</b>			
Direct Water and Waste Disposal Loans		-0.61	10,535
Direct Water and Waste Disposal Loans - 2008 Disasters			132
Direct Water and Waste Disposal Loans PL 83-566			
Guaranteed Water and Waste Disposal Loans	268,200	0.59	1,582
Water and Waste Disposal Grants	38,934		38,934
Water and Waste Disposal Grants			
Water and Waste Disposal Grants - 2003/2004 Hurricanes	931		931
Water and Waste Disposal Grants - 2008 Disasters	4,973		4,973
Technical Assistance Grants for Rural Waste Systems	214		214
American Steel Admin Expenses GP 746 - 0.25% of appropriations			
Circuit Rider - Technical Assistance Grants for Rural Water Systems	397		397
Water and Waste Disposal Grants Alaskan Villages	18,000		18,000
Water and Waste Disposal Grants Native American Tribes	11,191		11,191
Water and Waste Disposal Grants Colonias	2,044		2,044
Hawaiian Homelands	18,615		18,615
Individually-Owned Water Well System Grants	292		292
Grants for Water and Wastewater Revolving Funds	0		
Solid Waste Management Grants	206		206
Emergency and Imminent Community Water Asst. Grants	39		39
Emergency and Imminent Community Water Asst. Grants Appropriated			
High Energy Cost Grants	0		
Offsetting collections			
<b>Total Rural Water and Waste Disposal Programs</b>	<b>364,036</b>		<b>108,084</b>
<b>RURAL ELECTRIC LOANS:</b>			
Direct Electric Loans		-5.64	
Treasury Electric Loans			
Municipal Electric Loans			



FFB Electric Loans			
Pilot Program for refinancing electric loans			
Guaranteed Electric Underwriting Loans for Bonds and Notes			
Rural Energy Savings Program			
<b>Total Rural Electric Loans</b>	<b>0</b>		<b>0</b>
<b>RURAL TELECOMMUNICATIONS LOANS:</b>			
Direct Telecommunications Loans			
Treasury Telecommunications Loans		-1.17	
Direct Treasury Rate - Modification			
FFB Telecommunications Loans		-3.49	
<b>Total Telecommunications Loans</b>	<b>0</b>		<b>0</b>
<b>Total Electric &amp; Telecommunications Loans</b>	<b>0</b>		<b>0</b>
<b>DIST. LEARNING, TELEMEDICINE &amp; BROADBAND PROGRAM:</b>			
Treasury Distance Learning Loans			
Broadband Telecommunications Grants for Combinations			
Distance Learning and Telemedicine Grants	3,587		3,587
Con Farm & RD Act, Sec. 379G Delta Healthcare Grants	3,226		3,226
Public Broadcasting Systems Grants	319		319
Mandatory Direct Broadband Telecommunications 4% Loans		-3.76	5
Mandatory Direct Broadband Telecommunications - Treas Rate Lns	656	18.69	123
Direct Broadband Telecommunications 4% Loans			
Direct Broadband Telecommunications Loans - Treas Rate	31,266	18.69	5,844
Guaranteed Broadband Telecommunications Loans			
Broadband Telecommunication Grants	653		653
DLTB - Offsetting Collections			
<b>Total Distance Learning Program</b>	<b>39,708</b>		<b>13,756</b>
High Energy Cost Grants	16,625		16,625
<b>TOTAL RURAL UTILITIES SERVICE PROGRAMS</b>	<b>420,368</b>		<b>138,466</b>

FY16:

	FY 2016 Estimated Carryover		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL UTILITIES SERVICE</b>			
<b>RURAL WATER AND WASTE DISPOSAL PROGRAMS:</b>			
Direct Water and Waste Disposal Loans	703,802	2.61	18,369
Direct Water and Waste Disposal Loans - 2008 Disasters	29,033	2.61	758
Direct Water and Waste Disposal Loans PL 83-566			
Guaranteed Water and Waste Disposal Loans	325,931	0.55	1,793
Water and Waste Disposal Grants	7,782		7,782
Water and Waste Disposal Grants	94		94
Water and Waste Disposal Grants - 2003/2004 Hurricanes	931		931
Water and Waste Disposal Grants - 2008 Disasters	4,895		4,895
Technical Assistance Grants for Rural Waste Systems	53		53
American Steel Admin Expenses GP 746 - 0.25% of appropriations			
Circuit Rider - Technical Assistance Grants for Rural Water Systems	398		398
Water and Waste Disposal Grants Alaskan Villages	23,607		23,607
Water and Waste Disposal Grants Native American Tribes	1,079		1,079
Water and Waste Disposal Grants Colonias	8,504		8,504
Hawaiian Homelands	19,615		19,615
Individually-Owned Water Well System Grants	199		199
Grants for Water and Wastewater Revolving Funds	0		0
Solid Waste Management Grants	285		285
Emergency and Imminent Community Water Asst. Grants	338		338
Emergency and Imminent Community Water Asst. Grants Appropriated	0		0
High Energy Cost Grants	0		0
Offsetting collections			
<b>Total Rural Water and Waste Disposal Programs</b>	<b>1,126,544</b>		<b>88,698</b>
<b>RURAL ELECTRIC LOANS:</b>			
Direct Electric Loans			
Treasury Electric Loans			

Municipal Electric Loans			
FFB Electric Loans		-4.97	
Pilot Program for refinancing electric loans			
Guaranteed Electric Underwriting Loans for Bonds and Notes		-4.05	
Rural Energy Savings Program			
Total Rural Electric Loans	0		0
<b>RURAL TELECOMMUNICATIONS LOANS:</b>			
Direct Telecommunications Loans			
Treasury Telecommunications Loans		0.03	
Direct Treasury Rate - Modification			
FFB Telecommunications Loans		-2.74	
Total Telecommunications Loans	0		0
Total Electric & Telecommunications Loans	0		0
<b>DIST. LEARNING, TELEMEDICINE &amp; BROADBAND PROGRAM:</b>			
Treasury Distance Learning Loans			
Broadband Telecommunications Grants for Combinations			
Distance Learning and Telemedicine Grants	4,481		4,481
Con Farm & RD Act, Sec. 379G Delta Healthcare Grants	5,413		5,413
Public Broadcasting Systems Grants	402		402
Mandatory Direct Broadband Telecommunications 4% Loans	0		5
Mandatory Direct Broadband Telecommunications - Treas Rate Lns	538	22.80	123
Direct Broadband Telecommunications 4% Loans	0		0
Direct Broadband Telecommunications Loans - Treas Rate	45,367	22.80	10,344
Guaranteed Broadband Telecommunications Loans	0		0
Broadband Telecommunication Grants	1,368		1,368
DLTB - Offsetting Collections			
Total Distance Learning Program	57,569		22,135
High Energy Cost Grants	19,010		19,010
<b>TOTAL RURAL UTILITIES SERVICE PROGRAMS</b>	<b>1,203,124</b>		<b>129,844</b>

FY17:

	FY 2017 Available		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL UTILITIES SERVICE</b>			
<b>RURAL WATER AND WASTE DISPOSAL PROGRAMS:</b>			
Direct Water and Waste Disposal Loans	1,211,818	4.34	52,593
Direct Water and Waste Disposal Loans - 2008 Disasters	15,054	4.34	653
Guaranteed Water and Waste Disposal Loans	476,503	0.48	2,287
Water and Waste Disposal Grants	416,102		416,102
Water and Waste Disposal Grants	674		674
Water and Waste Disposal Grants - 2003/2004 Hurricanes	958		958
Water and Waste Disposal Grants - 2008 Disasters	3,838		3,838
Technical Assistance Grants for Rural Waste Systems	20,109		20,109
American Steel Admin Expenses GP 746 - 0.25% of appropriations	1,400		1,400
Circuit Rider - Technical Assistance Grants for Rural Water Systems	17,413		17,413
Water and Waste Disposal Grants Alaskan Villages	25,013		25,013
Water and Waste Disposal Grants Native American Tribes	24,163		24,163
Water and Waste Disposal Grants Colonias	25,767		25,767
Hawaiian Homelands	3,592		3,592
Individually-Owned Water Well System Grants	993		993
Grants for Water and Wastewater Revolving Funds	1,000		1,000
Solid Waste Management Grants	4,344		4,344
Emergency and Imminent Community Water Asst. Grants	12,000		12,000
Emergency and Imminent Community Water Asst. Grants Appropriated	10,013		10,013
High Energy Cost Grants	10,000		10,000
Offsetting collections			0
Total Rural Water and Waste Disposal Programs	2,280,754		632,912
<b>RURAL ELECTRIC LOANS:</b>			
Direct Electric Loans			
Treasury Electric Loans			
Municipal Electric Loans			
FFB Electric Loans	4,900,000	-4.92	

Pilot Program for refinancing electric loans	600,000		13,800
Guaranteed Electric Underwriting Loans for Bonds and Notes	750,000		
Rural Energy Savings Program	110,803	14.44	16,000
<b>Total Rural Electric Loans</b>	<b>6,360,803</b>		<b>29,800</b>
<b>RURAL TELECOMMUNICATIONS LOANS:</b>			<b>7,985</b>
Direct Telecommunications Loans			
Treasury Telecommunications Loans	345,056	0.89	3,071
Direct Treasury Rate - Modification			
FFB Telecommunications Loans	345,000	-2.53	
<b>Total Telecommunications Loans</b>	<b>690,056</b>		<b>3,071</b>
<b>Total Electric &amp; Telecommunications Loans</b>	<b>7,050,860</b>		<b>32,871</b>
<b>DIST. LEARNING, TELEMEDICINE &amp; BROADBAND PROGRAM:</b>			
Treasury Distance Learning Loans			
Broadband Telecommunications Grants for Combinations			
Distance Learning and Telemedicine Grants	24,670		24,670
Con Fam & RD Act, Sec. 379G Delta Healthcare Grants	7,428		7,428
Public Broadcasting Systems Grants	418		418
Mandatory Direct Broadband Telecommunications 4% Loans		-4.46	0
Mandatory Direct Broadband Telecommunications - Treas Rate Lns	0	16.64	0
Direct Broadband Telecommunications 4% Loans			0
Direct Broadband Telecommunications Loans - Treas Rate	115,210	16.64	19,171
Guaranteed Broadband Telecommunications Loans			0
Broadband Telecommunication Grants	40,711		40,711
DLTB - Offsetting Collections			0
<b>Total Distance Learning Program</b>	<b>188,436</b>		<b>92,397</b>
High Energy Cost Grants	30,297		30,297
<b>TOTAL RURAL UTILITIES SERVICE PROGRAMS</b>	<b>9,550,347</b>		<b>788,478</b>

**Senator John Thune**

- 1) What can we do in the next farm bill to ensure that are providing rural America with adequate access to rural broadband?

Response: There are three essential elements to every RUS loan decision: eligibility, feasibility and security. The more flexibility the Congress gives the agency on eligibility, the more options are available to find applicants capable and willing to serve underserved communities. When making loans, the agency is stringent in its feasibility analysis because loans must be repaid over long periods of time. The agency looks at the business case, the technology, the market demand, management, revenues, costs and the presence of other competitors when evaluating loan proposals. The ability to combine loans and grants (presuming funding were available for both) would give the agency more flexibility in finding financial feasibility in hard to serve areas. And finally, to make a loan, the agency needs adequate security to ensure that the loan is repaid. Typically, the agency takes a lien on all the assets of the borrower or shares a first lien with other borrowers. Here there is an opportunity for synergies between telecomm and electric borrowers.

The Rural Development title has been a relatively stable legislative vehicle over its long history. It has been successfully used by incumbent local exchange carriers to provide service and finance technological upgrades. Over time, however Title VI has changed from farm bill to farm bill and is now a relative complex application process.

Simplicity in eligibility, flexibility on tools to address feasibility and predictability could help the agency sustain the positive momentum it has established in broadband deployment.

**Senator Patrick Leahy**

1) We know that efficiency and renewable energy is creating countless rural jobs and supporting rural economies. That is one of the reasons why I have heard from partners in Vermont who are asking for more flexibility in the Energy Efficiency and Conservation Loan Program and the Rural Energy for America Program. For instance, it can be difficult for USDA to finance and offer loans for important community solar projects. I have been asked that other entities such as energy efficiency non-profits or state energy programs be made eligible for these efficiency loans in addition to utilities, since those entities may have experience and capacity in renewable energy and efficiency work.

a. Do you agree that we should find ways to offer more flexibility in USDA energy programs to help our rural constituents to implement new energy efficiency measures?

Response: We see a number of ways of introducing energy efficiency among our rural constituents. One way to do this would be to allow for more flexibility for the Department to determine how much Rural Energy for America Program (REAP) budget authority is allocated for large and small grants. Currently, at least 20 percent of REAP budget authority must be used for smaller grants. The Department has the capability of using its application pipeline to determine need and could shift budget authorities based on need and priorities.

b. What changes are needed in this next Farm Bill to ensure that your USDA energy programs can support Community Solar projects that allow businesses, municipalities, homeowners, renters, and nonprofits who cannot have solar panels on their roof or grounds, to access this low cost local energy that supports rural jobs?

Response: The RUS has financed several recent community sized solar projects. These projects are based on strong long term power purchase agreements with utilities that serve rural communities. The agency is prepared to consider similar

projects where the loan is secured with a long term power purchase agreement or guarantee from a strong reliable off taker.

Under current law, the rural location of the project alone is not sufficient to find a rural beneficiary of the project proposed to be financed. The Congress enacted Section 317 of the Rural Electrification Act to give the agency greater flexibility to finance renewable projects serving rural and non-rural consumers. However, the provision was tied to financing at the municipal rate of interest. Since the provision was enacted, the Congress has not appropriated funds at that interest rate. If the municipal interest rate limitation were eliminated it would be possible to entertain a broader range of rural based renewable projects.

Under the existing regulations the REAP program can provide grants and loan guarantees to small businesses who can legally enter into a power purchase agreement to sell power to businesses, municipalities, homeowners, renters, and non-profits.

- 2) While I fully recognize that new technologies like broadband are transformative and essential in this new digital age, we must maintain and rebuild our existing critical rural infrastructure. That is why I was very disturbed by reports earlier this year about the significant backlogs that the USDA's Rural Utilities Service had for eligible infrastructure projects, particularly for water and wastewater infrastructure loans and grants. We had a backlog of over \$33 million worth of water and waste water projects in Vermont alone, including grants and loan requests. What steps are you taking at USDA to reduce the backlog of rural infrastructure projects waiting for additional investment?

Response: I am pleased to report that RUS obligated over \$23.2 million for Vermont during this past fiscal year. USDA's Water and Environmental Programs (WEP) continues to work with communities to ensure that their needs are met and that costs are held to a minimum. This approach allows RUS to fund more projects. The agency is also working with commercial lenders and other funding agencies to leverage funding for projects to reduce the level of WEP funding needed per project. The agency also optimizes the use of loans and grants by pooling available funding twice a year to move funds from low demand states to high priority projects. We target limited grant dollars to their greatest need and work to leverage our investments with other private and public funders. Most recently, the RUS adjusted its interest rate index. That action had the effect of increasing the number of loans per dollar of budget authority. Finally, WEP is working to reduce the unliquidated obligations and to complete projects funded during prior years.

The agency has also given special focus to expanding the utilization of guaranteed loans. In recent weeks we have met with a major lender to explain the guaranteed opportunity. We will be further expanding outreach to lenders. A couple of issues have arisen which constrain the use of WEP loan guarantees. The first is the restriction that

federal guarantees generally cannot be used with tax exempt bonds. The second is finding a way to use guarantees in combination with grants that does not excessively increase the consumption of grant funds due to the higher interest rates of a guaranteed loan. We look forward to working with the Committee to find innovative ways to maximize investments from limited budget authority.

- 3) I have heard from some constituents who would like to see other entities such as energy efficiency nonprofits or state energy programs made eligible for the Energy & Conservation Loan Program, in addition to utilities, since those non-utility entities may have better capacity to help reduce energy burdens.

