

RURAL DEVELOPMENT

FY 2000 and FY 2001 ANNUAL PERFORMANCE PLANS

The Rural Development mission area, was established on October 13, 1994, by the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act. Rural Development is one of seven mission areas within the Department. It consists of three agencies, the Rural Business-Cooperative Service, the Rural Housing Service, and the Rural Utilities Service. The mission area also administers the rural portion of the Administration's Empowerment Zones and Enterprise Communities (EZ/EC) Initiative and the National Rural Development Partnership, a nationwide network of rural development leaders and officials committed to the vitality of rural areas. The mission area's programs are authorized by a variety of statutes which are identified with the discussion of each goal.

The mission of Rural Development is to: Enhance the ability of rural communities to develop, to grow, and to improve their quality of life by targeting financial and technical resources in areas of greatest need through activities of greatest potential.

Rural Development achieves its mission by helping rural individuals, communities and businesses obtain the financial and technical assistance needed to address their diverse and unique needs. This financial and technical assistance may come directly from Rural Development or, with Rural Development's assistance, from one of the numerous public and private organizations involved in the development of rural communities. Rural Development agencies deliver over 40 different loan, loan guarantee, and grant programs in the areas of business development, cooperative development, housing, community facilities, water supply, waste disposal, electric power, and telecommunications, including distance learning and telemedicine. Rural Development staff also provide technical assistance to rural families and community leaders to ensure success of the projects it finances. Rural Development staff are also responsible for the servicing and collection of a loan portfolio that exceeds \$80 billion. Additional information regarding Rural Development can be found in its strategic plan.

This Plan is a combined Plan for all of the agencies in the mission area. In the past separate plans were published for each agency. Several performance indicators utilized in the FY 1999 and FY 2000 Annual Performance Plans have been discontinued. These measures can be found on Appendix A of the FY 1999 Annual Performance Report. Also, several performance indicators have been added to this Plan. These include: 1) an indicator related to first-year delinquencies for the single family housing program; 2) a delinquency indicator for the multi-family housing program; 3) an indicator for the establishment of partnerships related to community development technical assistance; and 4) an indicator related to the development of new work schedules and leave policies.

Baseline Indications of Need: Indications of the extensive nature of rural America's needs are provided by selected baseline data below. Rural Development programs will contribute to the amelioration of these conditions but, without huge increases in funding, cannot markedly impact the macro indicators of disparity.

From the American Housing Survey (1995 data):

- 3% of all rental units exhibit crowding (more than one person per room).
- 2.7 million families live in substandard housing.
- 60 percent of poor rural households, who pay more than 30 percent of their income towards housing and utilities, pay less than \$500 each month for housing costs.
- 538,000 households reported moderate to severe physical housing problems.
- The median household income for rural renters was \$17,254, as compared to \$22,051 for urban renters.
- 23% of rural renters pay over 40% of income to housing costs.

- In 570,000 occupied rural housing units the primary source of drinking water was "not safe to drink."

From the Rural Utilities Service:

- Revenue per mile for urban utility systems is 8 times higher than for rural systems.
- Only 17 % of rural libraries are connected to the Internet, as compared to 80% of libraries in cities with populations exceeding 250,000.

From the Economic Research Service:

- Poverty is 2 percentage points higher in rural areas than in urban areas (15.6% rural; 13.4% urban).
- Poverty in the rural south is 19.2%.
- The unemployment rate is 16% higher in rural areas than in urban areas (1st quarter 1997).
- 48% of rural Black children live in poverty (1995).
- 3.2 million rural children live in poverty (1995).
- 23% of the rural poor were either full time workers or were in families with one or more full time workers.
- The unemployment rate is 16 percent higher in rural areas than urban areas.
- 6.3 million rural households have household incomes under \$15,000.
- 23 percent of rural people in poverty were either full time workers or were in a family with at least one full time worker.
- More than 60 percent of rural people in poverty worked at least part time or had a family member who worked at least part time.

Key External Factors: The ability of the mission area to achieve the goals of its strategic plan can be impacted by a variety of factors beyond its control. Primary external factors affecting all programs are:

Macroeconomic influences - Changes in the economy can have a major impact on our financial programs and the ability of our customers to meet their obligations. A rise in unemployment generally impacts low-income families first. Inflation can impact the disposable income of low-income families and may also adversely impact the ability of small communities and businesses to meet their obligations if their operating expenses are increasing faster than their income. Changes in the cost of money have the greatest impact on the mission area. As interest rates rise or fall, there is a clear impact on the cost of the financing provided by the mission area and the ability of new customers to afford the assistance they need. For instance, high interest rates reduce the ability of our existing direct loan borrowers to graduate to private sector credit. Changing interest rates will impact the subsidy rates of each program. Lower interest rates reduce the subsidy cost of direct loans, and increase the subsidy cost of guaranteed programs. Rural Development can partially ameliorate the impact of adverse economic conditions by increasing its loan servicing activities to minimize delinquencies.

Reductions in funding - Reductions in level of funding provided to the Rural Development agencies will reduce their ability to help rural America and to achieve their goals. Likewise, reductions in funding for Salaries and Expenses will limit the ability of the mission area to provide the staff and other resources needed to deliver the programs or achieve the anticipated level of performance. Reductions in program funding can be partially offset by efforts to increase the leveraging of agency funds with other sources of funds. Reductions in Salaries and Expenses can only be offset by the elimination of lower priority work efforts which may, in the long run, be to the detriment of the Government or its customers.

Coordination of Cross Cutting Program Activities: The partnerships and coordination with other organizations required for program delivery varies among agencies and by programs within the agencies. Most of the direct financial programs do not require a partner for program delivery.

We are, however, seeking to ensure that placement of our funds is coordinated with, and supports the delivery of, the funds of other entities. We are also seeking to leverage our funds to the maximum extent possible with other lenders. Guaranteed programs are made through local financial institutions with coordination at the local level. The mission area strategic plan is the basis for the development of State/Tribal strategic plans required by the 1996 Federal Agriculture Improvement and Reform Act of 1996. Rural Development State Directors have developed these plans with their various public and private partners to support the coordinated delivery of all resources, both financial and technical.

Other Federal agencies with which the mission area works closely are Economic Research Service; Farm Service Agency; Natural Resources Conservation Service; Forest Service; Foreign Agricultural Service; Agricultural Marketing Service; Cooperative State Research, Education and Extension Service; and National Agricultural Statistics Service. Outside of the Department, coordination is required with the Department of Housing and Urban Development, Economic Development Administration, Environmental Protection Agency, Small Business Administration, Department of Labor, Department of Energy, Federal Energy Regulatory Commission, and Federal Communications Commission.

Strategic Goals: The Rural Development strategic plan consists of three goals and four management initiatives. The goals support Goal 1 of the Departmental strategic plan --- "Expand economic and trade opportunities for agricultural producers and other rural residents." The management initiatives in the Rural Development plan support the four management initiatives in the Departmental plan.

Goal 1: Good Jobs and Diverse Markets. " Rural Development will improve the quality of life in rural America by encouraging the establishment and growth of rural businesses and cooperatives."

Goal #1 of the mission area plan is specific to the programs administered by the Rural Business-Cooperative Service (RBS). The Agency is responsible for delivering business development programs authorized by the Consolidated Farm and Rural Development Act, Food Security Act of 1985, Rural Electrification Administration Act of 1936, and cooperative development programs authorized by the Cooperative Marketing Act of 1926 and the Agricultural Marketing Act of 1946.

Objectives of Goal 1:

- 1.1 Increase the availability and quality of jobs in rural areas.
- 1.2 Encourage and promote the use of marketing networks and cooperative partnerships to increase and expand business outlets.
- 1.3 Direct Rural Development program resources to those rural communities and customers with the greatest need.
- 1.4 Manage the loan portfolio in a manner that is efficient and effective.

Program Activities supporting Goal 1: Business Programs and Cooperative Development Programs.

	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 ESTIMATE	FY 2001* ESTIMATE
Funding (Appropriated)				
Program	\$1.308b	\$1.368b	\$1.068b*	\$1.463b*
S&E	\$29,162m	\$28.462m	\$27.949m	**
FTEs (Appropriated)	328	304	304	**

*Includes \$30 million in FY 2000, and \$15million in FY 2001, for Rural Empowerment Zone and Rural Enterprise Community Grants. These funds are administered by the Office of Community Development rather than RBS.

** The FY 2001 budget proposal provides for a combined S&E budget for all Rural Development agencies. The S&E and FTE figures will no longer be provided separately.

BUSINESS PROGRAMS

Business and Industry (B&I) Guaranteed Loans. This program finances business and industrial acquisition, construction, conversion, enlargement, repair or modernization in rural unincorporated areas and communities with a population of 50,000 or less, unless the community is part of an urbanized area that has a total population of 50,000 or more. Loan funds are used to finance the purchase and development of land, easements, rights-of-way, buildings, equipment, facilities, machinery, supplies and materials plus funds can be used to pay start-up costs and to supply working capital. Eligible applicants include individuals as well as public, private, or cooperative organizations organized for profit or nonprofit, Indian tribes, and corporate entities. Loans may be guaranteed by RBS with a maximum percentage for guarantee of 80 percent for loans of \$5 million or less, 70 percent for loans between \$5 million and \$10 million, and 60 percent for loans exceeding \$10 million up to \$25 million.

Business and Industry Direct Loans. The criteria and loan purposes are basically the same as for the guaranteed loans. These loans are available to applicants who are unable to obtain the needed assistance from a private lender with a guarantee. The maximum loan amount to any one borrower is \$10 million.

Rural Intermediary Relending Program (IRP) Loans. These direct loans are made to intermediary borrowers (i.e. private nonprofit corporations, state or local government agencies, Indian tribes, and cooperatives) who, in turn, relend the funds to rural businesses, private nonprofit organizations and others meeting the criteria for ultimate recipients. IRP loans are limited to rural unincorporated areas, and cities or towns of 25,000 or less population. Financial assistance from the intermediary to the ultimate recipient must be for economic development projects, the establishment of new businesses and/or the expansion of existing businesses, creation of employment opportunities and/or saving existing jobs in rural areas.

Rural Economic Development Loans (REDL). Zero-interest loans are provided to borrowers that re-loan the funds, at zero interest rates, to businesses in unincorporated areas or small towns of 2,500 or less population. The revolving loan funds provide needed capital to non-profit entities and municipal organizations to finance community facilities in rural areas which promote job creation, promote education and training to enhance marketable job skills, or extend or improve medical care. Grant funds are used to establish revolving loan fund programs to promote economic development in rural areas.

Rural Business Enterprise Grants. Grants are available to public bodies, nonprofit corporations,

and Federally-recognized Indian Tribal groups to encourage the development of small and emerging rural business enterprises; the creation, expansion, and operation of rural distance learning networks; and to provide educational instruction or job training related to potential employment or job advancement for adult students. Grant funds may be used for the acquisition and development of land, construction of buildings, purchase of equipment, obtaining of needed technical assistance, start up capital in the form of a loan, establishment of revolving loan funds, refinancing, services and fees. Grants are also available to qualified nonprofit organizations for the provision of technical assistance and training to rural communities for the purpose of improving passenger transportation services or facilities.

Rural Business Opportunity Grants. Grants are made to public bodies, nonprofit corporations, Indian tribes, and cooperatives for training, planning, and technical assistance for rural economic development in unincorporated areas and rural towns of 10,000 or less population. Funds may be used to pay costs of providing technical assistance for rural business, economic planning for rural communities, or training for rural entrepreneurs or economic development officials.

Program Activity: Business Programs	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 ESTIMATE	FY 2001 ESTIMATE
Program Level	\$1.305b	\$1.365b	\$1.022b	\$1.431b

PERFORMANCE GOALS AND INDICATORS	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 TARGET	FY 2001 TARGET
Create or save jobs in rural area.				
Number of jobs created or saved:				
B&I Guaranteed Loans	44,933	36,507	25,800	36,800
B&I Direct Loans	861	1,163	2,200	2,200
IRP Loans	26,780	25,245	29,300	49,300
Rural Business Enterprise Grants	14,939	11,464	10,800	12,700
Rural Economic Development Loan	NA	3,783	3,700	3,700
Rural Economic Development Grant	NA	1,677	600	600
Community economic benefits				
B&I Guaranteed Loans	\$2,928m	\$3,109m	\$2,125m	\$3,125m
B&I Direct Loans	\$52m	\$65.3m	\$125m	\$125m
IRP Loans	\$87.5m	\$82.5m	\$95.6m	\$161m
Rural Business Enterprise Grants	\$93m	\$91m	\$86.5m	\$101.7m
IRP dollars lent by intermediaries/IRP dollars obligated to intermediaries (cumulative since Program inception)	71%	89.41%	75%	75%
Non-IRP funds leveraged for each dollar of IRP funds	\$3.76	\$3.76	\$3.76	\$3.76
Number of businesses benefitting from RBEG program	1,710	2,331	2,219	2,606
Non-RBE funds leveraged for each dollar of RBEG funds	\$2.40	\$2.40	\$2.40	\$2.40

Non-REDLG funds leveraged per dollar of program funds				
Loans	\$5.80	\$3.00	\$3.00	\$3.00
Grants	\$3.30	\$3.00	\$3.00	\$3.00
Assist marketing networks and cooperative partnerships in the establishment and expansion of business outlets.				
Percentage of B&I Guaranteed funds Obligated to cooperatives	3%	4.4%	20%	20%
Direct Rural Development program resources to those rural communities and customers with the greatest need.				
Percentage of funds obligated in Empowerment Zones/Enterprise Communities				
B&I Guaranteed	1.4%	1.3%	1.7%	1.4%
IRP	17%	12.1%	19%	19%
RBEG	22%	21.5%	20%	22%
Percentage of funds obligated for other Presidential or Departmental Initiatives				
B&I Guaranteed	24.9%	37.6%	10%	10%
IRP	39%	48%	20%	20%
RBEG	35%	48.8%	20%	20%
REDLG	2%	47.3%	2%	2%
Manage the B&I portfolio effectively to minimize the delinquency rate.				
Delinquency rate (excluding bankruptcy cases)	4%	4.8%	3%	3%

Discussion of Performance Goals: Building competitive businesses in rural areas helps achieve the Department's goal to "Expand economic and trade opportunities for agricultural producers and other rural residents."

The development of performance measures for this program is complicated by the wide variety of businesses which can be assisted. The key factor, however, for all of the Business and Industry programs is the creation or saving of jobs. Performance indicators related to job creation/saved are established for all programs. RBS estimates that approximately 395,000 jobs will be created/saved as a result of financial assistance provided by the Business and Industry program over a 5-year span of time (Fiscal Years 1997 -2001). The following chart provides this projection by fiscal year:

Fiscal Year	Jobs Created/Saved
1997	53,015
1998	84,533
1999	79,839
2000	72,400
2001	105,300
Total	395,087

While job creation at this level will have minimum impact on National employment data, there will be a significant impact on the unemployment rates and the economy in some rural areas. We are unable to measure the quantitative impact at this time.

Reaching those communities and individuals with the greatest need for job creation is a major concern of the Agency. Several measures relate to funding provided to EZ/EC communities or to regional Initiatives established by the President to address unique economic problems.

One of the Objectives in the mission area's strategic plan is the intent to direct business program resources to those communities and customers with the greatest need. This includes areas that have been consistently poor, have high unemployment rates, have out-migration, have experienced natural disasters, or experienced economic stress due to Federal action, such as the closure of military bases. Several performance measures relate to this Objective. RBS has established two strategies to ensure funds are targeted to these communities and customer. The Administrator has established and monitors annual priority performance goals for State delivery of programs which include targeting of program resources to target communities and customers. In addition, priority selection criteria that supports those targeted areas and customers have been established, are published in the program regulations, and are used in funding decisions.

A second Objective is to manage the business loan portfolio in as manner that is efficient and effective. This Objective is addressed in the performance measures in terms of delinquency rates. Performance of the loan portfolio is continually monitored within RBS. States are delegated approval authority based on National Office assessment of State employee qualifications and training in delivery of programs. In addition, a Business Programs Assessment Review was initiated in Fiscal Year 1998 for the purpose of reviewing State Office administration of Business Programs within the states. Quarterly review of delinquent loan portfolios and state servicing of the cases is reviewed by the National Office and assistance is provided to the states, as needed, to ensure effective and timely servicing decisions are made.

Means and Strategies: Achievement of the FY 2001 Performance Goals and Indicators is contingent upon receiving the program and general support resources indicated in this plan. The FY 2000 program levels and projected performance targets are based on Congressional appropriations and are not subject to changes that could impact a program's subsidy rate, such as a fluctuations in the Treasury discount rate. As required by the Balanced Budget Act of 1997, the program-specific subsidy rates utilized in the development of the President's FY 2000 Budget will be used when establishing obligations of FY 2000 funds. Funds expended in any particular program could be impacted, however, by the movement of funds from one program to another as authorized by the Rural Community Advancement Program.

RBS is concerned about the quality of jobs created. While it is unable to measure job quality, it is giving funding priority to projects that support jobs with average wage rates that exceed Federal minimum wage rates.

RBS, as part of the FY 2001 Administrative Budget funding request, proposes to procure and distribute off-the-shelf software that provides credit and financial analysis, including the ability to develop spreadsheets of business transactions. Acquisition of this software will improve the quality of the portfolio through more informed and consistent credit analyses by field staff for loan origination and loan servicing activities.

Coordination with other Federal programs is not required but strongly encouraged for the delivery of the Business Programs. Funded businesses must meet the standards of OSHA or, if construction is involved, the Environmental Protection Agency in the same sense that they must meet the zoning and construction requirement of the state, county, or local government. These are issues of concern handled by the applicant's engineer or staff. Other Federal agencies, such as the Economic Development Agency, or state agencies may be potential partners for joint funding if a specific project meets their requirements.

Verification and Validation: Data to measure the performance measures will come from the following automated accounting systems:

- Program Loan Accounting System (PLAS)
- Guaranteed Loan Accounting System (GLAS)
- Rural Community Facilities Tracking System (RCFTS)

These systems are used by agency managers in their management of the programs. PLAS and GLAS are accounting systems designed to manage the agency's portfolio of direct and guaranteed loans. These systems contains a variety of data edits to minimize the risk of inaccurate data being placed in the systems. These two systems are audited annually by OIG as a part of their development of an audited financial statement.