Response: In addition to the Energy Efficiency Conservation Loan program, which springs from Rural Electrification Act, Congress enacted the Rural Energy Savings program which has its own broader eligibility standard. The largest impediment to non-utility entities is that as loan programs, the RUS energy efficiency initiatives loans must have reasonably adequate security to ensure that loans are repaid.

With nearly fifty different state models across the country for addressing and supporting efficiency, with only a handful of states having efficiency utilities like we do in Vermont, what suggestions do you have for this Committee as we look to potentially expand the list of eligible entities for the Energy Efficiency & Conservation Loan Program?

Response: Energy efficiency and conservation have been core values of rural electrification since its inception. It offers consumers the opportunity to save money, increase comfort and improve home values. For new entities to participate in energy efficiency loan programs, they need to be able to pledge assets or revenues sufficient to secure their RUS loans.

- 4) I have repeatedly heard complaints from constituents who believe that the Rural Energy for America Program (REAP) is biased against wind projects. In seeing the recent announcement of 2017 REAP grants selected in Vermont, there were several solar projects, two hydroelectric projects, and even an energy efficiency improvement involving refrigeration, but not a single wind project.
- a. Do you believe that the claims that REAP is biased against wind energy projects is an accurate or inaccurate one? And please explain why.

Response: The Rural Energy for America Program (REAP) is not biased against any one particular technology. Each application we receive is scored in accordance with USDA regulations. Projects that score the requisite amount of points to receive funding are funded. The Department receives far more solar and energy efficiency applications than wind applications on an annual basis. Given this fact, these technologies are funded

more frequently than wind projects.

- b. For each of the Fiscal Years 2015, 2016, and 2017, what was the total funding provided for the various types of renewable energy systems (biomass, geothermal for electric generation or direct use, hydropower, hydrogen, wind, solar, or other sources) or energy efficiency grants and loans? *Please separate the total funding provided in grants and loans for each of the different renewable energy system or for energy efficiency projects, as well as the total number of projects for each type of renewable energy system or efficiency grants and loans.*

Response: The information is submitted for the record.  
[The information follows:]

<b>Rural Energy For America Program Funding Provided by Type of Technology</b>				
Technology	Number of Grants	Total Amount of Grants	Number of Loans Guaranteed	Total Amount of Loans Guaranteed
<b>FY 2015</b>				
BIOMASS	47	\$9,715,498	4	\$13,145,100
ENERGY EFFICIENCY	705	\$19,168,265		
GEO THERMAL	32	\$1,777,503		
HYBRID	5	\$393,854		
SOLAR	959	\$42,061,083	38	\$135,647,438
WIND	21	\$796,684		
EA/REDA	25	\$1,887,863		
HYDRO ELECTRIC/POWER	7	\$1,302,406		
<b>FY 2015 Total</b>	<b>1801</b>	<b>\$77,103,156</b>	<b>42</b>	<b>\$148,792,538</b>
<b>FY 2016</b>				
BIOMASS	28	\$5,359,430	4	\$8,720,000
ENERGY EFFICIENCY	421	\$8,529,724	7	\$11,828,127
GEO THERMAL	11	\$233,804		
HYBRID	4	\$80,535		
SOLAR	655	\$19,208,466	55	\$233,437,988
WIND	8	\$320,035		
EA/REDA	26	\$1,862,000		
HYDRO ELECTRIC/POWER	4	\$581,714		
<b>FY 2016 Total</b>	<b>1157</b>	<b>\$36,175,708</b>	<b>66</b>	<b>\$253,986,115</b>
<b>FY 2017</b>				
BIOMASS	34	\$7,144,716	4	\$10,041,755
ENERGY EFFICIENCY	354	\$7,400,202	1	\$628,794
GEO THERMAL	10	\$149,458		
HYBRID	3	\$49,156		
SOLAR	678	\$20,198,748	86	\$361,405,191
WIND	3	\$43,586		
EA/REDA	22	\$1,862,000		
HYDRO ELECTRIC/POWER	6	\$613,710		
<b>FY 2017 Total</b>	<b>1110</b>	<b>\$37,461,576</b>	<b>91</b>	<b>\$372,075,740</b>



- c. For each of the Fiscal Years 2015, 2016, and 2017 what was the total number and funding requested in REAP grants and loans for the various types of renewable energy systems and for efficiency projects?

Response: The information is submitted for the record.  
The information follows:}

Rural Energy for America Program Fiscal Year 2013 to 2017		
Fiscal Year	Applications Funded / Awarded	
	Number of Applications	Aggregate Dollar Amount
2015	1842	\$ 226,066,247.40
2016	1220	\$ 290,161,823.49
2017	1200	\$ 409,544,779.72
Total	6040	\$ 1,058,899,421.53

- 5) What improvements or adjustments in authorization for the Rural Energy for America Program (REAP) could be made in this Farm Bill that would help more farmers or rural businesses that are interested in pursuing Community Solar projects with REAP grants or loans?

Response: Rural Development is eager to work with the Committee to ensure that the REAP program is effectively serving farmers and rural businesses.

- 6) I have also been told that some eligible entities who have tried to utilize Rural Development programs in order to support the installation of say a solar energy project on a town hall, have been limited to installing only enough solar panels to provide enough power for that specific structure, rather than being able to take advantage of their maximum rooftop capability and then using that additional renewable power to sell back to the grid or to support other businesses or nonprofits in the community. How can we improve Rural Development's programs to ensure we can help these eligible entities to maximize their renewable energy production and in turn support vital rural jobs?

Response: A town hall owned and managed by a rural municipality is not currently an eligible entity under the Rural Energy for America Program (REAP) . Rural Development is eager to work with the Committee to ensure that municipalities and non-profits are being effectively served by Rural Development.

- 7) I hear from many towns and partners on-the-ground about the importance of strategic plan development, coordination, training, and technical assistance to implement economic development. Many Vermont groups have applied unsuccessfully for Rural Community Development Initiative grants, due to the very limited funding available each year. What impact do you think would we see on-the-ground if we increased the funding for this initiative to support more rural communities that are trying to increase their capacity and ability to undertake economic development projects?

Response: Rural Development is committed to working with Authorizing and Appropriating Committees to most effectively address rural economic development needs. Rural Community Development Initiative (RCDI) grants are awarded to intermediary organizations to help develop the capacity of non-profit housing and community development organizations, low-income rural communities and federally recognized tribes to support housing, community and economic development projects across rural America. In FY17, the Agency received \$4 million in annual appropriations under the RCDI program. As with all Rural Development grant programs, the RCDI program is very competitive and the Agency utilized 100 percent of the funds appropriated by Congress. We are committed to managing and utilizing whatever level of funding Congress appropriates to the Agency to increase rural prosperity and economic opportunity.

- 8) Rural Utilities Service has some valuable tools with the potential to make significant investments in rural America that have been underutilized. From my perspective this includes the Energy Efficiency & Conservation Loan Program that has approved only a small number of applications.
- a. Are there changes that Congress could make to the program to increase its usage?

Response: Congress could authorize a combination of a zero interest rate loan and broader eligibility requirements in the Rural Energy Savings Program. While these changes would increase the cost of the program, they have proven to be attractive to many program applicants. However, with those changes the Energy Efficiency & Conservation Loan Program would be duplicative of the Rural Energy Savings Program.

- b. Are there ways that the traditional definition of a utility could be updated, and lending rules adjusted, to reflect and accommodate other types of utilities, such as efficiency utilities, that might not have hard assets like poles and wires to collateralize to back a loan?

Response: The RUS is able to make loans to an entity recognized as an energy efficiency utility under state law. In fact, the RUS made a loan offer to such an entity in 2016. Where hard assets are not available, the agency may consider adequate and secure pledges of revenues or a guarantee from a financially secure entity to back the loan.

- 9) In many places, like my home state of Vermont, one of the key barriers to the widespread availability of broadband is the high cost of last mile service. What can we do with the existing RUS broadband programs to help close the broadband gap in Rural America particularly in places where incumbent providers are not offering last mile service?

Response: There are some rural areas that are not financially feasible with loan only financing. The ability to combine loan and grant funds and the ability to combine less populous areas with more populous areas have proven effective in the past.

- 10) In his testimony, Mr. Ronnebaum indicated that the National Rural Water Association (NRWA) would like to see an increase in the current population ceiling for Water and Waste Disposal direct loans from 10,000 to 20,000 and the guaranteed loan program from 10,000 to 50,000.

- a. How many communities under 10,000 are currently eligible for Water and Waste Disposal direct and guaranteed loans?

Response: Based on the 2010 CENSUS, there are 21,806 communities with populations under 10,000 that are potentially eligible for the Water and Environmental Programs.

- b. How many Vermont communities are eligible under the 10,000 cap and how many would be eligible under the proposed 20,000 and 50,000 caps?

Response: Based on the 2010 CENSUS, Vermont has 116 communities with populations under 10,000; 118 under 20,000 population; and 119 under 50,000 population.

- c. With the limited resources directed to Rural Development Water and Waste Disposal Loan and Guaranteed Loan Program, do you expect that these proposed changes would make it more difficult for small rural communities under 10,000 with limited access to capital to compete for both direct and guaranteed loans?

Response: Because small rural systems with populations under 10,000 have a harder time qualifying for and affording commercial lenders rates and terms, the agency believes that raising the population limit for the guaranteed program would benefit larger communities and allow them more affordable options. Raising the direct loan program limit to 20,000 would allow those communities access to more affordable loans for their infrastructure needs.

- d. If this proposed increase to the current population cap went forward, would you support prioritization criteria to ensure smaller communities under 10,000 will continue to be able to access loans through this program?

Response: Absolutely. The agency uses a scoring system to rank and prioritize applications. One of the scoring criteria is the population served. Smaller communities score higher in this category than do larger communities.

- e. What other safeguards could we include if the cap were increased to ensure smaller communities are not left behind?

Response: To ensure smaller rural communities are not left behind, the agency would target grant funds to these smaller communities and would only allow communities of 10,000 or less to access grant funds. The agency would implement additional priority points for smaller communities.

**Senator Kirsten Gillibrand**

- 1) Local leaders tell me every chance they get how they need more resources to bring broadband to the highest-cost and hardest to serve parts of their communities. This request for assistance includes the need for grant funding, not just loans, to ensure all rural Americans are provided high-speed service. In response to this need, I have introduced bipartisan legislation with Senator Capito that would make grant funding available for rural broadband projects in high-need areas to be awarded in combination with the current loan funding available through USDA's Rural Utilities Service. Can you please tell the committee your thoughts on how best to achieve universal access to high-speed internet and whether grants, awarded in combination with the existing Broadband Loans and Loan Guarantees, could be an effective component of that strategy?

Response: Low interest loans, grants and predictable universal service support from federal and state mechanisms are all critical to expanding the growth of broadband deployment in rural areas. The success of the Community Connect grant program and the agency's previous experience using loans, grants and loan/grant combinations demonstrate that a combination of tools can be effective in spurring broadband deployment.

**Senate Committee on Agriculture, Nutrition, & Forestry**  
Rural Development and Energy Programs: Perspectives for the 2018 Farm Bill  
Thursday, September 28, 2017  
Questions for the Record  
**Mr. Mark Olinyk**

**Ranking Member Debbie Stabenow**

- (1) In your experience working with farm families and energy efficiency and renewable energy, do you see a role for clean energy development in attracting a new generation of agricultural producers and keeping younger generations on the farm?

Keeping the younger generation on the farm and in our rural communities is vital to agriculture and the survival of our rural communities. It's not that all the young people *want* to leave the farm or the small community, there is simply less opportunity there. As a result, we can't stop all of the farm exodus. With large corporations buying more family farms and the equipment getting bigger and faster there is less need for labor on the farm and in the supporting rural areas. These things are not going away anytime soon.

But there is a bright spot in the continued exit from rural America and that is the renewable revolution specific to the farm that is growing exponentially. Clean energy manufacturing, engineering, sales and installation of wind, solar, biofuels and other energy efficient equipment is a growing opportunity that will need skilled talent for generations to come. These jobs are available in the rural communities with products being sold to farmers. The economic opportunities for these disruptive new products and services are an increasing necessity for efficient farming.

Renewable equipment and jobs are uniquely advantageous to the ag industry because the rural areas have the space that most products need and typically the 'friendly townships' that make for an easy transaction. We are seeing local universities and community colleges offering renewable technology courses and career opportunities and small rural companies like Harvest Energy Solutions are popping up throughout the rural communities to service the needs of this new industry.

Renewables are a part of the 'farm equipment upgrade' and the next generation farmer will play a vital role in all aspects of this energy revolution.

- (2) Do you have recommendations for how the Energy Title can better facilitate the growth of renewable energy and bio based product development and use?

This is a difficult question considering how cumbersome the federal government can be. Here are some ideas that we discuss on a local level:

- 1- We need to get these ideas down to the state and local level as fast as possible.
- 2- Some programs take a very long time to facilitate and others like the REAP program are on a schedule that most times is out 6 months or longer and this stymie's many opportunities for the renewable product purchase as many farmers unfortunately cannot move forward without the grant.
- 3- We currently have a rolling application process but not a rolling award of grant process. A rolling award process would assist tremendously. Often the potential bank loan application is stale by the time the grants are awarded, stalling or killing the project.
- 4- As mentioned in my initial testimony (last page) some of the larger projects take the bulk of the available grant funds in a state leaving the smaller producer at a disadvantage after waiting patiently for up to a year to find out that the funds were awarded to a more sophisticated producer that has a financial advantage to hire professional assistance to navigate the system. As suggested in my testimony, maybe reducing the \$500k max award to a 20% of total funds available award in the state should be considered. I have had several conversations with smaller farmers that felt intimidated and didn't have faith in the system simply because they didn't think that they could compete for the funds against the healthier farmer or large ethanol plant. We need to make it easier for the smaller farmer!
- 5- Introduce long term renewable energy product leases into the program.
- 6- Offer a program through the USDA where farmers can finance through a PACE (property assessed clean energy) style program <https://energy.gov/eere/slsc/property-assessed-clean-energy> where funds are forwarded and payments for renewable equipment is added on to property taxes and paid over time.
- 7- The guaranteed loan program is too expensive. The upfront costs and annual fees turn farmers away and we know that this is not the intent of the program.
- 8- Partner and work closer with local co-ops, Farm Bureau and other Ag Associations and Ag Universities. These are the places where farmers get most of their critical information.
- 9- Ag universities should offer more classes and seminars specific to 'how to take advantage of government funded programs'.

Its working, we are on a beneficial path. To reduce the momentum now would cripple the effort. Keep up the good work!

**Senate Committee on Agriculture, Nutrition, & Forestry**  
Rural Development and Energy Programs: Perspectives for the 2018 Farm Bill  
Thursday, September 28, 2017  
Questions for the Record  
**Mr. Chadwick Parker**

**Chairman Pat Roberts**

- 1) Could you briefly highlight a key challenge you have faced administering Rural Development programs authorized in the Farm Bill?

Response: Implementing and administering Farm Bill provisions presents challenges, as well as opportunities for Rural Development. An ongoing challenge Rural Development faces in administering Farm Bill programs is how best to streamline the delivery of services, reduce the complexity and burden to apply for assistance, and simplify administrative requirements and costs associated with program operations.

- 2) Are there a wide variety of types of projects financed with REAP funding or are the majority of dollars awarded to wind and solar projects?

Response: There are a wide variety of technologies financed with Rural Energy for America Program (REAP) funding. A plurality of the projects financed by REAP since fiscal year (FY) 2013 are of the energy efficiency variety; however, a majority of the dollars awarded for REAP projects have been for solar and wind projects. Solar and wind projects tend to be larger in size and require more guaranteed loan funds. Between the solar and wind technologies, an overwhelming majority of those funds are for solar projects.