RCFTS is a non-accounting management system which contains a variety of data related to Business Programs, such as the number of jobs created or saved. Data in RCFTS is input by the field staff and does not contain edits to verify the accuracy of the data. Manual reports from State Director will be used to obtain data regarding several of the performance measures. This information will be less reliable since it is obtained manually and its accuracy cannot be verified. However, confidence in this data is high enough to be acceptable for the purposes for which it is being used.

Jobs created or saved is an important indicator for the Business programs and the an estimate of the jobs being created or saved is determined for each loan during processing. The exception to this is the IRP program. On the average, each \$100,000 of IRP money loaned by the intermediary results in one ultimate recipient (business) loan. This loan provides jobs for approximately 20-25 people. The average loan to an ultimate recipient is 8.82 years. Based on an average term of 8.82 years per loan to ultimate recipients, the total loan funds available to the intermediary revolves 3.4 times over the 30-year life of the loan to the intermediary. Therefore, approximately 76.5 jobs are established per \$100,000 over the 30-year life of the loans to the intermediaries ($22.5 * 3.4 = 76.5$).

The economic impact of the Business programs is also an important indicator. The Department of Labor estimates an economic multiplier effect of \$2.50 for every dollar of Business loans or grants provided.

COOPERATIVE DEVELOPMENT PROGRAMS

Rural Cooperative Development Grants. Grants are made to fund the establishment and operation of centers for rural cooperative development with their primary purpose being the improvement of economic conditions in rural areas. Grants may be made to nonprofit institutions or institutions of higher education. Grants may be used to pay up to 75 percent of the cost of the project and associated administrative costs. The applicant must contribute at least 25 percent from non-federal sources. Grants are competitive and are awarded based on specific selection criteria.

The Appropriate Technology Transfer for Rural Areas (ATTRA) Program. The program encourages agricultural producers to adopt sustainable agricultural practices that allow farmers to maintain or improve profits, produce high quality food and reduce adverse impacts to the environment. ATTRA is located on the University of Arkansas campus at Fayetteville, Arkansas, and functions as an information and technical assistance center staffed with sustainable agriculture specialists accessible nationally by toll-free telephone.

National Sheep Industry Improvement Center. The Center promotes strategic development activities to strengthen and enhance the production and marketing of sheep and goat products in the United States. It does this by encouraging infrastructure development, business development, market and environmental research, and designing unique responses which address the needs of the industries and ensures their long term, sustainable development. The Center has a Board of Directors that oversees its activities and operates a no-year revolving fund for loans, grants, and cooperative agreements. The Center is to be privatized upon receiving total appropriations of \$50 million, or by April 4, 2006, whichever comes first.

Achievement of the FY 2001 Performance Goals and Indicators is contingent upon receiving the program resources outlined below.

Program Activity: Cooperative Development Programs	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 ESTIMATE	FY 2001 ESTIMATE
Program Levels	\$3m	\$3m	\$16m	\$17m

PERFORMANCE GOALS AND INDICATORS	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 TARGET	FY 2001 TARGET
Assist marketing networks and cooperative partnerships in the establishment and expansion of business outlets.				
Number of Technical assistance and educational services provided	326	215	200	200
Customer rated quality of technical assistance (0-5 rating scale)	4.4/5	3/5	3/5	3/5
Leverage of research expenditure (dollar value of RBS sponsored research per dollar of RBS research expenditures)	1.25	1.25	1.2	1.2

Research and educational materials provided to customers	105,096	99,600	100,000	100,000
Number of responses to inquires for information	15,000	16,500	15,000	15,000
Direct resources to those rural communities and customers with the greatest need.				
Service to poverty areas (number of impoverished or economically depressed counties in which service was provided)	NA	NA	75	75

Discussion of Performance Goals: Strong cooperatives in rural areas help achieve the Departmental goal to “Expand economic and trade opportunities for agricultural producers and other rural residents.”

A priority of the Administration is providing assistance to small and beginning farmers. The need for this assistance is reflected in the following indicators:

- In 1980 farmers received 37 cents of every consumer dollar spent for food. By 1996 the farmer’s share had dropped to 23 cents.
- Farms with gross annual sales under \$250,000 represent 94 percent of all farms, but they receive only 41 percent of all farm receipts.

Cooperative purchasing and selling is an important tool for helping small and beginning farmers be economically viable. These goals reflect the success of the RBS in enhancing the quality of life of rural Americans by providing leadership in building competitive businesses and sustainable cooperatives. These goals include the number of businesses, cooperatives, and communities that receive financial resources and technical assistance, and the impacts on rural economies that stem from this assistance. These goals also reflect success in implementing the themes from the mission area strategic plan, including partnering, leveraging, capacity building, etc. Many goals relate directly to the levels of program funding and Agency staffing levels. Reductions in the proposed levels of funding and staffing will cause corresponding reductions in the planned levels of performance.

Means and Strategies: Strategies to achieve the objectives include:

- Coordinate efforts with the Foreign Agricultural Service to utilize cooperatives to promote in rural areas product development of products which have a foreign market.
- Involve 1890 and 1862 land-grant universities in providing technical assistance, credit acquisition assistance, and business plan development to minority-owned businesses and entrepreneurs in training.
- Partner with public, non-profit, and educational institutions to heighten awareness and understanding of cooperatives and marketing opportunities in under-served rural areas.
- Provide field-level training and technical assistance to cooperatives and developing cooperative groups.
- Establish an Outreach Program and Outreach Liaison Position.
- Improve accessibility of Rural Development programs for Native Americans.

Achievement of the FY 2001 Performance Goals and Indicators is contingent upon receiving the program and general support resources indicated in this plan.

Verification and Validation: The data comes from the Agency’s program records which are not

automated nor audited. They are, however, considered to reasonable accurate for use by management. The number of technical assistance and services provided includes services provided under technical assistance requests, workshops, international briefings, specialized analysis, training, staff presentations, etc.

The customer rated quality of technical assistance is based upon a composite of a survey of cooperatives or groups that have received substantial technical assistance from RBS during the year. The customers rate the performance on a scale of 1 to 5, with 5 being the best. The survey process is managed through the National Office.

The leveraging of research expenditures includes research funded through direct appropriation to the salaries and expenses account and allocations from appropriate program accounts.

Goal 2: Quality Housing and Modern Community Facilities. “Rural Development will improve the quality of life of rural residents by providing access to technical assistance, capital, and credit for quality housing and modern, essential community facilities.”

Goal 2 of the mission area plan is specific to the programs administered by the Rural Housing Service (RHS). The Agency is responsible for delivering housing programs authorized by the Housing Act of 1949, as amended, and community facilities programs authorized by the Consolidated Farm and Rural Development Act, as amended.

Objectives of Goal 2:

- 2.1 Improve the quality of life for the residents of rural communities by providing access to decent, safe, sanitary and affordable housing.
- 2.2 Improve the quality of life in rural America by providing essential community facilities.
- 2.3 Direct Rural Development program resources to those rural communities and customers with the greatest need.
- 2.4 Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.
- 2.5 Manage the loan portfolio in a manner that is efficient and effective.

Program Activities supporting Goal 2: , Homeownership, Rental Housing, and Community Facilities programs.

	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 ESTIMATE	FY 2001 ESTIMATE
Funding (Appropriated)				
Program	\$4.998b	\$5.128b	\$5.811b	\$6.679b
S&E	\$412.241m	\$420.881m	\$437.858m	*
FTEs (Appropriated)	6,189	6,109	6,081	*

* The FY 2001 budget proposal provides for a combined S&E budget for all Rural Development agencies. S&E and FTE figures, at the agency level, will no longer be provided separately.

HOMEOWNERSHIP PROGRAMS

Section 502 Rural Housing Direct Loan Program. This program provides mortgage financing to very low- and low-income families who cannot obtain credit from other sources. Borrowers are offered fixed-interest-rate loans with maturities ranging from 30 to 38 years. The loans are subsidized at a graduated interest rate level from 1% to a percent over Treasury’s cost of money, depending on family income. Approximately 40 percent of the people served earn less than 50 percent of the median income in the rural area in which they live; the remainder earn between 50

and 80 percent. The 502 program also provides "supervised credit" to its borrowers to help them maintain their homes in times of financial crises through workout agreements and moratoriums.

Section 502 Guaranteed Loan Program. The Section 502 Loan Guarantee program provides homeownership opportunities to low and moderate-income rural residents, typically those whose incomes are between 80% and 115% of the median income in the county. The program offers a 90 percent guarantee as encouragement to private lenders to provide 30-year, fixed-rate guaranteed mortgages for customers who would be unable to obtain credit without the guarantee. The loans can be for up to 100% of market value or for acquisition cost, whichever is less, thereby removing the down payment barrier that prevents many people from becoming homeowners.

Mutual Self-Help Housing Program. The Mutual Self-Help Technical Assistance Grant program truly empowers very low-income and low-income rural Americans by enabling them to use "sweat equity" to help reduce the cost of homeownership. Nonprofit organizations and local governments may obtain grant funds to enable them to provide technical assistance to groups of families work cooperatively to build their own homes. Typically, the future homeowners obtain section 502 direct loans to finance their home, however, other mortgage products have also been used. By providing their "sweat equity", the future owners help themselves as well as others in the group to own a home with a smaller mortgage than if the borrower paid full market price. It is estimated that a homeowner under the self-help method realizes, on average, a 10-15 percent reduction in construction costs while learning basic construction and maintenance skills. The Self-Help Program also builds a strong sense of community commitment and involvement among the participants.

Section 504 Rural Housing Loan and Grant Program. This program provides financial assistance to very low-income rural homeowners to remove health and safety hazards from their homes. Grants are limited to \$7,500 and are only available to elderly homeowners (those age 62 or over) whose incomes are 50 percent or less of the median in the rural area in which they live. At the Secretary's discretion, the grant limit can be increased to \$15,000.

Section 533 Housing Preservation Grant Program. This program provides financial assistance through non-profit groups and government agencies to very low- and low-income homeowners to repair their homes, and to rental property owners for the rehabilitation of units which will be rented to low- and very low-income families. Housing rehabilitated through this program must be brought up to local building codes.

Section 523 Rural Housing Site Loan Program. This program provides funds to non-profit organizations to develop building sites for participants in the RHS Self-Help housing program. The nonprofit organizations resell these improved sites to program participants at cost, thus passing on their savings in land and development costs. The interest rate on the loans is 3 percent, and the non-profit organizations repay the loans when they sell the properties. Self-Help participants who are able to purchase one of these improved sites generally have lower overall costs and thus require smaller RHS housing loans than those Self-Help participants who acquire their improved building site through the contract method.

Section 524 Rural Housing Site Loan Program. This program is similar to the Section 523 Rural Housing Site Loan program in that it provides loans to non-profit organizations to purchase and develop rural building sites. However, once developed the sites may be provided to any low- or moderate-income person, not just an RHS Self-Help participant. Loans are made at the Treasury's rate of interest.

Program Activity: Homeownership Programs	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 ESTIMATE	FY 2001 ESTIMATE
Program Level (direct and guaranteed)	\$3.87b	\$4.04b	\$4.50b	\$5.14b

PERFORMANCE GOALS AND INDICATORS	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 TARGET	FY 2001 TARGET
Improve the quality of life of residents of rural communities by providing access to credit for decent, safe, and sanitary housing.				
Total Units Sec. 502 Direct and Guaranteed 502 and Sec. 504 Loan and Grant	67,691	65,721*	77,653	81,519
Number of houses financed through the Section 502 Direct Loan Program (including credit sales)	17,214	16,145	17,782	20,661
Number of houses financed through the Section 502 Direct Loan (Natural Disaster) Program	NA	44	1,117	0
Number of houses financed through the Section 502 Guaranteed Loan Program	39,403	39,752	41,859	47,418
Number of existing houses improved (Section 504 Loans and Grants)	11,091	9,075	11,405	13,440
Number of existing houses improved (Section 504 Loans and Grants Natural Disaster)	NA	321	5,490	0
Number of jobs created (Direct 502)	15,687	14,257	15,900	18,400
Number of jobs created (Guaranteed 502)	23,248	21,409	22,500	25,500
Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.				
Number of borrowers assisted through leveraging (Direct 502)	4,459	5,371	5,500	10,488
Number of Guaranteed lenders participating in low-income housing finance	NA	1,147	1,721	2,581
Number of Rural Home Loan Partnerships	40	78	150	180
Provide effective supervision to minimize delinquencies and future loss.				
First-year delinquency rate	NA	5.3%	4.8%	4.3%

* Includes 384 Individual Water and Waste Disposal Grants.

Discussion of Performance Goals: Affordable housing help meet the Departmental goal to "Expand economic and trade opportunities for agricultural producers and other rural residents."

The primary purpose of the Homeownership program is to increase the inventory of decent, safe and sanitary housing units available to low- and very low-income families in rural areas. The agency is tracking the number of homes being built and the number of existing homes being improved to quantify this effort.

A key component of the Rural Development strategic plan is that all programs would develop partnerships with the other organizations involved in rural development. The purposes of these partnerships are to encourage strategic delivery of the programs of both organizations and to coordinate the delivery of technical assistance and financing to rural communities. Several performance measures relate to the leveraging of the program's funds which is the most likely outcome of the partnerships. Leveraging of funds extends the impact of Rural Development's limited funds and brings additional dollars into the development of rural communities.

The final indicator relates to effective management of the portfolio. Ensuring loans are repaid on time is a factor in any lending program. Since over 80 percent of RHS borrowers are first-time home owners, it is important they immediately establish a habit of paying their mortgage payment on time. The Agency pays close attention to the first-year delinquency rate to ensure that those borrowers who miss a payment are contacted immediately before they become hopelessly delinquent and no longer able to keep their home.

Means and Strategies: Achievement of the FY 2001 Performance Goals and Indicators is contingent upon receiving the program and general support resources indicated in this plan. The FY 2000 program levels and projected performance targets are based on Congressional appropriations and are not subject to changes that could impact a program's subsidy rate, such as fluctuations in the Treasury discount rate. As required by the Balanced Budget Act of 1997, the program-specific subsidy rates utilized in the development of the President's FY 2000 Budget will be used when establishing obligations of FY 2000 funds.

The President's Homeownership Initiative has helped raise the number of homeowners in the United States to an all time high. Through this initiative, RHS has developed financial and technical partnerships to extend the impact of Rural Development's limited funds and bring additional dollars into the development of rural communities.

While other Federal agencies have single family housing programs, RHS' programs are the only ones that focus on making affordable credit available to lower income, rural residents. Long term, fixed rate mortgage credit is less available, and more costly, in rural areas than metro areas. RHS' programs help to level the playing field for lower income families. Through its leveraging and loan guarantee programs, RHS is also helping the private sector, as well as State Housing Authorities and non-profits, reach into rural areas that they otherwise have had difficulty serving.

Verification and Validation: Data from the following systems can be used to verify and validate most performance measures:

- Program Loan Accounting System (PLAS)
- Guaranteed Loan Accounting System (GLAS)
- Dedicated Loan Origination and Servicing System (DLOS)

These systems track financial data, but generally not management data. These systems contain a variety of data edits to minimize the risk of inaccurate data being placed in the system. The systems are audited annually by OIG as a part of their development of an audited financial statement.

RENTAL HOUSING PROGRAMS

Section 515 Rural Rental Housing Direct Loans. The Section 515 program employs a public-private partnership by providing subsidized loans at an interest rate of 1% to limited-profit and non-profit developers to construct or renovate affordable rental complexes in rural areas. This 1 percent loan keeps the debt service on the property sufficiently low to support below-market rents affordable to low-income tenants. Many of these projects also utilize low-income housing tax credit proceeds. This program is typically used in conjunction with RHS Section 521 Rental

Assistance which provides project-based rental assistance payments to property owners to subsidize the tenant's rent at an affordable level. With rental assistance, tenants pay a maximum of 30 percent of their income towards their rent and utilities. Some 515 projects also utilize HUD's Section 8 project-based assistance which enables additional very low-income families to be served.

Section 538 Rural Rental Guaranteed Loan Program. This program provides affordable rental housing to low- to moderate-income people by providing 90 percent guarantees to certified lenders. For the for-profit sector, the guarantees cover 90 percent loan-to-value ratios. For the non-profit sector they cover 97 percent loan-to-value ratios.

Farm Labor Housing Direct Loans. Section 514 direct loans are available for farm owners, public bodies, and non-profit associations to provide living quarters, furnishings, and related facilities for domestic farm workers. The Section 514 loans have a 1 percent interest rate and a maximum term of 33 years. The Section 516 grants are used in conjunction with the loans to finance off-farm rental housing which will be affordable for low-wage farm workers. Grants are only available to a governmental or non-profit organization and may not exceed 90% of the total project cost. Section 521 rental assistance can also be used in conjunction with this program. Farm workers who lease Section 514/516 Farm Labor Housing units must be either US citizens or permanent residents. A majority of their income must come from farm work.

Section 521 Rental Assistance. In 1989, one in five rural households paid more than 30 percent of its income for housing costs. The Section 521 Rental Assistance Program helps to mitigate that rent overburden and also enable very low- and low-income rural residents to live in decent, safe, and sanitary housing. Rental Assistance is project-based assistance used in conjunction with the Section 515 and Section 514/516 programs. The program provides rental assistance payments directly to the owners of some RHS-financed rental projects under contracts specifying that Rental Assistance beneficiaries will pay no more than 30 percent of their income for rent. This subsidy goes to the unit, not to an individual tenant.

Program Activity: Rural Rental Housing	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 ESTIMATE	FY 2001 ESTIMATE
Program Level	\$761m	\$810m	\$902m	\$1.055b

PERFORMANCE GOALS AND INDICATORS	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 TARGET	FY 2001 TARGET
Improve the quality of life for the residents of rural communities by providing access to decent, safe, sanitary and affordable rental housing.				
Total Number of new units built (FY)				
3,942	3,942	5,351	5,668	8,654
Sec. 515	2,413	2,189	1,487	1,401
Sec. 514/516	419	622	719	801
Sec. 514/516 Natural Disaster	NA	0	169	0
Sec. 538	1,110	2,540	3,293	6,452
Total Number of units rehabilitated (FY)				
8,657	8,657	4,736	5,428	6,501
Sec. 515	5,472	2,340	3,694	4,115
Sec. 514/516	210	626	400	490

Sec. 533	2,975	1,770	1,334	1,896
Direct resources to those rural communities and customers with the greatest need.				
Average tenant income	Not yet available	Not yet available	Not yet available	Not yet available
Income of tenants who do not receive Rental Assistance	Not yet available	Not yet available	Not yet available	Not yet available
Income of tenants who receive Rental Assistance	Not yet available	Not yet available	Not yet available	Not yet available
Number of tenants who are rent overburdened	Not yet available	Not yet available	Not yet available	Not yet available
Number of households not displaced by loss of rental assistance (number of renewals)	34,385	38,311	41,800	42,800
Percent of tenants not displaced by loss of rental assistance	100%	100%	100%	100%
Additional tenants living in affordable, decent, safe, and sanitary housing	4,659	4,046	718	972
Percentage of projects that reflect racial/ethnic demographics of local area	Not yet available	Not yet available	Not yet available	Not yet available
Effectively manage the portfolio to minimize delinquencies and future losses.				
Number of projects with accounts less than 180 days past due	Not available	164	130	100

Discussion of Performance Goals: Affordable rental housing in rural communities helps achieve the Departmental goal to “Expand economic and trade opportunities for agricultural producers and other rural residents.”