- 3) Please provide a breakdown for each grant, loan, and loan guarantee program your mission administers to include for each of fiscal years 2013 through 2017:

- a. The number of applications received;
- b. The aggregate dollar amount of applications received;
- c. The number of applications approved / funded;
- d. The aggregate dollar amount of applications approved / funded;
- e. The "backlog" (number) of applications unfunded;
- f. The backlog (aggregate dollar amount) of applications not funded;

Response: See charts below for answers to a-f

VALUE ADDED PRODUCER GRANT					
FY	# Apps Rec	\$ Apps Rec	# Apps funded	\$ Apps Funded	# Unfunded Eligible Apps
2013/2014	549	\$54.6M	247	\$24,946,999	145
2015	414	\$49.9M	259	\$33,972,898	20
2016	542	\$70.0M	327	\$45,660,453	62
2017	TBD	TBD	TBD	TBD	TBD

RURAL COOPERATIVE DEVELOPMENT GRANT					
FY	# Apps Rec	\$ Apps Rec	# Apps funded	\$ Apps Funded	# Unfunded Eligible Apps
2014	56	\$10.3M	32	\$5,799,999	18
2015	51	\$10.1M	30	\$5,800,000	14
2016	70	\$14M	29	\$5,799,216	21
2017	55	\$10.6M	29	\$5,799,365	17

- g. The total discretionary and mandatory funding amounts made available to each program;

FY13:

	FY 2013 Available		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL BUSINESS-COOPERATIVE SERVICE</b>			
<b>RURAL BUSINESS PROGRAMS:</b>			
Guaranteed Business and Industry Loans - 3% and 2% fee loans	821,448	5.88	48,301
Guaranteed Business and Industry Loans - 2% and 1% fee loans			
Guaranteed Business and Industry Loans - 2008 Disasters	26,418	5.88	1,553
NADBank Guaranteed Business and Industry Loans	0	16.06	351
Rural Business Enterprise Grants	22,124		22,124
Rural Business Enterprise Grants - 2008 Disasters	4		4
Rural Business Enterprise Grants Technical Assist. Transportation	480		480
Rural Business Enterprise Grants Mississippi Delta	299		299
Rural Business Enterprise Grants Native American Tribes	2,959		2,959
Rural Business Enterprise Grants Native Amer. Tribes Transportation	239		239
Rural Business Opportunity Grants	1,374		1,374
Rural Business Opportunity Grants Native American Tribes	1,195		1,195
Rural Business Opportunity Grants Mississippi Delta	32		32
Grant to Delta Regional Authority	2,772		2,772
Special Earmark GP 764 - 2006; GP 738 - 2010	1		1
<b>Total Rural Business Programs</b>	<b>879,345</b>		<b>81,685</b>
<b>RURAL BUSINESS AND COOPERATIVE GRANTS:</b>			
Rural Business and Cooperative Grants			
<b>RURAL DEVELOPMENT LOAN FUND:</b>			
Intermediary Relending Program	10,068	32.04	3,226
Intermediary Relending Program Rural Economic Area Partnership	0	32.04	0
Intermediary Relending Program Native American Tribes	2,610	32.04	836
Intermediary Relending Program Mississippi Delta Region Countries	5,221	32.04	1,673
<b>Total Rural Development Loan Fund</b>	<b>17,899</b>		<b>5,735</b>
Rural Economic Development Loans	78,429		9,717



Rural Economic Development Grants	10,000	12.39	-155,000
	88,429		
<b>RURAL BUSINESS INVESTMENT PROGRAM:</b>			
Guaranteed Rural Business Investment Loans	0		0
Rural Business Investment Grants	0		0
Administrative Expenses	0		0
Total Rural Business Investment Program	0		0
<b>RURAL MICROENTERPRISE ASSISTANCE PROGRAM:</b>			
Microenterprise Loans		14.95	
Microenterprise Grants			
Microenterprise Loans	0	14.95	0
Microenterprise Grants	112		112
Total Rural Microentrepreneur Assistance Program	112		112
<b>BIOREFINERY ASSISTANCE PROGRAM:</b>			
Guaranteed Biorefinery Loans	96,890	36.33	40,694
Guaranteed Biorefinery Loans		42.00	
Total Biorefinery Assistance Program	96,890		40,694
<b>ENERGY ASSISTANCE PAYMENTS:</b>			
Repowering Assistance Payments	28,045		28,045
Bioenergy Program for Advanced Biofuels Payments	61,685		61,685
Total Energy Assistance Payments	89,730		89,730
<b>RENEWABLE ENERGY PROGRAM / RURAL ENERGY FOR AMERICA PROGRAM:</b>			
Guaranteed Rural Energy for America (former Renewable En) Loans	6,768	24.01	1,625
Rural Energy for America (former Renewable Energy) Grants	975		975
Renewable Energy Grants - Under \$20,000	650		650
Guaranteed Rural Energy for America (former Renewable En) Loans	43,478	24.01	10,439
Renewable Energy Grants	4,954		4,954
Renewable Energy Feasibility Studies	475		475
Renewable Energy Audits and Technical Assistance	835		835
Renewable Energy Grants - Under \$20,000	4,176		4,176
Total Renewable Energy Program / Rural Energy for America Progra	62,309		24,128
	53,917		
<b>RURAL COOPERATIVE DEVELOPMENT GRANTS:</b>			
Rural Cooperative Development Grants	5,544		5,544
Appropriate Technology Transfer	2,151		2,151
Cooperative Research Agreements	0		0
Grants to Assist Minority Producers	2,867		2,867
Value-Added Agricultural Product Market Dev. Grants	18,973		18,973
Agricultural Marketing Resource Center Grants	1,714		1,714
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranche	2,429		2,429
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	6,400		6,400
Value-Added Agricultural Product Market Dev. Grants	53		53
Agricultural Marketing Resource Center	143		143
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranche	10		10
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	61		61
Agriculture Innovation Center Demonstration Program Grants	16		16
Special Earmarks P.L. 111-8, GP 732; P.L. 111-80, GP 728	0		0
Total Rural Cooperative Development Grants	40,361		40,361
Rural Empowerment Zones-Special Earmark Grants	33		33
<b>TOTAL BUSINESS-COOP SERVICE PROGRAMS</b>	<b>1,186,679</b>		<b>282,477</b>

FY14:

(Dollars in Thousands)

**RURAL BUSINESS-COOPERATIVE SERVICE  
RURAL BUSINESS PROGRAMS:**

Program Level	FY 2014 Available	
	Subsidy Rate	Budget Authority

Guaranteed Business and Industry Loans - 3% and 2% fee loans	1,166,484	6.99	81,537
Guaranteed Business and Industry Loans - 3% and 1% fee loans			
Guaranteed Business and Industry Loans - 1% fee loans			
Guaranteed Business and Industry Loans for Infrastructure			
Guaranteed Business and Industry Loans - 2008 Disasters	1,059	6.99	74
NADBank Guaranteed Business and Industry Loans	0		252
Rural Business Development Grants			
Rural Business Development Grants Technical Assist. Transportation			
Rural Business Development Grants Native American Tribes			
Rural Business Development Grants Native Amer. Tribes Transportation			
Rural Business Enterprise Grants - 2008 Disasters	150		150
Rural Business Enterprise Grants Mississippi Delta	299		299
Rural Business Opportunity Grants Mississippi Delta	32		32
Grant to Delta Regional Authority	3,000		3,000
Grant to Appalachian Regional Commission			
Rural Child Poverty			
Special Earmark GP 764 - 2006; GP 738 - 2010	1		1
Rural Business Programs - Offsetting Collections			
<b>Total Rural Business Programs</b>	<b>1,202,278</b>		<b>116,599</b>
<b>Healthy Foods, Healthy Neighborhoods Initiative</b>			
<b>RURAL DEVELOPMENT LOAN FUND:</b>			
Intermediary Relending Program	9,394	21.61	2,030
Intermediary Relending Program Rural Economic Area Partnership	2,314	21.61	500
Intermediary Relending Program Native American Tribes	2,457	21.61	531
Intermediary Relending Program Mississippi Delta Region Countries	4,725	21.61	1,021
<b>Total Rural Development Loan Fund</b>	<b>18,889</b>		<b>4,082</b>
Rural Economic Development Loans	90,962	8.45	7,686
Rural Economic Development Grants	10,000		-172,000
	100,962		
<b>RURAL MICROENTERPRISE ASSISTANCE PROGRAM:</b>			
Microenterprise Loans		6.26	
Microenterprise Grants			
Microenterprise Loans	51,992	6.26	3,255
Microenterprise Grants	1,968		1,968
<b>Total Rural Microentrepreneur Assistance Program</b>	<b>53,960</b>		<b>5,223</b>
<b>BIOREFINERY ASSISTANCE PROGRAM:</b>			
Guaranteed Biorefinery Loans	314,950	41.43	130,484
Guaranteed Biorefinery Loans - Fixed Rate		41.43	
Guaranteed Biorefinery Loans - Variable Rate			
Guaranteed Biorefinery Loans - Modifications			
<b>Total Biorefinery Assistance Program</b>	<b>314,950</b>		<b>130,484</b>
<b>ENERGY ASSISTANCE PAYMENTS:</b>			
Repowering Assistance Payments	12,000		12,000
Bioenergy Program for Advanced Biofuels Payments	58,131		58,131
<b>Total Energy Assistance Payments</b>	<b>70,131</b>		<b>70,131</b>
<b>RENEWABLE ENERGY PROGRAM / RURAL ENERGY FOR AMERICA PROGRAM:</b>			
Guaranteed Rural Energy for America (former Renewable En) Loans	12,760	27.43	3,500
Rural Energy for America (former Renewable Energy) Grants			
Guaranteed Rural Energy for America (former Renewable En) Loans	159,219	27.43	43,674
Renewable Energy Grants	15,289		15,289
Renewable Energy Feasibility Studies	2,106		2,106
Renewable Energy Audits and Technical Assistance	2,900		2,900
Renewable Energy Grants - Under \$20,000	10,793		10,793
<b>Total Renewable Energy Program / Rural Energy for America Progra</b>	<b>203,067</b>		<b>78,262</b>
<b>RURAL COOPERATIVE DEVELOPMENT GRANTS:</b>			
Rural Cooperative Development Grants	5,800		5,800
Appropriate Technology Transfer	2,250		2,250
Grants to Assist Minority Producers	3,000		3,000
Value-Added Agricultural Product Market Dev. Grants	23,179		23,179
Agricultural Marketing Resource Center Grants	1,827		1,827

Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranches	1,500	1,500
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	1,500	1,500
Value-Added Agricultural Product Market Dev. Grants	47,774	47,774
Agricultural Marketing Resource Center	3,383	3,383
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranches	6,304	6,304
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	6,372	6,372
Agriculture Innovation Center Demonstration Program Grants	16	16
Special Earmarks P.L. 111-8, GP 732; P.L. 111-80, GP 728	0	0
RCDG - Offsetting collections		
<b>Total Rural Cooperative Development Grants</b>	<b>102,907</b>	<b>102,907</b>
Rural Empowerment Zones-Special Earmark Grants	33	33
<b>TOTAL BUSINESS-COOP SERVICE PROGRAMS</b>	<b>1,966,216</b>	<b>507,721</b>

FY15:

(Dollars in Thousands)	FY 2015 Available		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL BUSINESS-COOPERATIVE SERVICE</b>			
<b>RURAL BUSINESS PROGRAMS:</b>			
Guaranteed Business and Industry Loans - 3% and 2% fee loans	1,230,337	5.11	62,870
Guaranteed Business and Industry Loans - 3% and 1% fee loans			
Guaranteed Business and Industry Loans - 1% fee loans			
Guaranteed Business and Industry Loans for Infrastructure			
Guaranteed Business and Industry Loans - 2008 Disasters	1,694	5.11	87
NADBANK Guaranteed Business and Industry Loans			138
Rural Business Development Grants	19,500		19,500
Rural Business Development Grants Technical Assist. Transportation	500		500
Rural Business Development Grants Native American Tribes	3,750		3,750
Rural Business Development Grants Native Amer. Tribes Transportation	250		250
Rural Business Enterprise Grants - 2008 Disasters	162		162
Rural Business Enterprise Grants Mississippi Delta	299		299
Rural Business Opportunity Grants Mississippi Delta	52		52
Grant to Delta Regional Authority	3,000		3,000
Grant to Appalachian Regional Commission			
Rural Child Poverty			
Special Earmark GP 764 - 2006; GP 738 - 2010	1		1
Rural Business Programs - Offsetting Collections			
<b>Total Rural Business Programs</b>	<b>1,263,380</b>		<b>94,445</b>
<b>Healthy Foods, Healthy Neighborhoods Initiative</b>	<b>0</b>		<b>0</b>
<b>RURAL DEVELOPMENT LOAN FUND:</b>			
Intermediary Relending Program	11,237	30.80	3,461
Intermediary Relending Program Rural Economic Area Partnership	2,613	30.80	805
Intermediary Relending Program Native American Tribes	1,724	30.80	531
Intermediary Relending Program Mississippi Delta Region Countries	3,315	30.80	1,021
<b>Total Rural Development Loan Fund</b>	<b>18,890</b>		<b>5,818</b>
Rural Economic Development Loans	38,648	12.77	4,935
Rural Economic Development Grants	9,270		-179,000
	47,918		
<b>RURAL MICROENTERPRISE ASSISTANCE PROGRAM:</b>			
Microenterprise Loans	0	12.81	0
Microenterprise Grants			
Microenterprise Loans	14,190	12.81	1,818
Microenterprise Grants	3,475		3,475
<b>Total Rural Microentrepreneur Assistance Program</b>	<b>17,665</b>		<b>5,293</b>
<b>BIOREFINERY ASSISTANCE PROGRAM:</b>			
Guaranteed Biorefinery Loans	351,802	40.32	141,847
Guaranteed Biorefinery Loans - Fixed Rate		40.32	
Guaranteed Biorefinery Loans - Variable Rate			
Guaranteed Biorefinery Loans - Modifications			

Total Biorefinery Assistance Program	351,802		141,847
<b>ENERGY ASSISTANCE PAYMENTS:</b>			
Repowering Assistance Payments	4,000		4,000
Bioenergy Program for Advanced Biofuels Payments	23,739		23,739
Total Energy Assistance Payments	27,739		27,739
<b>RENEWABLE ENERGY PROGRAM / RURAL ENERGY FOR AMERICA PROGRAM:</b>			
Guaranteed Rural Energy for America (former Renewable En) Loans	12,760	10.58	1,350
Rural Energy for America (former Renewable Energy) Grants	0		0
Guaranteed Rural Energy for America (former Renewable En) Loans	331,837	10.58	35,108
Renewable Energy Grants	55,807		55,807
Renewable Energy Feasibility Studies	535		535
Renewable Energy Audits and Technical Assistance	2,563		2,563
Renewable Energy Grants - Under \$20,000	9,759		9,759
Total Renewable Energy Program / Rural Energy for America Progra	413,260		105,122
<b>RURAL COOPERATIVE DEVELOPMENT GRANTS:</b>			
Rural Cooperative Development Grants	5,800		5,800
Appropriate Technology Transfer	2,500		2,500
Grants to Assist Minority Producers	3,000		3,000
Value-Added Agricultural Product Market Dev. Grants	19,417		19,417
Agricultural Marketing Resource Center Grants	2,160		2,160
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranche	1,921		1,921
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	1,108		1,108
Value-Added Agricultural Product Market Dev. Grants	60,973		60,973
Agricultural Marketing Resource Center	3,383		3,383
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranche	168		168
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	0		0
Agriculture Innovation Center Demonstration Program Grants	16		16
Special Earmarks P.L. 111-8, GP 732; P.L. 111-80, GP 728	0		0
RCDG - Offsetting collections			
Total Rural Cooperative Development Grants	100,446		100,446
Rural Empowerment Zones-Special Earmark Grants	33		33
<b>TOTAL BUSINESS-COOP SERVICE PROGRAMS</b>	<b>2,193,216</b>		<b>480,742</b>

FY16:

(Dollars in Thousands)	FY 2016 Available		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL BUSINESS-COOPERATIVE SERVICE</b>			
<b>RURAL BUSINESS PROGRAMS:</b>			
Guaranteed Business and Industry Loans - 3% and 2% fee loans	1,519,518	3.88	58,957
Guaranteed Business and Industry Loans - 3% and 1% fee loans			
Guaranteed Business and Industry Loans - 1% fee loans			
Guaranteed Business and Industry Loans for Infrastructure			
Guaranteed Business and Industry Loans - 2008 Disasters	9,050	3.88	351
NADBank Guaranteed Business and Industry Loans			38
Rural Business Development Grants	22,863		22,863
Rural Business Development Grants Technical Assist. Transportation	500		500
Rural Business Development Grants Native American Tribes	4,311		4,311
Rural Business Development Grants Native Amer. Tribes Transportati	250		250
Rural Business Enterprise Grants - 2008 Disasters	226		226
Rural Business Enterprise Grants Mississippi Delta	299		299
Rural Business Opportunity Grants Mississippi Delta	52		52
Grant to Delta Regional Authority	3,000		3,000
Grant to Appalachian Regional Commission			
Rural Child Poverty			
Special Earmark GP 764 - 2006; GP 738 - 2010	1		1
Rural Business Programs - Offsetting Collections			
Total Rural Business Programs	1,560,071		90,849

<b>Healthy Foods, Healthy Neighborhoods Initiative</b>	0		0
<b>RURAL DEVELOPMENT LOAN FUND:</b>			
Intermediary Relending Program	13,269	27.62	3,665
Intermediary Relending Program Rural Economic Area Partnership	0	27.62	0
Intermediary Relending Program Native American Tribes	1,923	27.62	531
Intermediary Relending Program Mississippi Delta Region Countries	3,697	27.62	1,021
<b>Total Rural Development Loan Fund</b>	<b>18,888</b>		<b>5,217</b>
Rural Economic Development Loans	37,389	13.39	5,006
Rural Economic Development Grants	11,184		-179,000
	48,573		
<b>RURAL MICROENTERPRISE ASSISTANCE PROGRAM:</b>			
Microenterprise Loans	0	11.33	0
Microenterprise Grants			
Microenterprise Loans	11,465	11.33	1,299
Microenterprise Grants	3,668		3,668
<b>Total Rural Microentrepreneur Assistance Program</b>	<b>15,133</b>		<b>4,967</b>
<b>BIOREFINERY ASSISTANCE PROGRAM:</b>			
Guaranteed Biorefinery Loans	746,880	22.42	167,450
Guaranteed Biorefinery Loans - Fixed Rate		22.42	
Guaranteed Biorefinery Loans - Variable Rate			
Guaranteed Biorefinery Loans - Modifications			
<b>Total Biorefinery Assistance Program</b>	<b>746,880</b>		<b>167,450</b>
<b>ENERGY ASSISTANCE PAYMENTS:</b>			
Repowering Assistance Payments	63		63
Bioenergy Program for Advanced Biofuels Payments	23,215		23,215
<b>Total Energy Assistance Payments</b>	<b>23,278</b>		<b>23,278</b>
<b>RENEWABLE ENERGY PROGRAM / RURAL ENERGY FOR AMERICA PROGRAM:</b>			
Guaranteed Rural Energy for America (former Renewable En) Loans	7,576	6.60	500
Rural Energy for America (former Renewable Energy) Grants	0		0
Guaranteed Rural Energy for America (former Renewable En) Loans	228,129	6.60	15,057
Renewable Energy Grants	30,219		30,219
Renewable Energy Feasibility Studies	255		255
Renewable Energy Audits and Technical Assistance	2,107		2,107
Renewable Energy Grants - Under \$20,000	9,651		9,651
<b>Total Renewable Energy Program / Rural Energy for America Progra</b>	<b>277,937</b>		<b>57,788</b>
<b>RURAL COOPERATIVE DEVELOPMENT GRANTS:</b>			
Rural Cooperative Development Grants	5,800		5,800
Appropriate Technology Transfer	2,500		2,500
Grants to Assist Minority Producers	3,000		3,000
Value-Added Agricultural Product Market Dev. Grants	10,975		10,975
Agricultural Marketing Resource Center Grants	1,083		1,083
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranche	1,181		1,181
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	1,075		1,075
Value-Added Agricultural Product Market Dev. Grants	39,629		39,629
Agricultural Marketing Resource Center	2,334		2,334
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranche	0		0
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	3		3
Agriculture Innovation Center Demonstration Program Grants	16		16
Special Earmarks P.L. 111-8, GP 732; P.L. 111-80, GP 728	0		0
RCDG - Offsetting collections			
<b>Total Rural Cooperative Development Grants</b>	<b>67,596</b>		<b>67,596</b>
Rural Empowerment Zones-Special Earmark Grants	44		44
<b>TOTAL BUSINESS-COOP SERVICE PROGRAMS</b>	<b>2,709,827</b>		<b>417,190</b>

FY17:

	FY 2017 Available		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL BUSINESS-COOPERATIVE SERVICE</b>			
<b>RURAL BUSINESS PROGRAMS:</b>			
Guaranteed Business and Industry Loans - 3% and 2% fee loans	229,774	4.01	9,214
Guaranteed Business and Industry Loans - 3% and 1% fee loans	1,271,153	3.80	48,304
Guaranteed Business and Industry Loans - 1% fee loans			0
Guaranteed Business and Industry Loans for Infrastructure			0
Guaranteed Business and Industry Loans - 2008 Disasters	1,042	4.01	42
NADBank Guaranteed Business and Industry Loans			1
Rural Business Development Grants	23,123		23,123
Rural Business Development Grants Technical Assist. Transportation	500		500
Rural Business Development Grants Native American Tribes	3,861		3,861
Rural Business Development Grants Native Amer. Tribes Transportation	250		250
Rural Business Enterprise Grants - 2008 Disasters	226		226
Rural Business Enterprise Grants Mississippi Delta	0		0
Rural Business Opportunity Grants Mississippi Delta	0		0
Grant to Delta Regional Authority	3,000		3,000
Grant to Appalachian Regional Commission	3,000		3,000
Rural Child Poverty			0
Special Earmark GP 764 - 2006; GP 738 - 2010	0		0
Rural Business Programs - Offsetting Collections			0
<b>Total Rural Business Programs</b>	<b>1,535,929</b>		<b>91,520</b>
<b>Healthy Foods, Healthy Neighborhoods Initiative</b>	<b>1,000</b>		<b>1,000</b>
<b>RURAL DEVELOPMENT LOAN FUND:</b>			
Intermediary Relending Program	13,020	28.99	3,775
Intermediary Relending Program Rural Economic Area Partnership	250	28.99	72
Intermediary Relending Program Native American Tribes	1,921	28.99	557
Intermediary Relending Program Mississippi Delta Region Countries	3,698	28.99	1,072
<b>Total Rural Development Loan Fund</b>	<b>18,889</b>		<b>5,476</b>
Rural Economic Development Loans	44,532	14.23	6,337
Rural Economic Development Grants	9,310		-132,000
	53,842		
<b>RURAL MICROENTERPRISE ASSISTANCE PROGRAM:</b>			
Microenterprise Loans	0	12.40	0
Microenterprise Grants			
Microenterprise Loans	6,474	12.40	803
Microenterprise Grants	2,557		2,557
<b>Total Rural Microentrepreneur Assistance Program</b>	<b>9,031</b>		<b>3,360</b>
<b>BIOREFINERY ASSISTANCE PROGRAM:</b>			
Guaranteed Biorefinery Loans		20.81	0
Guaranteed Biorefinery Loans - Fixed Rate	826,092	20.81	171,910
Guaranteed Biorefinery Loans - Variable Rate	11,000	20.37	2,241
Guaranteed Biorefinery Loans - Modifications			0
<b>Total Biorefinery Assistance Program</b>	<b>826,092</b>		<b>171,910</b>
<b>ENERGY ASSISTANCE PAYMENTS:</b>			
Repowering Assistance Payments	2,018		2,018
Bioenergy Program for Advanced Biofuels Payments	23,083		23,083
<b>Total Energy Assistance Payments</b>	<b>25,101</b>		<b>25,101</b>
<b>RENEWABLE ENERGY PROGRAM / RURAL ENERGY FOR AMERICA PROGRAM:</b>			
Guaranteed Rural Energy for America (former Renewable En) Loans	7,586	4.64	352
Rural Energy for America (former Renewable Energy) Grants	0		0
Guaranteed Rural Energy for America (former Renewable En) Loans	398,590	4.64	18,495
Renewable Energy Grants	27,303		27,303
Renewable Energy Feasibility Studies	223		223
Renewable Energy Audits and Technical Assistance	240		240
Renewable Energy Grants - Under \$20,000	9,754		9,754
<b>Total Renewable Energy Program / Rural Energy for America Program</b>	<b>443,696</b>		<b>56,367</b>

<b>RURAL COOPERATIVE DEVELOPMENT GRANTS:</b>		
Rural Cooperative Development Grants	5,800	5,800
Appropriate Technology Transfer	2,750	2,750
Grants to Assist Minority Producers	3,000	3,000
Value-Added Agricultural Product Market Dev. Grants	11,963	11,963
Agricultural Marketing Resource Center Grants	1,833	1,833
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranchers	1,500	1,500
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	1,500	1,500
Value-Added Agricultural Product Market Dev. Grants	8,208	8,208
Agricultural Marketing Resource Center	2,334	2,334
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranchers	0	0
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	0	0
Agriculture Innovation Center Demonstration Program Grants	0	0
Special Earmarks P.L. 111-8, GP 732; P.L. 111-80, GP 728	0	0
RCDG - Offsetting collections	0	0
<b>Total Rural Cooperative Development Grants</b>	<b>38,888</b>	<b>38,888</b>
Rural Empowerment Zones-Special Earmark Grants	44	44
<b>TOTAL BUSINESS-COOP SERVICE PROGRAMS</b>	<b>2,898,670</b>	<b>393,666</b>

h. The total discretionary and mandatory funding amounts obligated by each program; and

FY13:

	FY 2013 Actual Obligations		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL BUSINESS-COOPERATIVE SERVICE</b>			
<b>RURAL BUSINESS PROGRAMS:</b>			
Guaranteed Business and Industry Loans - 3% and 2% fee loans	914,114 a,b	5.88	53,750
Guaranteed Business and Industry Loans - 2% and 1% fee loans			
Guaranteed Business and Industry Loans - 2008 Disasters	25,226	5.88	1,483
NADBank Guaranteed Business and Industry Loans	c		99
Rural Business Enterprise Grants	18,868 a		18,868
Rural Business Enterprise Grants - 2008 Disasters			
Rural Business Enterprise Grants Technical Assist. Transportation	929 a		929
Rural Business Enterprise Grants Mississippi Delta	a		
Rural Business Enterprise Grants Native American Tribes	2,849 a		2,849
Rural Business Enterprise Grants Native Amer. Tribes Transportation	232 a		232
Rural Business Opportunity Grants	1,710 a		1,710
Rural Business Opportunity Grants Native American Tribes	1,169 a		1,169
Rural Business Opportunity Grants Mississippi Delta	a		
Grant to Delta Regional Authority	2,787		2,787
Special Earmark GP 764 - 2006; GP 738 - 2010			
<b>Total Rural Business Programs</b>	<b>967,884</b>		<b>83,877</b>
<b>RURAL BUSINESS AND COOPERATIVE GRANTS:</b>			
Rural Business and Cooperative Grants			
<b>RURAL DEVELOPMENT LOAN FUND:</b>			
Intermediary Relending Program	15,420	32.04	4,941
Intermediary Relending Program Rural Economic Area Partnership		32.04	
Intermediary Relending Program Native American Tribes	1,000	32.04	320
Intermediary Relending Program Mississippi Delta Region Countries	1,000	32.04	320
<b>Total Rural Development Loan Fund</b>	<b>17,420</b>		<b>5,581</b>
Rural Economic Development Loans	49,307 f	12.39	6,109
Rural Economic Development Grants	9,980 f		9,980
	59,287		16,089
<b>RURAL BUSINESS INVESTMENT PROGRAM:</b>			
Guaranteed Rural Business Investment Loans			
Rural Business Investment Grants			
Administrative Expenses			

Total Rural Business Investment Program	0		0
<b>RURAL MICROENTERPRISE ASSISTANCE PROGRAM:</b>			
Microenterprise Loans	1,200	14.95	1,200
Microenterprise Grants			
Microenterprise Loans		14.95	
Microenterprise Grants			
Total Rural Microentrepreneur Assistance Program	1,200		1,200
<b>BIOREFINERY ASSISTANCE PROGRAM:</b>			
Guaranteed Biorefinery Loans		42.00	
Guaranteed Biorefinery Loans		42.00	
Total Biorefinery Assistance Program	0		0
<b>ENERGY ASSISTANCE PAYMENTS:</b>			
Repowering Assistance Payments	47,601		47,601
Bioenergy Program for Advanced Biofuels Payments			
Total Energy Assistance Payments	47,601		47,601
<b>RENEWABLE ENERGY PROGRAM / RURAL ENERGY FOR AMERICA PROGRAM:</b>			
Guaranteed Rural Energy for America (former Renewable En) Loans	13,065 q	24.01	3,137
Rural Energy for America (former Renewable Energy) Grants			
Renewable Energy Grants - Under \$20,000	0.00000 m/p		
Guaranteed Rural Energy for America (former Renewable En) Loans	19,493 q	24.01	4,680
Renewable Energy Grants	39,291		39,291
Renewable Energy Feasibility Studies	299 k		299
Renewable Energy Audits and Technical Assistance	l		
Renewable Energy Grants - Under \$20,000	m		
Total Renewable Energy Program / Rural Energy for America Program	72,148		47,407
<b>RURAL COOPERATIVE DEVELOPMENT GRANTS:</b>			
Rural Cooperative Development Grants	6,482		6,482
Appropriate Technology Transfer	2,087		2,087
Cooperative Research Agreements			
Grants to Assist Minority Producers	3,205		3,205
Value-Added Agricultural Product Market Dev. Grants	16,768		16,768
Agricultural Marketing Resource Center Grants	696		696
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranchers	611		611
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	350		350
Value-Added Agricultural Product Market Dev. Grants	64		64
Agricultural Marketing Resource Center			
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranchers			
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	50		50
Agriculture Innovation Center Demonstration Program Grants			
Special Earmarks P.L. 111-8, GP 732; P.L. 111-80, GP 728			
Total Rural Cooperative Development Grants	30,323		30,323
Rural Empowerment Zones-Special Earmark Grants			
<b>TOTAL BUSINESS-COOP SERVICE PROGRAMS</b>	<b>1,136,576</b>		<b>215,990</b>

FY14:

	FY 2014 Actual		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL BUSINESS-COOPERATIVE SERVICE</b>			
<b>RURAL BUSINESS PROGRAMS:</b>			
Guaranteed Business and Industry Loans - 3% and 2% fee loans	1,084,020	6.99	75,773
Guaranteed Business and Industry Loans - 3% and 1% fee loans			
Guaranteed Business and Industry Loans - 1% fee loans			
Guaranteed Business and Industry Loans for Infrastructure		6.99	
Guaranteed Business and Industry Loans - 2008 Disasters			
NADBank Guaranteed Business and Industry Loans			114
Rural Business Development Grants			