Most communities in rural America have a scarcity of decent rental housing affordable to very low-income families. In addition, migrant workers and farm laborers, whose incomes are extremely limited, face some of the worst housing conditions in the nation. Despite improvements in housing quality, especially in the number of rural units with complete plumbing facilities, the 1990 census data indicated rural renters were more than twice as likely to live in substandard housing as people who owned their own homes. Many rural renters, with lower median incomes and higher poverty rates than homeowners, are simply unable to find decent housing that is also affordable. RHS’ rental housing programs are among the few resources that enable low- and very low-income, elderly and disabled renters in rural America to access decent, safe, sanitary, and affordable housing.

Funding for this program has been reduced substantially during the past few years while the rental units in the portfolio continue to age and require resources for rehabilitation. A major focus of the performance measures is on the agency’s efforts to maintain or increase the number of rental units available to house low- and very low-income families, at a rental rate affordable to the family. With over 86,000 of RHS’ current tenants rent overburdened, meaning that they pay more than 30 percent of their monthly income for rent, maintaining the number of occupiable, affordable units is

a significant challenge for the Agency. The Agency is tracking the number of units being built or rehabilitated as well as the impact of rental assistance on the families.

This program has also been the focus of several audits by the Inspector General related to fraud, waste, and abuse. A performance indicator related to effective management of the program to minimize delinquencies has been added for FY 2001.

Means and Strategies: Achievement of the FY 2001 Performance Goals and Indicators is contingent upon receiving the program and general support resources indicated in this plan. The FY 2000 program levels and projected performance targets are based on Congressional appropriations and are not subject to changes that could impact a program's subsidy rate, such as fluctuations in the Treasury discount rate. As required by the Balanced Budget Act of 1997, the program-specific subsidy rates utilized in the development of the President's FY 2000 Budget will be used when establishing obligations of FY 2000 funds.

The Agency is employing several key strategies to implement its program:

- Build leveraging partnerships to expand resources going into rural areas.
- Reinvent the Multi-Family Housing Program, including completion of automation projects to improve program management.

In order to stretch its resources, RHS is actively developing leveraging partnerships. Leveraging of funds extends the impact of Rural Development's limited funds and brings additional dollars into the development of rural communities. The Rural Rental Housing program has a history of fraud, abuse, and indifference to the health and safety of tenants: In reviewing the \$12 billion Rural Rental Housing Program, GAO and OIG previously identified a continuing history of fraud and abuse by owners and management companies, along with instances of indifference towards the health and safety of low-income and elderly tenants. The Agency has made substantial progress and, in the 1999 listing of high-risk areas, the MFH program was not included. However, the Agency continues to work on this area of concern.

Coordination with other Federal programs can substantially enhance the delivery of the Multi Family Housing programs under the appropriate circumstances. Low income housing tax credits, authorized through the Department of Treasury, can help make housing more affordable for very low-income tenants. Section 8 assistance from HUD also helps with affordability. RHS program dollars also help State government programs and non-profit organizations leverage their resources. These programs complement, rather than compete, with each other as our programs can help make these projects affordable for the community while helping to meet the public policy goals of other Federal and State agencies.

RHS loan guarantee programs enable private sector lenders to get more involved in rural financing. Our guarantee programs bring otherwise unavailable long term, fixed rate private sector credit to rural areas.

Verification and Validation: Data from the following systems can be used to verify and validate most performance measures:

- Program Loan Accounting System (PLAS)
- Guaranteed Loan Accounting System (GLAS)
- Multi-Family Housing Information System (MFIS)
- Multi-Family Housing Tenant Information System (MFTS)

These systems track financial data, but generally not management data. These systems contain a variety of data edits to minimize the risk of inaccurate data being placed in the system. The systems are audited annually by OIG as a part of their development of an audited financial statement.

COMMUNITY FACILITIES PROGRAMS

Community Facility Direct Loans. The direct loan program is for the purposes of constructing, enlarging, extending, or improving essential community facilities. Eligible applicants must demonstrate that they are unable to obtain capital from commercial sources. Applications for health and public safety projects receive the highest priority. The interest rate on these loans is determined by the median family income of the area to be served and ranges from 4.5 percent to 5.375 percent.

Community Facility Loan Guarantees. The criteria for the loan guarantees are the same as the direct loans. In the case of the guarantee program, the loans are offered by a private lender and the interest rate on the loan is negotiated between the lender and the borrower.

Community Facility Grants. This program was authorized under the Federal Agriculture Improvement and Reform Act of 1996. In most cases, the grant program is used in conjunction with the community facilities direct loan program to make essential community facilities affordable for the most needy communities, which often cannot afford even direct loans without additional subsidies.

Program Activity: Community Facilities	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 ESTIMATE	FY 2001 ESTIMATE
Program level	\$286m	\$278m	\$409m	\$484m

PERFORMANCE GOALS AND INDICATORS	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 TARGET	FY 2001 TARGET
Improve the quality of life for rural residents by providing new or improved essential community facilities				
Number of rural residents with improved standards of living through new or improved essential community facilities (in millions)	8.793	8	11	13
Number of jobs created or retained	9,911	9,600	13,500	15,700
<u>Community Health</u>				
Number of new or improved health care facilities	101	123	173	202
Number of new or improved elder care facilities	40	42	59	69
Number of beds available at new or improved elder care facilities	1,608	4,932	6,950	8,092
Number of new or improved health care in medically underserved areas	25	36	51	59
<u>Emergency Services</u>				
Number of new or improved fire and rescue facilities	75	72	101	118
Number of new or improved fire and rescue vehicles	171	140	195	228
<u>Education and Child Care</u>				
Number of new or improved child care centers	45	69	97	113

Number of children served by new or improved child care centers	4,548	5,628	7,900	9,200
Number of new or improved schools	38	32	44	51
Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.				
Number of funding partnerships	310	565	796	927
Number of borrowers assisted through leveraging	241	429	605	704

Discussion of Performance Goals/Indicators: The availability of needed community facilities in rural communities helps achieve the Departmental goal to “Expand economic and trade opportunities for agricultural producers and other rural residents.”

Since the programs began in 1965, over 80 different types of projects have been financed with Community Facility funds. Examples of these projects are child care centers, nursing homes, assisted living facilities, hospitals, health clinics, fire stations, libraries, telecommunications, school facilities, community buildings, and industrial parks. The development of performance measures for these programs is complicated by the wide variety of projects which can be funded. While applications are prioritized upon receipt, with health and safety receiving top priority, projects are generally funded in the order of receipt at the state-level to ensure equity in the distribution of funds. As a result, it is impossible to know ahead of time what the mix of funded projects will be during the fiscal year.

Community Facilities projects are grouped into three categories (Community Health, Emergency Services, and Education and Child Care) in order to simplify the presentation of performance measures. For each category there is one or more measures of the number of new or improved facilities to be provided in rural areas during the fiscal year. This output measure is supported, where possible, with an assessment of the impact of the project, such as the number of hospital beds added to the stock in rural communities or the number of children served in a day care facility.

A key component of the Rural Development strategic plan is that all programs would develop partnerships with the other organizations involved in rural development. The purposes of these partnerships are to encourage strategic delivery of the programs of both organizations and to coordinate the delivery of technical assistance and financing to rural communities. Two of the performance measures relate to the leveraging of the program’s funds which is the most likely outcome of the partnerships. Leveraging of funds extends the impact of Rural Development’s limited funds and brings additional dollars into the development of rural communities.

Means and Strategies: Achievement of the FY 2001 Performance Goals and Indicators is contingent upon receiving the program and general support resources indicated in this plan. The FY 2000 program levels and projected performance targets are based on Congressional appropriations and are not subject to changes that could impact a program’s subsidy rate, such as fluctuations in the Treasury discount rate. As required by the Balanced Budget Act of 1997, the program-specific subsidy rates utilized in the development of the President’s FY 2000 Budget will be used when establishing obligations of FY 2000 funds. Funds expended in any particular program could be impacted, however, by the movement of funds from one program to another as authorized by the Rural Community Advancement Program.

Specific strategies to achieve the performance goal include:

- Build leveraging partnerships to expand resources going into rural areas.
- Support Welfare Reform by promoting development of day-care facilities.