Rural Business Development Grants Technical Assist. Transportation			
Rural Business Development Grants Native American Tribes			
Rural Business Development Grants Native Amer. Tribes Transportation			
Rural Business Enterprise Grants - 2008 Disasters			
Rural Business Enterprise Grants Mississippi Delta			
Rural Business Opportunity Grants Mississippi Delta	3,000		3,000
Grant to Delta Regional Authority			
Grant to Appalachian Regional Commission			
Rural Child Poverty			
Special Earmark GP 764 - 2006; GP 738 - 2010			
Rural Business Programs - Offsetting Collections			
<b>Total Rural Business Programs</b>	<b>1,117,444</b>		<b>109,310</b>
<b>Healthy Foods, Healthy Neighborhoods Initiative</b>			
<b>RURAL DEVELOPMENT LOAN FUND:</b>			
Intermediary Relending Program	17,889	21.61	3,866
Intermediary Relending Program Rural Economic Area Partnership	1,000	21.61	216
Intermediary Relending Program Native American Tribes		21.61	
Intermediary Relending Program Mississippi Delta Region Countries		21.61	
<b>Total Rural Development Loan Fund</b>	<b>18,889</b>		<b>4,082</b>
Rural Economic Development Loans	85,600	8.45	7,233
Rural Economic Development Grants	9,280		-175,000
	94,880		
<b>RURAL MICROENTERPRISE ASSISTANCE PROGRAM:</b>			
Microenterprise Loans		6.26	
Microenterprise Grants			
Microenterprise Loans	17,700	6.26	1,108
Microenterprise Grants	2,533		2,533
<b>Total Rural Microentrepreneur Assistance Program</b>	<b>20,233</b>		<b>3,641</b>
<b>BIOREFINERY ASSISTANCE PROGRAM:</b>			
Guaranteed Biorefinery Loans		41.43	
Guaranteed Biorefinery Loans - Fixed Rate		41.43	
Guaranteed Biorefinery Loans - Variable Rate	161,000		42,898
Guaranteed Biorefinery Loans - Modifications	0		3,499
<b>Total Biorefinery Assistance Program</b>	<b>161,000</b>		<b>46,397</b>
<b>ENERGY ASSISTANCE PAYMENTS:</b>			
Repowering Assistance Payments	0		0
Bioenergy Program for Advanced Biofuels Payments	48,297		48,297
<b>Total Energy Assistance Payments</b>	<b>48,297</b>		<b>48,297</b>
<b>RENEWABLE ENERGY PROGRAM / RURAL ENERGY FOR AMERICA PROGRAM:</b>			
Guaranteed Rural Energy for America (former Renewable En) Loans	12,760	27.43	3,500
Rural Energy for America (former Renewable Energy) Grants			
Guaranteed Rural Energy for America (former Renewable En) Loans	43,689	27.43	11,984
Renewable Energy Grants	12,374		12,374
Renewable Energy Feasibility Studies	0		0
Renewable Energy Audits and Technical Assistance	0		0
Renewable Energy Grants - Under \$20,000	0		0
<b>Total Renewable Energy Program / Rural Energy for America Progra</b>	<b>68,824</b>		<b>27,858</b>
<b>RURAL COOPERATIVE DEVELOPMENT GRANTS:</b>			
Rural Cooperative Development Grants	5,800		5,800
Appropriate Technology Transfer	2,250		2,250
Grants to Assist Minority Producers	3,000		3,000
Value-Added Agricultural Product Market Dev. Grants	16,008		16,008
Agricultural Marketing Resource Center Grants	204		204
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranchers			
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains			
Value-Added Agricultural Product Market Dev. Grants	53		53
Agricultural Marketing Resource Center			
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranchers			
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains			
Agriculture Innovation Center Demonstration Program Grants	0		
Special Earmarks P.L. 111-8, GP 732; P.L. 111-80, GP 728			

RCDG - Offsetting collections		
Total Rural Cooperative Development Grants	27,315	27,315
Rural Empowerment Zones-Special Earmark Grants		
<b>TOTAL BUSINESS-COOP SERVICE PROGRAMS</b>	<b>1,462,001</b>	<b>266,900</b>

FY15:

(Dollars in Thousands)	FY 2015 Actual Obligations		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL BUSINESS-COOPERATIVE SERVICE</b>			
<b>RURAL BUSINESS PROGRAMS:</b>			
Guaranteed Business and Industry Loans - 3% and 2% fee loans	1,044,113	5.11	53,354
Guaranteed Business and Industry Loans - 3% and 1% fee loans			
Guaranteed Business and Industry Loans - 1% fee loans			
Guaranteed Business and Industry Loans for Infrastructure			
Guaranteed Business and Industry Loans - 2008 Disasters	0	5.11	
NADBank Guaranteed Business and Industry Loans			100
Rural Business Development Grants	22,264		22,264
Rural Business Development Grants Technical Assist. Transportation	502		502
Rural Business Development Grants Native American Tribes	4,818		4,818
Rural Business Development Grants Native Amer. Tribes Transportation	250		250
Rural Business Enterprise Grants - 2008 Disasters	0		
Rural Business Enterprise Grants Mississippi Delta	0		
Rural Business Opportunity Grants Mississippi Delta	0		
Grant to Delta Regional Authority	3,000		3,000
Grant to Appalachian Regional Commission			
Rural Child Poverty			
Special Earmark GP 764 - 2006; GP 738 - 2010	0		
Rural Business Programs - Offsetting Collections			
<b>Total Rural Business Programs</b>	<b>1,074,947</b>		<b>84,289</b>
<b>Healthy Foods, Healthy Neighborhoods Initiative</b>			
<b>RURAL DEVELOPMENT LOAN FUND:</b>			
Intermediary Relending Program	16,890	30.80	5,202
Intermediary Relending Program Rural Economic Area Partnership	1,000	30.80	308
Intermediary Relending Program Native American Tribes	0	30.80	
Intermediary Relending Program Mississippi Delta Region Countries	1,000	30.80	308
<b>Total Rural Development Loan Fund</b>	<b>18,890</b>		<b>5,818</b>
Rural Economic Development Loans	38,648	12.77	4,935
Rural Economic Development Grants	9,213		9,213
	47,861		
<b>RURAL MICROENTERPRISE ASSISTANCE PROGRAM:</b>			
Microenterprise Loans		12.81	
Microenterprise Grants			
Microenterprise Loans	1,550	12.81	199
Microenterprise Grants	3,475		3,475
<b>Total Rural Microentrepreneur Assistance Program</b>	<b>5,025</b>		<b>3,673</b>
<b>BIOREFINERY ASSISTANCE PROGRAM:</b>			
Guaranteed Biorefinery Loans		40.32	
Guaranteed Biorefinery Loans - Fixed Rate	0	40.32	
Guaranteed Biorefinery Loans - Variable Rate	80,000	20.79	16,632
Guaranteed Biorefinery Loans - Modifications			1,114
<b>Total Biorefinery Assistance Program</b>	<b>80,000</b>		<b>17,746</b>
<b>ENERGY ASSISTANCE PAYMENTS:</b>			
Repowering Assistance Payments	4,437		4,437
Bioenergy Program for Advanced Biofuels Payments	14,504		14,504
<b>Total Energy Assistance Payments</b>	<b>18,941</b>		<b>18,941</b>
<b>RENEWABLE ENERGY PROGRAM / RURAL ENERGY FOR AMERICA PROGRAM:</b>			

Guaranteed Rural Energy for America (former Renewable En) Loans	12,644	10.58	1,338
Rural Energy for America (former Renewable Energy) Grants			
Guaranteed Rural Energy for America (former Renewable En) Loans	148,622	10.58	15,724
Renewable Energy Grants	70,778		70,778
Renewable Energy Feasibility Studies	0		
Renewable Energy Audits and Technical Assistance	2,000		2,000
Renewable Energy Grants - Under \$20,000	10,201		10,201
<b>Total Renewable Energy Program / Rural Energy for America Progra</b>	<b>244,244</b>		<b>100,041</b>

<b>RURAL COOPERATIVE DEVELOPMENT GRANTS:</b>			
Rural Cooperative Development Grants	5,800		5,800
Appropriate Technology Transfer	2,500		2,500
Grants to Assist Minority Producers	3,000		3,000
Value-Added Agricultural Product Market Dev. Grants	22,442		22,442
Agricultural Marketing Resource Center Grants	1,623		1,623
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranche	0		
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	0		
Value-Added Agricultural Product Market Dev. Grants	21,533		21,533
Agricultural Marketing Resource Center	1,050		1,050
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranche	0		
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	0		
Agriculture Innovation Center Demonstration Program Grants	0		
Special Earmarks P.L. 111-8, GP 732; P.L. 111-80, GP 728	0		
<b>RCDBG - Offsetting collections</b>			
<b>Total Rural Cooperative Development Grants</b>	<b>57,948</b>		<b>57,948</b>
Rural Empowerment Zones-Special Earmark Grants	0		
<b>TOTAL BUSINESS-COOP SERVICE PROGRAMS</b>	<b>1,547,856</b>		<b>302,605</b>

FY16:

	FY 2016 Actual Obligations		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL BUSINESS-COOPERATIVE SERVICE</b>			
<b>RURAL BUSINESS PROGRAMS:</b>			
Guaranteed Business and Industry Loans - 3% and 2% fee loans	1,285,120.96815	3.88	48,739.01256
Guaranteed Business and Industry Loans - 3% and 1% fee loans			
Guaranteed Business and Industry Loans - 1% fee loans			
Guaranteed Business and Industry Loans for Infrastructure			
Guaranteed Business and Industry Loans - 2008 Disasters	7,973.60300	3.88	309.37580
NADBank Guaranteed Business and Industry Loans	36.75009		36.75009
Rural Business Development Grants	22,863.02000		22,863.02000
Rural Business Development Grants Technical Assist. Transportation	500.00000		500.00000
Rural Business Development Grants Native American Tribes	4,311.39700		4,311.39700
Rural Business Development Grants Native Amer. Tribes Transportation	250.00000		250.00000
Rural Business Enterprise Grants - 2008 Disasters			
Rural Business Enterprise Grants Mississippi Delta			
Rural Business Opportunity Grants Mississippi Delta			
Grant to Delta Regional Authority	3,000.00000		3,000.00000
Grant to Appalachian Regional Commission			
Rural Child Poverty			
Special Earmark GP 764 - 2006; GP 738 - 2010			
Rural Business Programs - Offsetting Collections			
<b>Total Rural Business Programs</b>	<b>1,324,055.73824</b>		<b>80,009.55545</b>
<b>Healthy Foods, Healthy Neighborhoods Initiative</b>	<b>0.00000</b>		<b>0.00000</b>
<b>RURAL DEVELOPMENT LOAN FUND:</b>			
Intermediary Relending Program	17,888.48600	27.62	4,940.79982
Intermediary Relending Program Rural Economic Area Partnership	0.00000	27.62	
Intermediary Relending Program Native American Tribes	0.00000	27.62	
Intermediary Relending Program Mississippi Delta Region Countries	1,000.00000	27.62	276.20000
<b>Total Rural Development Loan Fund</b>	<b>18,888.48600</b>		<b>5,216.99982</b>



NADBank Guaranteed Business and Industry Loans			1
Rural Business Development Grants	23,123		23,123
Rural Business Development Grants Technical Assist. Transportation	500		500
Rural Business Development Grants Native American Tribes	3,861		3,861
Rural Business Development Grants Native Amer. Tribes Transportation	250		250
Rural Business Enterprise Grants - 2008 Disasters	226		226
Rural Business Enterprise Grants Mississippi Delta	0		0
Rural Business Opportunity Grants Mississippi Delta	0		0
Grant to Delta Regional Authority	3,000		3,000
Grant to Appalachian Regional Commission	3,000		3,000
Rural Child Poverty			0
Special Earmark GP 764 - 2006; GP 738 - 2010	0		0
Rural Business Programs - Offsetting Collections			0
<b>Total Rural Business Programs</b>	<b>1,535,929</b>		<b>91,520</b>
<b>Healthy Foods, Healthy Neighborhoods Initiative</b>	<b>1,000</b>		<b>1,000</b>
<b>RURAL DEVELOPMENT LOAN FUND:</b>			
Intermediary Relending Program	13,020	28.99	3,775
Intermediary Relending Program Rural Economic Area Partnership	250	28.99	72
Intermediary Relending Program Native American Tribes	1,921	28.99	557
Intermediary Relending Program Mississippi Delta Region Countries	3,698	28.99	1,072
<b>Total Rural Development Loan Fund</b>	<b>18,889</b>		<b>5,476</b>
Rural Economic Development Loans	44,532	14.23	6,337
Rural Economic Development Grants	9,310		-132,000
	<b>53,842</b>		
<b>RURAL MICROENTERPRISE ASSISTANCE PROGRAM:</b>			
Microenterprise Loans	0	12.40	0
Microenterprise Grants			
Microenterprise Loans	6,474	12.40	803
Microenterprise Grants	2,557		2,557
<b>Total Rural Microentrepreneur Assistance Program</b>	<b>9,031</b>		<b>3,360</b>
<b>BIOREFINERY ASSISTANCE PROGRAM:</b>			
Guaranteed Biorefinery Loans		20.81	0
Guaranteed Biorefinery Loans - Fixed Rate	826,092	20.81	171,910
Guaranteed Biorefinery Loans - Variable Rate	11,000	20.37	2,241
Guaranteed Biorefinery Loans - Modifications			0
<b>Total Biorefinery Assistance Program</b>	<b>826,092</b>		<b>171,910</b>
<b>ENERGY ASSISTANCE PAYMENTS:</b>			
Repowering Assistance Payments	2,018		2,018
Bioenergy Program for Advanced Biofuels Payments	23,083		23,083
<b>Total Energy Assistance Payments</b>	<b>25,101</b>		<b>25,101</b>
<b>RENEWABLE ENERGY PROGRAM / RURAL ENERGY FOR AMERICA PROGRAM:</b>			
Guaranteed Rural Energy for America (former Renewable En) Loans	7,586	4.64	352
Rural Energy for America (former Renewable Energy) Grants	0		0
Guaranteed Rural Energy for America (former Renewable En) Loans	398,590	4.64	18,495
Renewable Energy Grants	27,303		27,303
Renewable Energy Feasibility Studies	223		223
Renewable Energy Audits and Technical Assistance	240		240
Renewable Energy Grants - Under \$20,000	9,754		9,754
<b>Total Renewable Energy Program / Rural Energy for America Program</b>	<b>443,696</b>		<b>56,367</b>
<b>RURAL COOPERATIVE DEVELOPMENT GRANTS:</b>			
Rural Cooperative Development Grants	5,800		5,800
Appropriate Technology Transfer	2,750		2,750
Grants to Assist Minority Producers	3,000		3,000
Value-Added Agricultural Product Market Dev. Grants	11,963		11,963
Agricultural Marketing Resource Center Grants	1,833		1,833
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranchers	1,500		1,500
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	1,500		1,500
Value-Added Agricultural Product Market Dev. Grants	8,208		8,208
Agricultural Marketing Resource Center	2,334		2,334
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranchers	0		0
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	0		0
Agriculture Innovation Center Demonstration Program Grants	0		0

Special Earmarks P.L. 111-8, GP 732; P.L. 111-80, GP 728	0	0
RCDG - Offsetting collections	0	0
<b>Total Rural Cooperative Development Grants</b>	<b>38,888</b>	<b>38,888</b>
Rural Empowerment Zones-Special Earmark Grants	44	44
<b>TOTAL BUSINESS-COOP SERVICE PROGRAMS</b>	<b>2,898,670</b>	<b>393,666</b>

i. The amounts of any funds left unobligated at the end of each fiscal year.  
 FY13:

(Dollars in Thousands)	FY 2014 Anticipated Carryover		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL BUSINESS-COOPERATIVE SERVICE</b>			
<b>RURAL BUSINESS PROGRAMS:</b>			
Guaranteed Business and Industry Loans - 3% and 2% fee loans	133,890	6.99	9,359
Guaranteed Business and Industry Loans - 2% and 1% fee loans			
Guaranteed Business and Industry Loans - 2008 Disasters	22,223	6.99	1,553
NADBank Guaranteed Business and Industry Loans	0	16.06	
Rural Business Enterprise Grants	1,789		1,789
Rural Business Enterprise Grants - 2008 Disasters	4		4
Rural Business Enterprise Grants Technical Assist. Transportation	2		2
Rural Business Enterprise Grants Mississippi Delta	299		299
Rural Business Enterprise Grants Native American Tribes	543		543
Rural Business Enterprise Grants Native Amer. Tribes Transportation	0		0
Rural Business Opportunity Grants	108		108
Rural Business Opportunity Grants Native American Tribes	98		98
Rural Business Opportunity Grants Mississippi Delta	32		32
Grant to Delta Regional Authority	0		0
Special Earmark GP 764 - 2008; GP 738 - 2010	1		1
<b>Total Rural Business Programs</b>	<b>158,989</b>		<b>13,789</b>
<b>RURAL BUSINESS AND COOPERATIVE GRANTS:</b>			
Rural Business and Cooperative Grants			
<b>RURAL DEVELOPMENT LOAN FUND:</b>			
Intermediary Relending Program		21.61	
Intermediary Relending Program Rural Economic Area Partnership		21.61	
Intermediary Relending Program Native American Tribes		21.61	
Intermediary Relending Program Mississippi Delta Region Countries		21.61	
<b>Total Rural Development Loan Fund</b>	<b>0</b>		<b>0</b>
Rural Economic Development Loans	39,765	8.45	3,360
Rural Economic Development Grants	3,050		3,050
	<b>42,816</b>		
<b>RURAL BUSINESS INVESTMENT PROGRAM:</b>			
Guaranteed Rural Business Investment Loans	0		0
Rural Business Investment Grants	0		0
Administrative Expenses	0		0
<b>Total Rural Business Investment Program</b>	<b>0</b>		<b>0</b>
<b>RURAL MICROENTERPRISE ASSISTANCE PROGRAM:</b>			
Microenterprise Loans		6.26	
Microenterprise Grants			
Microenterprise Loans	0	6.26	0
Microenterprise Grants	0		0
<b>Total Rural Microentrepreneur Assistance Program</b>	<b>0</b>		<b>0</b>
<b>BIOREFINERY ASSISTANCE PROGRAM:</b>			
Guaranteed Biorefinery Loans	0	36.33	0
Guaranteed Biorefinery Loans		36.33	
<b>Total Biorefinery Assistance Program</b>	<b>0</b>		<b>0</b>
<b>ENERGY ASSISTANCE PAYMENTS:</b>			
Repowering Assistance Payments	23,045		23,045

Bioenergy Program for Advanced Biofuels Payments	74,390		74,390
Total Energy Assistance Payments	97,435		97,435
<b>RENEWABLE ENERGY PROGRAM / RURAL ENERGY FOR AMERICA PROGRAM:</b>			
Guaranteed Rural Energy for America (former Renewable En) Loans		27.43	
Rural Energy for America (former Renewable Energy) Grants			
Renewable Energy Grants - Under \$20,000			
Guaranteed Rural Energy for America (former Renewable En) Loans	75,082	27.43	20,595
Renewable Energy Grants	7,208		7,208
Renewable Energy Feasibility Studies	1,030		1,030
Renewable Energy Audits and Technical Assistance	4,119		4,119
Renewable Energy Grants - Under \$20,000	8,238		8,238
Total Renewable Energy Program / Rural Energy for America Program	95,677		41,190
<b>RURAL COOPERATIVE DEVELOPMENT GRANTS:</b>			
Rural Cooperative Development Grants	0		0
Appropriate Technology Transfer	0		0
Cooperative Research Agreements	0		0
Grants to Assist Minority Producers	0		0
Value-Added Agricultural Product Market Dev. Grants	12,432		12,432
Agricultural Marketing Resource Center Grants	1,000		1,000
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Rancher	1,390		1,390
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	2,436		2,436
Value-Added Agricultural Product Market Dev. Grants	152		152
Agricultural Marketing Resource Center	233		233
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Rancher	14		14
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	61		61
Agriculture Innovation Center Demonstration Program Grants	16		16
Special Earmarks P.L. 111-8, GP 732; P.L. 111-80, GP 728	0		0
Total Rural Cooperative Development Grants	17,735		17,735
Rural Empowerment Zones-Special Earmark Grants	33		33
<b>TOTAL BUSINESS-COOP SERVICE PROGRAMS</b>	<b>369,869</b>		<b>170,182</b>

FY14:

(Dollars in Thousands)	FY 2014 Estimated Carryover		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL BUSINESS-COOPERATIVE SERVICE</b>			
<b>RURAL BUSINESS PROGRAMS:</b>			
Guaranteed Business and Industry Loans - 3% and 2% fee loans	208,386	6.99	14,566
Guaranteed Business and Industry Loans - 3% and 1% fee loans			
Guaranteed Business and Industry Loans - 1% fee loans			
Guaranteed Business and Industry Loans for Infrastructure			
Guaranteed Business and Industry Loans - 2008 Disasters	1,059	6.99	74
NADBank Guaranteed Business and Industry Loans	0		252
Rural Business Development Grants			
Rural Business Development Grants Technical Assist. Transportation			
Rural Business Development Grants Native American Tribes			
Rural Business Development Grants Native Amer. Tribes Transportation			
Rural Business Enterprise Grants - 2008 Disasters	150		150
Rural Business Enterprise Grants Mississippi Delta	299		299
Rural Business Opportunity Grants Mississippi Delta	32		32
Grant to Delta Regional Authority	0		0
Grant to Appalachian Regional Commission			
Rural Child Poverty			
Special Earmark GP 764 - 2006; GP 738 - 2010	1		1
Rural Business Programs - Offsetting Collections			
Total Rural Business Programs	214,613		20,060
<b>Healthy Foods, Healthy Neighborhoods Initiative</b>			
<b>RURAL DEVELOPMENT LOAN FUND:</b>			
Intermediary Relending Program		21.61	

Intermediary Relending Program Rural Economic Area Partnership		21.61	
Intermediary Relending Program Native American Tribes		21.61	
Intermediary Relending Program Mississippi Delta Region Countries		21.61	
<b>Total Rural Development Loan Fund</b>			
Rural Economic Development Loans	57,885	8.45	4,891
Rural Economic Development Grants	1,064		1,064
	58,949		
<b>RURAL MICROENTERPRISE ASSISTANCE PROGRAM:</b>			
Microenterprise Loans		6.26	
Microenterprise Grants			
Microenterprise Loans	28,030.35143	6.26	1,755
Microenterprise Grants	468		468
<b>Total Rural Microentrepreneur Assistance Program</b>	<b>28,498.48630</b>		<b>2,222.83487</b>
<b>BIOREFINERY ASSISTANCE PROGRAM:</b>			
Guaranteed Biorefinery Loans	171,803	41.43	71,178
Guaranteed Biorefinery Loans - Fixed Rate		41.43	
Guaranteed Biorefinery Loans - Variable Rate			
Guaranteed Biorefinery Loans - Modifications			
<b>Total Biorefinery Assistance Program</b>	<b>171,803</b>		<b>71,178</b>
<b>ENERGY ASSISTANCE PAYMENTS:</b>			
Repowering Assistance Payments	51,131		51,131
Bioenergy Program for Advanced Biofuels Payments			
<b>Total Energy Assistance Payments</b>	<b>51,131</b>		<b>51,131</b>
<b>RENEWABLE ENERGY PROGRAM / RURAL ENERGY FOR AMERICA PROGRAM:</b>			
Guaranteed Rural Energy for America (former Renewable En) Loans		27.43	
Rural Energy for America (former Renewable Energy) Grants			
Guaranteed Rural Energy for America (former Renewable En) Loans	68,078	27.43	18,674
Renewable Energy Grants	3,789		3,789
Renewable Energy Feasibility Studies	1,106		1,106
Renewable Energy Audits and Technical Assistance	400		400
Renewable Energy Grants - Under \$20,000	793		793
<b>Total Renewable Energy Program / Rural Energy for America Progra</b>	<b>74,166</b>		<b>24,762</b>

<b>RURAL COOPERATIVE DEVELOPMENT GRANTS:</b>			
Rural Cooperative Development Grants			
Appropriate Technology Transfer			
Grants to Assist Minority Producers			
Value-Added Agricultural Product Market Dev. Grants	11,929		11,929
Agricultural Marketing Resource Center Grants	1,077		1,077
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranchers			
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains			
Value-Added Agricultural Product Market Dev. Grants	524		524
Agricultural Marketing Resource Center	233		233
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranche	4		4
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	72		72
Agriculture Innovation Center Demonstration Program Grants	16		16
Special Earmarks P.L. 111-8, GP 732; P.L. 111-80, GP 728	0		0
RCDG - Offsetting collections			
<b>Total Rural Cooperative Development Grants</b>	<b>13,857</b>		<b>13,857</b>
Rural Empowerment Zones-Special Earmark Grants	33		33
<b>TOTAL BUSINESS-COOP SERVICE PROGRAMS</b>	<b>554,101</b>		<b>183,244</b>

FY15:

(Dollars in Thousands)

**RURAL BUSINESS-COOPERATIVE SERVICE  
RURAL BUSINESS PROGRAMS:**

FY 2015 Estimated Carryover		
Program Level	Subsidy Rate	Budget Authority



Guaranteed Business and Industry Loans - 3% and 2% fee loans	310,572	5.11	15,870
Guaranteed Business and Industry Loans - 3% and 1% fee loans			
Guaranteed Business and Industry Loans - 1% fee loans			
Guaranteed Business and Industry Loans for Infrastructure			
Guaranteed Business and Industry Loans - 2008 Disasters	1,694	5.11	87
NADBank Guaranteed Business and Industry Loans			138
Rural Business Development Grants			
Rural Business Development Grants Technical Assist. Transportation			
Rural Business Development Grants Native American Tribes			
Rural Business Development Grants Native Amer. Tribes Transportation			
Rural Business Enterprise Grants - 2008 Disasters	162		162
Rural Business Enterprise Grants Mississippi Delta	299		299
Rural Business Opportunity Grants Mississippi Delta	52		52
Grant to Delta Regional Authority	0		0
Grant to Appalachian Regional Commission			
Rural Child Poverty			
Special Earmark GP 764 - 2006; GP 738 - 2010	1		1
Rural Business Programs - Offsetting Collections			
<b>Total Rural Business Programs</b>	<b>316,615</b>		<b>20,445</b>
<b>Healthy Foods, Healthy Neighborhoods Initiative</b>			
<b>RURAL DEVELOPMENT LOAN FUND:</b>			
Intermediary Relending Program	0	30.80	
Intermediary Relending Program Rural Economic Area Partnership	0	30.80	
Intermediary Relending Program Native American Tribes	0	30.80	
Intermediary Relending Program Mississippi Delta Region Countries	0	30.80	
<b>Total Rural Development Loan Fund</b>	<b>0</b>		<b>0</b>
Rural Economic Development Loans	7,986	12.77	1,020
Rural Economic Development Grants	644		644
	<b>8,630</b>		
<b>RURAL MICROENTERPRISE ASSISTANCE PROGRAM:</b>			
Microenterprise Loans		12.81	
Microenterprise Grants			
Microenterprise Loans	8,763	12.81	1,123
Microenterprise Grants	1,389		1,389
<b>Total Rural Microentrepreneur Assistance Program</b>	<b>10,152</b>		<b>2,512</b>
<b>BIOREFINERY ASSISTANCE PROGRAM:</b>			
Guaranteed Biorefinery Loans	277,397	40.32	111,847
Guaranteed Biorefinery Loans - Fixed Rate		40.32	
Guaranteed Biorefinery Loans - Variable Rate			
Guaranteed Biorefinery Loans - Modifications			
<b>Total Biorefinery Assistance Program</b>	<b>277,397</b>		<b>111,847</b>
<b>ENERGY ASSISTANCE PAYMENTS:</b>			
Repowering Assistance Payments	12,000		12,000
Bioenergy Program for Advanced Biofuels Payments	9,834		9,834
<b>Total Energy Assistance Payments</b>	<b>21,834</b>		<b>21,834</b>
<b>RENEWABLE ENERGY PROGRAM / RURAL ENERGY FOR AMERICA PROGRAM:</b>			
Guaranteed Rural Energy for America (former Renewable En) Loans	0	10.58	
Rural Energy for America (former Renewable Energy) Grants			
Guaranteed Rural Energy for America (former Renewable En) Loans	244,219	10.58	25,838
Renewable Energy Grants	29,851		29,851
Renewable Energy Feasibility Studies	535		535
Renewable Energy Audits and Technical Assistance	709		709
Renewable Energy Grants - Under \$20,000	489		489
<b>Total Renewable Energy Program / Rural Energy for America Progra</b>	<b>275,802</b>		<b>57,422</b>
<b>RURAL COOPERATIVE DEVELOPMENT GRANTS:</b>			
Rural Cooperative Development Grants			
Appropriate Technology Transfer			
Grants to Assist Minority Producers			
Value-Added Agricultural Product Market Dev. Grants	11,354		11,354
Agricultural Marketing Resource Center Grants	1,623		1,623
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranche	846		846

Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	33		33
Value-Added Agricultural Product Market Dev. Grants	60,973		60,973
Agricultural Marketing Resource Center	3,383		3,383
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranches	168		168
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains			
Agriculture Innovation Center Demonstration Program Grants	16		16
Special Earmarks P.L. 111-8, GP 732; P.L. 111-80, GP 728	0		0
RCDG - Offsetting collections			
<b>Total Rural Cooperative Development Grants</b>	<b>78,396</b>		<b>78,396</b>
Rural Empowerment Zones-Special Earmark Grants	33		33
<b>TOTAL BUSINESS-COOP SERVICE PROGRAMS</b>	<b>980,231</b>		<b>292,488</b>

FY16:

(Dollars in Thousands)	FY 2016 Estimated Carryover		
	Program Level	Subsidy Rate	Budget Authority
<b>RURAL BUSINESS-COOPERATIVE SERVICE</b>			
<b>RURAL BUSINESS PROGRAMS:</b>			
Guaranteed Business and Industry Loans - 3% and 2% fee loans	599,750	3.88	23,270
Guaranteed Business and Industry Loans - 3% and 1% fee loans			
Guaranteed Business and Industry Loans - 1% fee loans			
Guaranteed Business and Industry Loans for Infrastructure			
Guaranteed Business and Industry Loans - 2008 Disasters	9,050	3.88	351
NADB Bank Guaranteed Business and Industry Loans			38
Rural Business Development Grants	3,363		3,363
Rural Business Development Grants Technical Assist. Transportation	0		0
Rural Business Development Grants Native American Tribes	561		561
Rural Business Development Grants Native Amer. Tribes Transportation	0		0
Rural Business Enterprise Grants - 2008 Disasters	226		226
Rural Business Enterprise Grants Mississippi Delta	299		299
Rural Business Opportunity Grants Mississippi Delta	52		52
Grant to Delta Regional Authority	0		0
Grant to Appalachian Regional Commission			
Rural Child Poverty			
Special Earmark GP 764 - 2006; GP 738 - 2010	1		1
Rural Business Programs - Offsetting Collections			
<b>Total Rural Business Programs</b>	<b>613,303</b>		<b>28,162</b>
<b>Healthy Foods, Healthy Neighborhoods Initiative</b>			
<b>RURAL DEVELOPMENT LOAN FUND:</b>			
Intermediary Relending Program		27.62	
Intermediary Relending Program Rural Economic Area Partnership		27.62	
Intermediary Relending Program Native American Tribes		27.62	
Intermediary Relending Program Mississippi Delta Region Countries		27.62	
<b>Total Rural Development Loan Fund</b>	<b>0</b>		<b>0</b>
Rural Economic Development Loans	4,258	13.39	570
Rural Economic Development Grants	357		357
	4,615		
<b>RURAL MICROENTERPRISE ASSISTANCE PROGRAM:</b>			
Microenterprise Loans		11.33	
Microenterprise Grants			
Microenterprise Loans	17,177	11.33	1,946
Microenterprise Grants	224		224
<b>Total Rural Microentrepreneur Assistance Program</b>	<b>17,402</b>		<b>2,171</b>
<b>BIOREFINERY ASSISTANCE PROGRAM:</b>			
Guaranteed Biorefinery Loans	553,526	22.42	124,100
Guaranteed Biorefinery Loans - Fixed Rate		22.42	
Guaranteed Biorefinery Loans - Variable Rate			
Guaranteed Biorefinery Loans - Modifications			
<b>Total Biorefinery Assistance Program</b>	<b>553,526</b>		<b>124,100</b>