In order to stretch its resources, RHS is actively developing leveraging partnerships. The purposes of these partnerships are to encourage lender participation in providing financing to rural communities. The effort to move families off of welfare and into work requires the availability of affordable quality day care, which is often more limited in rural America. This can present a real barrier to a family who is trying to move out of poverty. RHS' community facilities programs can be used to finance both child and adult day care.

Coordination with other Federal programs enhances the delivery of the Community Facilities programs under the appropriate circumstances. Proposed projects must meet the standards of the Environmental Protection Agency and health facilities must meet the standards of Health and Human Services, in the same sense that they must meet the zoning and construction requirement of the state, county, or local government. These are issues of concern handled by the applicant's engineer. Other Federal agencies, such as the Economic Development Agency or Indian Health Service, or state agencies may be potential partners for joint funding if a specific project meets their requirements. RHS program dollars also help State government programs and non-profit organizations leverage their resources.

RHS loan guaranteed programs enable private sector lenders to get more involved in rural financing. The guaranteed programs bring otherwise unavailable long term, fixed rate private sector credit to rural areas.

Verification and Validation: Several performance indicators address the overall impact of the Community Facilities program while others support the various categories of projects normally funded by the program. One overall measure is an assessment of the number of rural residents whose quality of life will be improved by the Community Facilities projects financed during the fiscal year. This is, and will always be, a soft estimate but it is an attempt by the Agency to quantify the impact of the Community Facilities program on the rural population it serves. It cannot, in fact, be specifically measured, even at the end of the fiscal year, as there is a wide variation in the impact of projects and most have an impact far beyond the city limits of the town in which it is located. For example, the expansion of a hospital will provide improved medical care, and an improved quality of life, for people living miles from the town in which the hospital is located.

A second way the impact of the total program is quantified is through the estimation of the number of jobs created or retained as a result of the expenditure of Federal funds in the rural communities. This measure is also used by the other Rural Development agencies. Community Facilities funds are often construction related and the impact is established through the use of economic multipliers developed by the Department of Commerce.

Data to measure the performance measures will come from the following automated accounting systems:

- Program Loan Accounting System (PLAS)
- Guaranteed Loan Accounting System (GLAS)
- Rural Community Facilities Tracking System (RCFTS)

These systems are used by agency managers in their management of the programs. PLAS and GLAS are accounting systems designed to manage the agency's portfolio of direct and guaranteed loans. These systems contains a variety of data edits to minimize the risk of inaccurate data being placed in the systems. These two systems are audited annually by OIG as a part of their development of an audited financial statement.

RCFTS is a non-accounting management system which contains a variety of data related to Community Facilities projects, e.g., community populations and number of people served by each

project. Data in RCFTS is input by the field staff and does not contain edits to verify the accuracy of the data. Manual reports from State Director will be used to obtain data regarding several of the performance measures. This information will be less reliable since it is obtained manually and its accuracy cannot be verified. However, confidence in this data is high enough to be acceptable for the purposes for which it is being used.

Goal 3: Modern Affordable Utilities. “Rural Development will improve the quality of life of rural residents by promoting and providing access to capital and credit for the development and delivery of modern affordable utility services.”

Goal 3 of the mission area plan is specific to the programs administered by the Rural Utilities Service (RUS). The Agency is responsible for delivering electric and telecommunications programs as authorized by the Rural Electrification Act of 1936, as amended; distance learning and telemedicine grant programs as authorized by the Rural Economic Development Act of 1990, as amended; and water and waste programs authorized by the Consolidated Farm and Rural Development Act, as amended.

Objectives of Goal 3:

- 3.1 Provide financing for modern, affordable, water and waste disposal services in rural communities.
- 3.2 Provide financing for modern, affordable telecommunications, including Distance Learning/Telemedicine services, in rural communities.
- 3.3 Provide financing for modern, affordable electric service to rural communities.
- 3.4 Direct Rural Development resources to those rural communities and customers with the greatest need.
- 3.5 Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.

Program Activities supporting Goal 3: Water and Waste, Telecommunications, and Electric

	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 ESTIMATE	FY 2001* ESTIMATE
Funding (Appropriated)				
Program	\$2.837b	\$3.396b	\$4.292b	\$4.261b
S&E	\$65.982m	\$65.674m	\$68.153m	*
FTE's (Appropriated)	764	715	715	0

* The FY 2001 budget proposal provides for a combined S&E budget for all Rural Development agencies. The S&E and FTE will no longer be provided separately.

WATER AND WASTE PROGRAM

Water and Waste Disposal Direct Loans. Loans are made to public bodies, organizations operated on a not-for-profit basis, Indian tribes on Federal and State Reservations, and other Federally recognized Indian tribes, for the development of storage, treatment, purification, or distribution of water or for the collection, treatment, and disposal of waste in rural areas. A rural area may include an area in any city or town which has a population of not more than 10,000 inhabitants. Applicants must be unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms. Loans are repayable in not more than 40 years or the useful life of the facility, whichever is less. These loans bear interest not in excess of the current market yield for comparable term municipal obligations. Loans made in areas where: (1) the

median household income of the service area falls below the higher of 80 percent of the statewide non-metropolitan median household income or the poverty level; and (2) the project is needed to meet applicable health or sanitary standards, bear interest not in excess of 5 percent.

Water and Waste Disposal Guaranteed Loans. Eligible borrowers and loan purposes are similar to those under the direct water and waste disposal loan program, except that loans involving tax-exempt obligations and loans involving a water and waste disposal grant may not be guaranteed. Normally, the guarantee will not exceed 80 percent, however, in extraordinary circumstances it may be increased to a maximum of 90 percent. The interest rate is negotiated between the borrower and lender and may be at a fixed or variable rate.

Water and Waste Disposal Grants. Grants are made to public, quasi-public, and nonprofit associations, and to certain Indian tribes for the development, storage, treatment, purification, and distribution of water or the collection, treatment, or disposal of waste in rural areas. Grants are used for water and waste disposal projects serving the most financially needy communities to reduce user cost to a reasonable level. Grants may be made to communities that have a median household income that falls below the higher of the poverty line or 100 percent of the State's non-metropolitan median household income. P.L. 104-127, the Federal Agriculture Improvement and Reform Act of 1996, provided that not less than one percent, nor more than 3 percent, of the water and waste disposal grant funds appropriated each year be made available for technical assistance and training of eligible grantee associations for such purposes as assisting in identifying and evaluating alternative solutions to problems relating to water and waste disposal, preparing applications, and improving operation and maintenance practices at existing facilities.

Solid Waste Management Grants. Grants are made to nonprofit organizations to provide technical assistance in rural areas and towns up to 10,000, and to provide technical assistance to local and regional governments and related agencies for the purpose of reducing or eliminating pollution of water resources and improve planning and management of solid waste disposal facilities.

Program Activity: Water and Waste	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 ESTIMATE	FY 2001 ESTIMATE
Program level	\$1.32b	\$1.301b	\$1.287b	\$1.614b

PERFORMANCE GOALS AND INDICATORS	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 TARGET	FY 2001 TARGET
Provide rural residents with modern, affordable water and waste services.				
Rural people receiving safe, affordable drinking water from water systems financed by W&W loans and grants	1,302,269	1,314,012	1,340,000	1,673,000
Rural people served who did not previously have public water service (includes Water 2000 projects)	637,188	748,776	763,000	953,000

Rural people receiving safe, affordable waste disposal service through waste disposal systems financed by W&W loans and grants.	608,429	583,559	595,000	743,000
Rural water systems developed or expanded which provide quality drinking water in compliance with the Safe Drinking Water Act	617	579	590	737
Rural waste disposal systems developed or expanded which provide quality waste disposal service in compliance with State and Federal environmental standards	346	328	334	418
Total jobs generated as a result of facilities constructed with W&W funds	35,720	33,017	34,839	42,000
Direct program resources to those rural communities with the greatest need.				
Number of RUS W&W assistance projects in the 540 persistent poverty counties	211	247	252	314
Total W&W project cost	\$264m	\$298m	\$315m	\$382m
RUS amount	\$223m	\$257m	\$246m	\$298m
Special initiative - number of projects and amount of W&W funding (in millions)				
EZ/EC	29 (\$29.5)	28 (\$21)	73 (\$35)	74 (\$35)
Colonias	38 (\$19.6)	38 (\$22)	33 (\$20)	40 (\$22)
Pacific Northwest	27 (\$34.3)	34 (\$32)	0	0
Alaskan Villages	9 (\$6.3)	14 (\$29)	24 (\$20)	23 (\$20)
Guaranteed Loans	14 (\$15.4)	7 (5.8)	49 (\$75)	49 (\$75)

Discussion of the Performance Goals: The availability of adequate, safe drinking water and waste disposal facilities helps achieve the Departmental goal to “Expand economic and trade opportunities for agricultural producers and other rural residents.”

A Presidential initiative to address the need for clean water was launched by the Clinton Administration in August 1994. The Water 2000 Initiative targets resources to the rural people who have some of the nation’s most serious drinking water availability, dependability, and quality problems. This number includes the approximately 700,000 rural Americans without access to drinking water in their homes.

One of the Objectives in the mission area's strategic plan is the intent to direct resources to those communities and customers with the greatest need. This includes areas that have been consistently poor, have high unemployment rates, have out-migration, have experienced natural disasters, or experienced economic stress due to Federal action, such as changes in Federal policy related to timber production. Several performances indicators relate to achieving this Objective.