<b>ENERGY ASSISTANCE PAYMENTS:</b>			
Repowering Assistance Payments		63	63
Bioenergy Program for Advanced Biofuels Payments	9,235		9,235
<b>Total Energy Assistance Payments</b>	<b>9,298</b>		<b>9,298</b>
<b>RENEWABLE ENERGY PROGRAM / RURAL ENERGY FOR AMERICA PROGRAM:</b>			
Guaranteed Rural Energy for America (former Renewable En) Loans	0	6.60	
Rural Energy for America (former Renewable Energy) Grants			
Guaranteed Rural Energy for America (former Renewable En) Loans	86,917	6.60	5,737
Renewable Energy Grants	4,123		4,123
Renewable Energy Feasibility Studies	255		255
Renewable Energy Audits and Technical Assistance	243		243
Renewable Energy Grants - Under \$20,000	331		331
<b>Total Renewable Energy Program / Rural Energy for America Progra</b>	<b>91,869</b>		<b>10,688</b>
<b>RURAL COOPERATIVE DEVELOPMENT GRANTS:</b>			
Rural Cooperative Development Grants			
Appropriate Technology Transfer			
Grants to Assist Minority Producers			
Value-Added Agricultural Product Market Dev. Grants	2,912		2,912
Agricultural Marketing Resource Center Grants	546		546
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranches	106		106
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	0		0
Value-Added Agricultural Product Market Dev. Grants	39,629		39,629
Agricultural Marketing Resource Center	2,334		2,334
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranches	0		0
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	3		3
Agriculture Innovation Center Demonstration Program Grants	16		16
Special Earmarks P.L. 111-8, GP 732; P.L. 111-80, GP 728	0		0
RCOG - Offsetting collections			
<b>Total Rural Cooperative Development Grants</b>	<b>45,546</b>		<b>45,546</b>
Rural Empowerment Zones-Special Earmark Grants	44		44
<b>TOTAL BUSINESS-COOP SERVICE PROGRAMS</b>	<b>1,330,988</b>		<b>220,010</b>

FY17:

	FY 2017 Available		
	Program Level	Subsidy Rate	Budget Authority
(Dollars in Thousands)			
<b>RURAL BUSINESS-COOPERATIVE SERVICE</b>			
<b>RURAL BUSINESS PROGRAMS:</b>			
Guaranteed Business and Industry Loans - 3% and 2% fee loans	229,774	4.01	9,214
Guaranteed Business and Industry Loans - 3% and 1% fee loans	1,271,153	3.80	48,304
Guaranteed Business and Industry Loans - 1% fee loans			0
Guaranteed Business and Industry Loans for Infrastructure			0
Guaranteed Business and Industry Loans - 2008 Disasters	1,042	4.01	42
NADBank Guaranteed Business and Industry Loans			1
Rural Business Development Grants	23,123		23,123
Rural Business Development Grants Technical Assist. Transportation	500		500
Rural Business Development Grants Native American Tribes	3,861		3,861
Rural Business Development Grants Native Amer. Tribes Transportation	250		250
Rural Business Enterprise Grants - 2008 Disasters	226		226
Rural Business Enterprise Grants Mississippi Delta	0		0
Rural Business Opportunity Grants Mississippi Delta	0		0
Grant to Delta Regional Authority	3,000		3,000
Grant to Appalachian Regional Commission	3,000		3,000
Rural Child Poverty			0
Special Earmark GP 764 - 2006; GP 738 - 2010	0		0
Rural Business Programs - Offsetting Collections			0
<b>Total Rural Business Programs</b>	<b>1,535,929</b>		<b>91,520</b>
<b>Healthy Foods, Healthy Neighborhoods Initiative</b>	<b>1,000</b>		<b>1,000</b>

<b>RURAL DEVELOPMENT LOAN FUND:</b>			
Intermediary Relending Program	13,020	28.99	3,775
Intermediary Relending Program Rural Economic Area Partnership	250	28.99	72
Intermediary Relending Program Native American Tribes	1,921	28.99	557
Intermediary Relending Program Mississippi Delta Region Countries	3,698	28.99	1,072
<b>Total Rural Development Loan Fund</b>	<b>18,889</b>		<b>5,476</b>
Rural Economic Development Loans	44,532	14.23	6,337
Rural Economic Development Grants	9,310		-132,000
	53,842		
<b>RURAL MICROENTERPRISE ASSISTANCE PROGRAM:</b>			
Microenterprise Loans	0	12.40	0
Microenterprise Grants	6,474	12.40	803
Microenterprise Loans	2,557		2,557
Microenterprise Grants	2,557		2,557
<b>Total Rural Microentrepreneur Assistance Program</b>	<b>9,031</b>		<b>3,360</b>
<b>BIOREFINERY ASSISTANCE PROGRAM:</b>			
Guaranteed Biorefinery Loans		20.81	0
Guaranteed Biorefinery Loans - Fixed Rate	826,092	20.81	171,910
Guaranteed Biorefinery Loans - Variable Rate	11,000	20.37	2,241
Guaranteed Biorefinery Loans - Modifications			0
<b>Total Biorefinery Assistance Program</b>	<b>826,092</b>		<b>171,910</b>
<b>ENERGY ASSISTANCE PAYMENTS:</b>			
Repowering Assistance Payments	2,018		2,018
Bioenergy Program for Advanced Biofuels Payments	23,083		23,083
<b>Total Energy Assistance Payments</b>	<b>25,101</b>		<b>25,101</b>
<b>RENEWABLE ENERGY PROGRAM / RURAL ENERGY FOR AMERICA PROGRAM:</b>			
Guaranteed Rural Energy for America (former Renewable En) Loans	7,586	4.64	352
Rural Energy for America (former Renewable Energy) Grants	0		0
Guaranteed Rural Energy for America (former Renewable En) Loans	398,590	4.64	18,495
Renewable Energy Grants	27,303		27,303
Renewable Energy Feasibility Studies	223		223
Renewable Energy Audits and Technical Assistance	240		240
Renewable Energy Grants - Under \$20,000	9,754		9,754
<b>Total Renewable Energy Program / Rural Energy for America Program</b>	<b>443,696</b>		<b>56,367</b>
<b>RURAL COOPERATIVE DEVELOPMENT GRANTS:</b>			
Rural Cooperative Development Grants	5,800		5,800
Appropriate Technology Transfer	2,750		2,750
Grants to Assist Minority Producers	3,000		3,000
Value-Added Agricultural Product Market Dev. Grants	11,963		11,963
Agricultural Marketing Resource Center Grants	1,833		1,833
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranchers	1,500		1,500
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	1,500		1,500
Value-Added Agricultural Product Market Dev. Grants	8,208		8,208
Agricultural Marketing Resource Center	2,334		2,334
Value-Added APMD Gts Begin. and Soc. Disadvan. Farmers & Ranchers	0		0
Value-Added Agric. Product Market Dev. Grants - Mid-tier Chains	0		0
Agriculture Innovation Center Demonstration Program Grants	0		0
Special Earmarks P.L. 111-8, GP 732; P.L. 111-80, GP 728	0		0
RCDG - Offsetting collections	0		0
<b>Total Rural Cooperative Development Grants</b>	<b>38,888</b>		<b>38,888</b>
Rural Empowerment Zones-Special Earmark Grants	44		44
<b>TOTAL BUSINESS-COOP SERVICE PROGRAMS</b>	<b>2,898,670</b>		<b>393,666</b>

**Senator John Thune**

- 1) What can we do in the next farm bill to ensure that are providing rural America with adequate access to rural broadband?

Response: There are three essential elements to every RUS loan decision: eligibility, feasibility and security. The more flexibility the Congress gives the agency on eligibility, the more options are available to find applicants capable and willing to serve underserved communities. When making loans, the agency is stringent in its feasibility analysis because loans must be repaid over long periods of time. The agency looks at the business case, the technology, the market demand, management, revenues, costs and the presence of other competitors when evaluating loan proposals. The ability to combine loans and grants (presuming funding were available for both) would give the agency more flexibility in finding financial feasibility in hard to serve areas. And finally, to make a loan, the agency needs adequate security to ensure that the loan is repaid. Typically, the agency takes a lien on all the assets of the borrower or shares a first lien with other borrowers. Here there is an opportunity for synergies between telecomm and electric borrowers.

The Rural Development title has been a relatively stable legislative vehicle over its long history. It has been successfully used by incumbent local exchange carriers to provide service and finance technological upgrades. Over time, however Title VI has changed from farm bill to farm bill and is now a relative complex application process.

Simplicity in eligibility, flexibility on tools to address feasibility and predictability could help the agency sustain the positive momentum it has established in broadband deployment.

**Senator Patrick Leahy**

- 1) As I mentioned at the hearing, Vermont depends on a \$1.4 billion forest-based economy every year. In addition to traditional forest products, our forests also provide us with important habitat for wildlife, clean water for rural communities, and they support forest-based recreation and tourism which are important for our rural economy. While we have healthy and abundant forests today, we are struggling with the recent loss of important markets for low-grade wood due to the closure of several pulp and biomass mills. Without a marketplace for both high-grade and low-grade products we cannot properly manage our forests. Further, with poor or non-existent forest management the risks of dangerous wildfires increases.

- a. How can Rural Development and our existing Farm Bill programs help to expand forest products markets and support a strong forest products industry?

Response: Rural Development's loan programs can support the forestry industry through the guaranteeing of loans from private lenders.

- b. How can this next Farm Bill make your programs more accessible to forest related entities and businesses?

Response: Rural Development programs support the forestry industry through the guaranteeing of loans from private lenders; providing direct loans to intermediaries who then provide funding to small businesses for a variety of purposes, including supporting wood-based industries and businesses; and providing grants to assist with training and technical assistance needs. Rural Development intends to work closely with the committee to ensure that the programs it administers provide effective investments for rural economic development, including forest-related entities and businesses.

- 2) The forestry industry and our loggers have made enormous improvements in recent year with respect to efficiency and mechanization, but that has also meant vastly higher costs for equipment for those looking to start their own logging company, even a very small one. However, I have heard from these loggers, especially those who are thinking of getting started on their own, that they have challenges accessing capital for purchasing logging equipment, which can quickly run into the hundreds of thousands of dollars.

I understand that your Business and Industry Loan Guarantee (B&I) program can be used to guarantee loans for businesses primarily engaged in the operation of timber tracts, tree farms, forest nurseries, and related activities, such as reforestation, and that forestry is specifically listed as an eligible loan purpose in the B&I regulations. However, these forest-related entities and loggers have told this Committee that they have challenges when it comes to eligible matching funds and have asked if we could clarify in this next Farm Bill that logging equipment is eligible for loan guarantees. Do you believe that such a change in the next Farm Bill could help this industry?

Response: The B&I Guaranteed Loan Program funding may be used to guarantee loans for logging equipment. Forestry is an eligible loan purpose under the program regulation. We do not believe that a statutory change is needed to provide support to this industry. While the program does not have a matching fund requirement, there are basic financial requirements, including a minimum equity, collateral, and cash-flow requirements that borrowers must meet to be eligible for funding. These requirements are necessary to help ensure repayment of the loan and to protect the taxpayer's investment.

3) Research from across the country has shown that expanding local agriculture in a community can increase employment and income in that community and in your testimony you mentioned that the Value-Added Producer Grant Program is the Cooperative Service's largest and most popular program.

- a. Can you please share with the Committee for each of the Fiscal Years 2014, 2015, 2016, what was the total number and value of the grant applications that USDA received for the Value-Added Producer Grant program?

Response: The information is submitted for the record.  
 [The information follows:]

Fiscal Year	# Apps Rec
2013/2014	549
2015	414
2016	542

- b. Can you also please share with the Committee for each of the Fiscal Years 2014, 2015, 2016, how many Value-Added Producer projects was the USDA able to fund and what total amount funded?

VALUE ADDED PRODUCER GRANT					
Fiscal Year	# Apps Rec	\$ Apps Rec	# Apps funded	\$ Apps Funded	# Unfunded Eligible Apps
2013/2014	549	\$54.6M	247	\$24,946,999	145
2015	414	\$49.9M	259	\$33,972,898	20
2016	542	\$70.0M	327	\$45,660,453	62

How are you empowering your staff to view themselves as practitioners of community and economic development rather than staying in their specific programmatic silos or boxes?

Response: Rural Development's variety of programs, types of assistance, our rural focus and local presence work together to help stimulate economic development and strengthen rural communities. Rural Development programs can provide assistance to farmers, finance critical infrastructure, help businesses access capital, provide funding for workforce development and technical assistance, and finance rural housing. We have initiated a "One RD" approach and are working diligently to breakdown the silos between our program areas (RBS, RUS and RHS), create efficiencies and leverage resources across programs. We are also working to cross-market our programs and create an automated application processing system for all RD programs that will serve as a one-stop-shop for financing across our programs. From day one, Secretary Perdue has made clear that he is a data-driven, performance-oriented manager and we at Rural Development are taking great strides to meet that expectation. Secretary Perdue announced his intentions to create a Rural Development Innovation Center. The Center will house a data analysis and outcomes

measurement team which will enable us to better evaluate the impact that our programs are having on the ground.

**Senator Kirsten Gillibrand**

- 1) Rural America has experienced an alarming decline in new businesses created. Once an engine for business growth, these areas have seen a net decline in total companies in recent years, meaning as businesses close, not enough new ones are opening to take their place. A particular challenge holding back entrepreneurs is the availability of equity capital in rural communities. What more can be done to expand equity investment into rural America to support entrepreneurs who want to start new companies? Are there ways to do more to address this need with USDA's Rural Business Investment Program?

Response: The Intermediary Relending Program (IRP) and the Rural Microentrepreneur Assistance Program (RMAP) provide direct loans to intermediaries who then provide funding to small businesses. The intermediaries who are recipients of IRP and RMAP funding proactively work in hard-to-reach areas to increase access to capital for start-ups and other small businesses. When reasonably priced debt is available to small business, leveraged capital, including equity investments, are more likely to be available also.

The Rural Business Investment Program (RBIP) promotes economic development and creates wealth and job opportunities among individuals living in rural areas and helps to meet the equity capital investment needs primarily of smaller enterprises located in such areas. To date, \$181 million in capital has been raised by the rural business investment companies that have been licensed by the Agency. Rural Development will work closely with the Committee to ensure that the RBIP program is efficient and impactful.

- 2) In the next 15 years, hundreds of thousands of small businesses employing millions of people will be sold or go out of business, as the estimated 7 million business owners of the Baby Boomer generation retire. These business transitions present real concerns for large-scale job losses, decreases in local ownership, and downward economic spirals for whole communities if many of these businesses close. But this transition also presents a significant opportunity to transition more companies to employee ownership. Can you please speak to how USDA's business and cooperative programs can support the transition of ownership to employees through worker cooperatives or Employee Stock Ownership Plan (ESOP) models? What should the Committee consider to support business succession in rural communities?



Response: RBS has a number of programs to support business transitions to worker cooperatives or Employee Stock Ownership Plan (ESOP) models. Transitions to these forms of business can be an integral tool for business succession planning because ownership of the business remains local and, importantly, profits from the business remain local. The Rural Cooperative Development Grant (RCDG) program provides funding to Cooperative Development Centers to provide individuals and businesses with the technical assistance they need to start, expand or improve rural cooperatives and other mutually-owned businesses. Technical assistance is critical to this type of succession planning because it requires tremendous education on the part of the existing owner as well as the current employees/future employee-owners.