Means and Strategies: Achievement of the FY 2001 Performance Goals and Indicators is contingent upon receiving the program and general support resources indicated in this plan. The FY 2000 program levels and projected performance targets are based on Congressional appropriations and are not subject to changes that could impact a program's subsidy rate, such as fluctuations in the Treasury discount rate. As required by the Balanced Budget Act of 1997, the program-specific subsidy rates utilized in the development of the President's FY 2000 Budget will be used when establishing obligations of FY 2000 funds. Funds expended in any particular program could be impacted, however, by the movement of funds from one program to another as authorized by the Rural Community Advancement Program.

Specific strategies to achieve the performance goals include:

- Build leveraging partnerships to expand resources going to rural areas.
- Where applicable, direct resources to the neediest projects and communities.
- Work with local communities and other borrowers to ensure funds are invested wisely.
- Achieve the goals of Water 2000 by bringing safe, clean drinking water to every rural household.

RUS has established and monitors annual priority performance goals for State delivery of programs which include targeting of program resources to target communities and customers. In addition, priority selection criteria that supports those targeted areas and customers have been established, are published in the program regulations, and are used in funding decisions.

Verification and Validation: Most of the data used in the Performance Indicators are taken from internal RUS and Rural Development Mission Area records. Data to measure the performance measures will come from the following automated systems:

- Program Loan Accounting System (PLAS)
- Guaranteed Loan Accounting System (GLAS)
- Rural Community Facilities Tracking System (RCFTS)

These systems are used by agency managers in their management of the programs. PLAS and GLAS are accounting systems designed to manage the agency's portfolio of direct and guaranteed loans. These systems contains a variety of data edits to minimize the risk of inaccurate data being placed in the systems. The three systems are audited annually by OIG as a part of their development of an audited financial statement.

The number of systems financed and loan and grant amounts are available from Rural Development accounting records.

The numbers of people served and the number of new and expanded water systems financed are available from the Rural Community Facilities Tracking System. RCFTS is a non-accounting management system which contains a variety of data related to water and waste projects, e.g., community populations and number of people served by each project. Data in RCFTS is input by the field staff and does not contain edits to verify the accuracy of the data. Information from the USDA Economic Reporting Service will be used to identify persistent poverty counties and persistent out-migration counties.

RUS has had long experience with these data and is highly confident of their accuracy. Non-RUS data are identified by source and are also considered very reliable. Confidence in this data is high enough to be acceptable for the purposes for which it is being used.

TELECOMMUNICATIONS PROGRAM

Telecommunications Loans. Loans are made to furnish and improve telephone service, including a variety of related telecommunications purposes, in rural areas. Direct loans are made to rural telecommunications systems and guarantees are provided for loans made by other lenders, such as the Federal Financing Bank. These loans help to ensure that there is an “on ramp” to the Information Superhighway in rural America. The interest rate charged to borrowers depends on the financial condition of an individual borrower system and the costs associated with serving rural subscribers. The interest rate on most loans is a variable rate tied to the Government’s cost of money. Cost of money loans are supplemented by loans from the Rural Telephone Bank (RTB). A portion of a borrowers’ needs are met by RUS loans, and a portion by RTB loans. The ratio of RUS funding to RTB funding is determined by the ratio of RUS and RTB levels authorized by Congress. The most rural systems are eligible for loans at a hardship rate of 5 percent. Borrowers may also apply for RUS guaranteed Federal Financing Bank loans.

Rural Telephone Bank Loans. The Rural Telephone Bank is a public-private partnership that supplements the RUS telecommunications program by providing another source of capital for furnishing and improving rural telecommunications systems. Loans made by the RTB bear interest at a rate equal to its cost of capital, which currently approximates the Treasury’s cost of funds. The RTB is managed by a 13-member board of directors that includes 2 members from the private sector, 5 general officers of USDA, and 6 members elected by RTB shareholders. RTB’s day-to-day operations are conducted by employees of USDA and the telecommunications program, with no additional cost to the taxpayer. The Fiscal Year 2000 Budget proposed that the RTB operate as a Performance-Based Organization (PBO). As a PBO, the RTB would pay its own salaries and expenses as well as provide loan subsidies from internal funds in its liquidating account. The RTB would become a private entity within 10 years.

Distance Learning and Telemedicine Loans. This program provides financial assistance to rural community facilities, such as schools, libraries, hospitals, and medical centers. In addition, funding is available for other entities providing distance learning and telemedicine services in rural areas. In the Telecommunications Act of 1996, Congress and the President recognized the special challenge of rural education and health care and the role telecommunications plays in delivering high quality service. This program helps address the end-user equipment needs of these systems. Loans and grants are made to encourage, improve, and make affordable the use of advanced telecommunications that will provide educational and health care benefits to people living in rural areas. Program results have demonstrated that substantial cost savings and dramatic benefits can be achieved by investments made in educational and medical interactive video, Internet, and other information networks for rural Americans.

Program Activity: Telecommunications Program	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 ESTIMATE	FY 2001 ESTIMATE
Program level	\$565m	\$461m	\$670m	\$670m

PERFORMANCE GOALS AND INDICATORS *	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 TARGET	FY 2001 TARGET
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Provide modern, affordable telecommunications services to rural communities.				
Number of new residents and businesses receiving service	226,002	170,000	247,000	284,000
Jobs generated as a result of facilities constructed with Telecommunication funds	13,002	10,603	15,400	17,700
Schools receiving transmission facilities for distance learning applications	16	15	22	25
Maximize the leveraging of loan funds to increase the number of rural residents assisted.				
Leveraging of telecommunications financial assistance (private investment to RUS and RTB funding)	\$4.70:1	\$5.22:1	\$5.00:1	\$5.00:1

* Indicators based on program funding of \$670m plus \$100m for broadband and dial-up internet services included in DLT funding.

Program Activity: Distance Learning and Telemedicine Program	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 ESTIMATE	FY 2001 ESTIMATE
Program level	\$16m	\$68m	\$220m	\$427m *

* Includes \$100m for broadband and dial-up internet service. The performance indicators for this \$100m are included in the Telecommunications Program.

PERFORMANCE GOALS AND INDICATORS	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 TARGET	FY 2001 TARGET
Provide distance learning and telemedicine services, utilizing telecommunications technologies, to rural communities.				
Number of schools receiving distance learning facilities	253	287	1,800	2,680
Number of rural residents and businesses receiving education or training over distance learning facilities (in millions)	0.4	0.2	2.8	4.0
Number of health care providers receiving telemedicine facilities	127	131	3,130	4,670
Maximize the leveraging of loan funds to increase the number of rural residents assisted.				

Leveraging of telemedicine and distance learning financial assistance (private investment to RUS funding)	\$2.0:1	\$1.45:1	\$2.0:1	\$2.0:1
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Discussion of the Performance Goals: The availability of modern telecommunications helps achieve the Departmental goal to “Expand economic and trade opportunities for agricultural producers and other rural residents.”

The Telecommunications Act of 1996 represents the most comprehensive rewrite of the Communications Act of 1934 and the most sweeping telecommunications reform ever. The passage of this legislation is bringing about a whole new world of telecommunications services and technologies. It will also create a new industry structure setting new ground rules. New competitors are entering the telecommunications industry. One of the most dramatic occurrences is the opening of the local loop and the development of competition in a previously regulated industry. The rural provisions in the Act set forth revisions for “Universal Service” and the structure for allowing competition, infrastructure sharing, and resale in rural areas. The specific rules and requirements are being forged by new Federal Communications Commission rulings, state public utilities commission proceedings in each state, and in many cases, state proceedings with each separate RUS borrower. RUS has the responsibility to represent rural Americans in this process and in this new environment.

Rural economic development is critical as communities across the country struggle to keep pace with today’s fast moving information-based economy. Barriers to local rural development result from the lack of access to adequate financing and the vastness of space and distance which isolate rural communities from the mainstream of today’s economy. The development and implementation of the Information Superhighway as part of the National Information Infrastructure Initiative (NII) is a solution which can help to overcome these barriers.

Means and Strategies: Achievement of the FY 2001 Performance Goals and Indicators is contingent upon receiving the program and general support resources indicated in this plan. The FY 2000 program levels and projected performance targets are based on Congressional appropriations and are not subject to changes that could impact a program’s subsidy rate, such as fluctuations in the Treasury discount rate. As required by the Balanced Budget Act of 1997, the program-specific subsidy rates utilized in the development of the President’s FY 2000 Budget will be used when establishing obligations of FY 2000 funds.

Specific strategies to achieve the performance goals include:

- Build leveraging partnerships to expand resources going to rural areas.
- Where applicable, direct resources to the neediest projects and communities.
- Implement the President’s National Information Infrastructure Initiative, thereby increasing educational and health care levels in rural areas.

Verification and Validation: The data used in the Performance Indicators are taken from internal RUS records rather than from automated accounting systems. The number of residents and businesses receiving service for the first time are available from information collected from Loan Application and Loan Feasibility Study, RUS Form 496. Estimates are based on loan studies for the number of new subscribers to be served using loan funds and adjusted to reflect the number of people receiving service through a single subscribership. A multiplier of 3 is used to reflect the number of persons per household and business.