In addition to the technical assistance, RBS has a number of programs to finance the business conversions: Rural Microentrepreneur Assistance Program (RMAP), Intermediary Relending Program (IRP), and B&I Guaranteed Loan Program. In FY 2016, the Agency amended B&I regulations to allow the guarantee on loans to provide access to capital to help finance ownership succession through businesses conversion to worker cooperatives or employee stock ownership plans. The B&I Program can also provide loan guarantees for the purchase of preferred stock issued by cooperatives, which can be used to help the conversion of businesses to worker cooperatives.

**Senate Committee on Agriculture, Nutrition, & Forestry**  
Rural Development and Energy Programs: Perspectives for the 2018 Farm Bill  
Thursday, September 28, 2017  
Questions for the Record  
**Mr. Elmer Ronnebaum**

**Senator Patrick Leahy**

1) In your testimony, you noted the National Rural Water Association (NRWA) supports increasing the population ceiling for the Rural Development Water and Waste Disposal Direct Loan program from 10,000 to 20,000 to make eligible an additional 1,838, and the Guaranteed Loan Program to 50,000 population.

a. How many communities fall under the 50,000 population cap?

There are 3,333 community water systems between the 10,000 and 50,000 population ceiling. A listing is attached.

b. With the limited resources directed to Rural Development Water and Waste Disposal Loan and Guaranteed Loan Program, do you expect these proposed changes would make it more difficult for small rural communities under 10,000 with limited access to capital to compete for both direct and guaranteed loans?

NRWA believes many of these communities, the 1,838 community water systems that fall within the 10,000 to 20,000 population range, are still rural in characteristic. Congress, prior to the earmark ban, also included communities in the annual appropriation bill that started with Rural Development financing but had grown to slightly exceed the 10,000 population. These communities still had a demonstrated need for affordable financing. Additional safeguards should require the applicant to demonstrate economic hardship and the need for affordable financing. The current credit elsewhere clause, requiring the potential borrower to certify they cannot afford commercial credit at the prevailing rates and terms, should be extended to these applicants.

Priority points for funding consideration should continue to be provided to smaller communities with lower incomes to ensure the rural residents with the greatest need are served first. The current point system is as follows, according to CFR 1780.17 Selection Priorities and Process :

When ranking eligible applicants for consideration for limited funds, Agency officials must consider the priority items met by each application and the degree to which those priorities are met.

Points will be awarded as follows:

- Population priorities provided for smaller rural communities
- Health and safety priorities
- Lower median household income priorities

Other priorities:

- (1) The proposed project will: merge ownership, management, and operation of smaller facilities providing for more efficient management and economical services\_\_15 points
- (2) The proposed project will enlarge, extend, or otherwise modify existing facilities to provide service to additional rural area \_\_10 points
- (3) Applicant is a public body or Indian tribe\_\_5 points
- (4) Amount of other than RUS funds committed to the project is:
  - (i) 50% or more\_\_15 points
  - (ii) 20% to 49%\_\_10 points
  - (iii) 5% \_19%\_\_5 points
- (5) Projects that will serve Agency identified target areas\_\_10 points
- (6) In certain cases the State program official may assigned up to 15 points to a project
- (7) The proposed project will serve an area that has an unreliable quality or supply of drinking water\_\_10 points
- (e) In certain cases the State program official may assigned up to 15 points to a project
- (f) Cost overruns
- (g) National office priorities

If additional funding is available after the higher priority applications are funded, then the 1,838 community water systems that fall between the 10,000 and 20,000 population could be considered. This authority could be further narrowed to the funding provided though the state allocation process (the annual 1940-L allocation) and allow the higher populated communities to be awarded after the state obligates their higher priority applications that fall under the 10,000 population threshold.

In Vermont, only six (6) systems fall between the 10,000 and 20,000 population range as follows:

VT0005305	WINHALL STRATTON F D 1	CWS	10,040
VT0005290	BRATTLEBORO WATER DEPT	CWS	12,200
VT0005016	BENNINGTON WATER DEPT	CWS	13,250
VT0005254	BARRE CITY WATER SYSTEM	CWS	14,000
VT0005091	SOUTH BURLINGTON CITY WATER SYSTEM	CWS	15,296
VT0005229	RUTLAND CITY WATER DEPT	CWS	18,500

Since inception, the guaranteed programs have always been underutilized. In FY 2015 only four (4) loans that totaled \$14,674,000 were approved from a \$50,000,000 program level. The cost to the federal government is minimal, only \$275,000 to support a \$50,000,000 program level.

In FY 2016, only five (5) loans were approved that totaled \$7,118,000. Increasing the population limit to communities with larger economies of scale and possibly higher incomes will increase the ability to debt service a commercial guaranteed loan.

- c. If this proposed increase to the current population cap fund went forward, would you support prioritization criteria to ensure smaller communities under 10,000 will continue to be able to access loans through this program?

Yes, as previously mentioned, the current priority points systems should remain in place for the smaller lower-income communities to receive funding and the grant program should only be limited to communities under 10,000 populations.

- d. What other safeguards could we include if the cap were increased to ensure smaller communities are not left behind?

Rural Development should continue their current priority point system to prioritize their limited resources to the smaller lower-income communities with the greatest needs and limit grant funding to communities under 10,000 populations. Outreach and technical assistance should continue to prioritize these communities with specific emphasis on communities of greatest need based on affordability for lower-income residents.

**Senate Committee on Agriculture, Nutrition, & Forestry**  
Rural Development and Energy Programs: Perspectives for the 2018 Farm Bill  
Thursday, September 28, 2017  
Questions for the Record  
**Dr. Brent H. Shanks**

**Chairman Pat Roberts**

- 1) In your testimony you discuss the issue of market viability for biochemical and bio based products, and the need to value these products based on the enhanced properties in the final products. Please elaborate on this and discuss some of the products currently available that convey improved performance attributes when compared to petroleum based alternatives?

Carbon from petroleum (crude oil) at the current price is cheaper than carbon from biomass. Therefore, if a specific existing chemical product was made from biomass instead of petroleum, the biomass-derived product would be cost disadvantaged and non-competitive in the market. Alternatively, renewable chemicals or biobased products derived from biomass that have better performance properties than the petroleum-based product that it is replacing could have a price premium, which would allow it to be viable in the market. I will give several examples:

- a. Sorona carpet (made by DuPont) uses a renewable chemical (1,3-propanediol) in its production that imparts improved performance properties for the carpet. Sorona carpet has improved color retention and improved stain resistance over Nylon carpets made from petrochemicals.
- b. Packaging polymers (joint development of ADM/DuPont) made from a renewable chemical (furan dicarboxylic methyl ester) have better gas barrier properties than the existing petrochemical-derived packaging polymer (PET). This property will allow for the production of plastic bottles that use less plastic or can be used in applications that currently require glass or aluminum packaging.
- c. Polylactic acid (NatureWorks) can be used in some of the same applications as thermoplastic polymers made from petroleum. However, polylactic acid is compostable and thermoplastic polymers are not.

**Ranking Member Debbie Stabenow**

- 1) USDA research shows that the US bio based products industry created over 4 million jobs and created \$393 billion in economy activity in 2014. These jobs are often in rural communities and helping diversify struggling rural economies. We are also seeing companies doing incredibly innovative things with the creation of new bio-based products. What is the future of bio-manufacturing, what is the federal government's role?

Yes, an important attribute of the jobs and value created by renewable chemicals and biobased product manufacture is that they are frequently realized in rural communities.

Biomanufacturing is the use of biotechnology and bioprocessing to produce products from biomass. The U.S. is in the fortunate position of having global leadership in biotechnology and bioprocessing as well as excellent capacity for large-scale biomass production. While the U.S. is currently the broad leader in biomanufacturing, Europe and China are investing heavily in biomanufacturing to specifically produce renewable chemicals and biobased products. In my opinion, we are in a race to reap the expected future benefits of biomanufacturing.

When looking at governmental support for biomanufacturing development, the strategy in the U.S. is different than in Europe and China. The U.S. federal government is primarily supporting the development of biomanufacturing for advanced biofuels. In contrast, Europe and China governmental support are more significantly focused on renewable chemicals and biobased products. In the nearer term future, with the low price for crude oil and natural gas, renewable chemicals and biobased products are better positioned for commercialization than advanced biofuels. In my opinion, the U.S. government should consider rebalancing its portfolio to better support the development of renewable chemicals and biobased products, which can be used as a bridge to the longer term advanced biofuels goal.

**Senate Committee on Agriculture, Nutrition, & Forestry**  
 Rural Development and Energy Programs: Perspectives for the 2018 Farm Bill  
 Thursday, September 28, 2017  
 Questions for the Record  
**Mr. Christopher Stephens**

**Senator Patrick Leahy**

1. *Mr. Stephens, you mentioned how you are helping consumers use less energy, save money, and invest in renewable energy sources. We know that efficiency and the clean energy economy is creating countless rural jobs and supporting our rural economy. Specifically with solar we have new jobs with the construction, installation, and site development, but also well-paid permanent jobs for maintenance and operation. Partners in Vermont have asked for more flexibility in the energy programs, particularly the Energy Efficiency and Conservation Loan Program and the Rural Energy for America Program. For instance, some have said that it can be difficult to help finance and offer loans for important community solar projects and they would like to see other entities such as energy efficiency non-profits or state energy programs made eligible for these loans in addition to utilities.*
  - a. *Do you agree that we should be finding ways to offer more flexibility to these energy programs to help consumers implement new energy efficiency measures that help strengthen rural economies through job creation for energy efficiency and conservation projects?*

Energy efficiency programs are an important part of the service electric cooperatives provide to our member-owners. It's particularly important for co-ops since the homes (and the residents) we serve in poorer, more rural parts of the country can benefit most from energy efficiency gains. The Energy Efficiency and Conservation Loan Program (EECLP), the Rural Energy for America Program (REAP), and the Rural Energy Savings Program (RESP) are all essential tools we use to meet those goals. In general, we support greater investments in these programs. In addition, these programs help rural America participate in a competitive economy for jobs, quality of life, and affordable living.

The efficient use of energy has always been supported by customer owned electric cooperatives. The availability of reliable affordable electricity in rural America has paved the way for jobs, economic opportunity and a higher quality of life. The efficient use of this energy has proven to be a good economic decision for our member/customers and continues to help us manage precious natural resources.

Renewable energy resources such as photovoltaic solar projects are also starting to make an impact in rural communities by providing cleaner energy options for sources of energy. More than ever, it is necessary for electric utilities to take advantage of many different sources of energy in a balanced portfolio to help ensure affordable reliable electricity to their member/customers.

The barriers for many rural member/customers to improve the efficient use of energy are the same as those for utilizing on-site solar generation—up-front cost and home ownership. Investments to improve the efficient use of energy in a home can be expensive and sometimes difficult to finance at favorable terms and conditions. In addition, the incentive or ability for those that rent their home to improve the facility is limited to measures that have limited impact leaving larger more permanent

improvements, such as insulation, air infiltration, and heating/cooling equipment improvements to be ignored.

We believe that before a member/customer invests in on-site power generation resources such as photovoltaic solar systems, all cost-effective energy efficiency improvements should be implemented. Programs, such as those mentioned above, can help electric cooperatives to assist their member/customers with energy efficiency improvements. However, sometimes the requirements associated with these programs are excessively burdensome, therefore making it difficult to be offered in a cost-effective manner. Therefore, we also believe that a streamlined application process could make these programs more attractive to interested stakeholders. And we believe that flexibility in project design and administration for the grant or loan recipient is important to ensuring that unique local needs are being met. We encourage that these programs continue to be reviewed to help ensure that the cost of implementation are not unnecessarily burdensome.

- b. As we look to ensure that Rural Development can support Community Solar, can you speak about how the Cooperative Solar and community solar projects, and Green EMC's work in Georgia to supporting more of these projects is good for our rural economy and our utilities?*

Thirty-eight electric cooperatives in the state of Georgia have formed Green Power EMC, a wholesale energy cooperative established by Georgia's Electric Distribution cooperatives in 2001. Green Power EMC procures renewable energy from solar, low-impact hydroelectric, landfill gas, and wood waste biomass facilities located around Georgia. Green Power EMC members' renewable energy projects totaled nearly 280 megawatts (MW) of capacity at the end of 2017. That's enough energy to help power more than 55,000 homes in Georgia each year. The benefits of green power include 1) no greenhouse gas emissions from fossil fuels, 2) decreased dependence on imported fuels due to diversified energy portfolio, and 3) creation of jobs in manufacturing, installation, and maintenance of green power facilities. Because of those benefits, we have plans to add over 200 MW of new renewable generation by 2020.

Many of the thirty-eight electric cooperative in Georgia have chosen to provide their members with a simple and affordable option to participate in clean energy through a community solar program called Cooperative Solar. This program, supported by Green Power EMC offers cooperative served residential customers the option to purchase solar energy.

In Georgia, energy from larger solar projects can cost less than one-half of the cost of rooftop solar. The Cooperative Solar program allows residential customers to participate in larger scale projects by subscribing to "blocks" of solar capacity. Residential customers typically pay a flat monthly fee to participate in the program and receive credit for the energy produced. Perhaps the most important part of this program is that no up-front investment is required. Typical rooftop solar projects can cost more than \$15,000—an amount that many rural residents can find as a significant barrier to placing solar equipment on their home. In addition, an investment in rooftop equipment can obligate the homeowner to long term loan or lease payments. The Cooperative Solar program removes this barrier by requiring no up-front cost or contract for participants.

Member/customers receive a utility bill credit for the energy produced by their subscription cooperative's larger scale portfolio of solar projects. The energy credit will be different each month depending upon the amount of sunlight that is available. Therefore, a member/customer receives a



solar product very similar to one that would be received with a rooftop system, but without the long term financial obligation or operation and maintenance responsibility.

Typically, member/customers that rent their home or live in an apartment or townhouse do not have access to roof space or land to invest in a solar facility. The Cooperative Solar program also provides an alternative for these member/customers to receive affordable solar energy each month that to meet their energy requirements.

We continue to strive to provide guidance, advice, programs and options for our member/customers to energy choices that will help improve the value and benefits from different sources of energy. We encourage the Federal Government to continue to find ways to improve existing programs to make them more easily employed to benefit rural America.

**Senator Kirsten Gillibrand**

*1) Can you speak to how the federal government could better support the nation's electric cooperatives as part of an effort to achieve universal high-speed broadband access?*

Broadband is critical to rural America and to electric cooperatives. Electric co-ops depend on broadband to better manage our distribution systems – to increase efficiency and to guard against cyber threats. And our members need broadband for their quality of life. More and more, electric cooperatives are working to bridge that divide. We urge policy makers to create additional inclusive funding opportunities that give providers an opportunity to deliver the best service for rural America. Policymakers must consider the scope of capital needed to extend and sustain broadband service in rural America and allocate the resources needed to meet this need. In addition to significant new financial investment, we suggest these reforms in the Farm bill to promote that effort:

- Create a loan/grant combination option in the Broadband program at RUS to better serve the most sparsely populated areas of Rural America. Grant dollars help to make the business case more feasible for investment.
- Maintain a level playing field for all providers to compete in the broadband loan program. The broadband program at RUS is currently the only government program funding broadband that is not inherently predisposed to support incumbent providers.
- Maintain the ability for Electric Cooperatives to borrow money for Smart Grid improvements through the RUS Electric Loan program.
- Maintain a forward looking broadband definition for the RUS Broadband Loan program to ensure that rural America is not subject to second class broadband service.
- RUS should implement the Loan Guarantee program in the broadband program that is included in the current statute.
- Streamline the existing loan program to remove unnecessary barriers to participating in the program, including simplifying the public notification process and a change to processing applications on a rolling basis.
- Simplify the post-loan reporting process for broadband program borrowers.