The number of residents and businesses with improved service is also available from Loan Application and Loan Feasibility Study, RUS Form 496, utilizing an estimation process similar to the one described above. For instance, a new digital switch would certainly improve all service in

the exchange where the switch was located and would also improve all service to other exchanges calling into that exchange. Generally, RUS considers the total subscribers of a borrower receiving a loan as subscribers receiving improved service.

Telecommunications leverage ratio is available from RUS form 479, Part F, Funds Invested in Plant During Year. The ratio is derived using total non-RUS loan funds expended for telecommunications plants versus RUS loan funds expended for the same period. Information on the number Schools receiving transmission facilities for DL applications comes from RUS Form 493c, Loan Funds data. (Information collected from the loan design, submitted with the application, and compiled in RUS Form 493c for each borrower).

While this information is provided by the applicant and is not subject to audit, it is considered to be sufficiently accurate for management's purposes and for the purposes for which it is being used.

ELECTRIC PROGRAM

Electric Distribution Direct Loans. These loans are made to finance electric distribution facilities. The interest rates are tied to the economic conditions of the areas served and the costs of providing service to that area. Most loans are made at an interest rate tied to a published index of municipal interest rates. Most RUS-financed systems eligible for the municipal rate loans are also eligible to have their interest rate capped at 7 percent. RUS-financed systems that serve in more distressed areas can qualify for loans at a hardship rate of 5 percent. Factors taken into account include consumer density, extremely high residential rates or large rate disparity, and per capita income levels. RUS electric borrowers provide service in the vast majority of the poorest non-metropolitan counties and the non-metropolitan counties experiencing the greatest out-migration.

RUS provides only part of the financing needs for most distribution systems. The borrower obtains the balance from the private sector. Generally, borrowers supply approximately 50 percent of their capital needs with internally generated funds. Of their remaining capital needs, RUS provides approximately 70 percent and the private sector provides 30 percent. RUS has recently streamlined procedures for sharing the Government's lien to better accommodate these systems.

Guaranteed Loans. RUS guarantees loans made by the Federal Financing Bank (FFB), CoBank - National Bank for Cooperatives and National Rural Utilities Cooperative Finance Corporation (CFC) to finance electric generation, transmission and distribution facilities. The interest rate on FFB loans is based on the Treasury's cost of money plus 1/8 percent. Most loans are made for 35 years and are secured by the borrower's electric system assets. In order to ensure the availability of capital to maintain their electric infrastructure, many borrowers apply for RUS loans every few years.

Program Activity: Electric Program	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 ESTIMATE	FY 2001 ESTIMATE
Program level	\$925m	\$1.566b	\$2.115b	\$1.550b

PERFORMANCE GOALS AND INDICATORS	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 TARGET	FY 2001 TARGET
Provide modern, affordable electric service to rural residents and communities.				

Jobs created as a result of facilities constructed with Electric funds	21,275	36,018	48,600	35,600
Number of rural electric systems upgraded	160	179	200	180
Number of consumers benefitting from system improvements (millions)	2.7	2.8	3.1	2.8
Direct program resources to those rural communities with the greatest need.				
Electric loans (number and amount) to clients serving persistent poverty counties (RUS-financed electric systems provide service in 523 of the 540 identified persistent poverty counties) (Dollars in millions)	74 \$539	72 \$538	84 \$889	83 \$715
Electric loans (number and amount) to clients serving persistent out-migration counties (RUS financed electric systems provide service to 655 of the 700 counties identified as having net out-migration) (Dollars in millions)	72 \$286	83 \$379	84 \$889	88 \$758
Maximize the leveraging of loan funds to increase the number of rural residents assisted.				
Leveraging of rural electric financial assistance (private investment to RUS funding)	\$2.60:1	\$2.70:1	\$2.73:1	\$2.87:1

Discussion of Performance Goals: The availability of an adequate supply of electricity is critical to achieving the Departmental goal to “Expand economic and trade opportunities for agricultural producers and other rural residents.”

The electric industry is rapidly moving toward a new era of deregulation and intense competition. As more states move toward deregulation, opening up the electric infrastructure to retailing and driving the forces of competition, the rural consumer and the rural provider faces particular challenges. For example, RUS electric borrowers average only 6 consumers per mile compared to 35 consumers per mile for investor-owned electric utility systems. As the competitive nature of the industry heightens, it will be extremely important to rural electric consumers that rural electric providers have access to reasonably priced capital. The electric program fulfills the continuing purpose of ensuring that rural residents continue to be served with reliable and affordable electricity.

The performance goals for the electric program fall into three major categories. One set of goals reflects the impact of RUS on rural residents by measuring the number of rural individuals, families, businesses, and communities whose quality of life has been enhanced with improved electric and telecommunications services, distance learning and telemedicine programs, and improved access to clean water and waste water disposal. Since most of the loans are for construction purposes, a second set measures the impact of the projects on the community through the creation of jobs. The third category of goals reflect the agency’s success in

implementing two key themes of the Rural Development mission area strategic plan, directing resources to the neediest communities and leveraging of financial resources.

Means and Strategies: Achievement of the FY 2001 Performance Goals and Indicators is contingent upon receiving the program and general support resources indicated in this plan. The FY 2000 program levels and projected performance targets are based on Congressional appropriations and are not subject to changes that could impact a program's subsidy rate, such as fluctuations in the Treasury discount rate. As required by the Balanced Budget Act of 1997, the program-specific subsidy rates utilized in the development of the President's FY 2000 Budget will be used when establishing obligations of FY 2000 funds.

Specific strategies to achieve the objectives include:

- Build leveraging partnerships to expand resources going to rural areas.
- Where applicable, direct resources to the neediest projects and communities.
- Continue the advocacy for Rural America as in policies resulting from deregulation of electric utilities.

Coordination with other Federal programs is not required for the delivery of the electric program. Proposed projects must meet the standards of the Environmental Protection Agency (EPA) in the same sense that they must meet the zoning and construction requirement of the state, county, or local government. These are issues of concern handled by the applicant's engineer. Other Federal agencies, or state agencies, may be potential partners for joint funding if a specific project meets their requirements.

Verification and Validation: Most of the data used in the Performance Indicators are taken from internal RUS and Rural Development Mission Area records. Data to measure the number of loans, loan amounts, number of borrowers, and funds advanced are performance measures will come from the RUS Loan Servicing System (RUSLS). This automated accounting system is designed to manage the agency's portfolio of direct and guaranteed loans. The system contains a variety of data edits to minimize the risk of inaccurate data being placed in the system. RUSLS is audited annually by OIG as a part of their development of an audited financial statement.

Consumers served, counties served, and investment in infrastructure is available from RUS borrower reported statistics. While this information is not audited, it is considered to be sufficiently accurate for management's purposes.

The identification of persistent poverty counties and persistent out-migration counties is available from the USDA Economic Research Service.

MANAGEMENT INITIATIVES

The following activities support the management initiatives. Funding of the resources necessary for the initiatives' implementation is included in the Salary and Expenses funding for the individual agencies, but is not quantified at the initiative level.

MANAGEMENT INITIATIVE 1: Community Capacity Building.

Rural Development will provide information, technical assistance, and, when appropriate, leadership to rural areas, rural communities and cooperatives to give their leaders the capacity to design and carry out their own rural development initiatives.

Program Activities: All

Funding and FTE's: All funds are appropriated and are included under the program goals.

PERFORMANCE GOALS AND INDICATORS	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 TARGET	FY 2001 TARGET
Increase the Capacity of Rural Communities and Their Leaders				
Rural communities that apply for non-USDA Rural Development assistance to implement their community plans.	NA	612 communities	400 communities	400 communities
Partnerships Built that Implement a Technical Assistance Network for Communities within each State.			235 partnerships	235 partnerships
Create or save jobs in EZ/EC and REAP communities.	NA	2288 jobs	1000 jobs	1000 jobs
Maximize Resources Available in EZ/ECs.				
Ratio of non-EZ/EC grants to EZ/EC grants	NA	8.4:1	7:1 or greater	7:1 or greater

Discussion of Performance Goals: This management initiative supports USDA Goal I --- "Expand economic and trade opportunities for agricultural producers and other rural residents."

The community development performance goals indicate Rural Development's success in helping rural communities plan and implement effective community development programs. The EZ/EC, Centers of Excellence, Tribal colleges, and the various initiatives mentioned in the goals are Presidential, Secretarial, and other special initiatives designed to address unique needs of the region or population and reflect the mission area's desire to target its resources to the neediest communities. Since jobs are vital to any prospering community, the measurement of jobs created or saved through the community development initiatives is quite significant and meaningful. The final measure ties our community development efforts to the mission area's desire to maximize partnerships and the leveraging of funds.

Means and Strategies: Rural Development has designated staff at the National and state levels to work closely with the EZ/EC communities and communities in the other initiatives in order to ensure this work is completed. Their task is to provide guidance to rural leaders on sources of technical assistance in the assessment of their community's strengths, develop plans for the future, and prepare applications for assistance to implement those plans. This staff works closely, at the local level, with local and state coordinating bodies, such as planning districts and the State Rural Development Councils, to identify alternative sources of funding and technical assistance for rural projects.

Verification and Validation: A manual process to measure the community development indicators has been established utilizing data provided by the State Directors. While its accuracy cannot be verified, confidence in this data is high enough to be acceptable for the purposes for which it is being used.

MANAGEMENT INITIATIVE 2: Innovation, Learning and Continuous Improvement.

Rural Development will design and implement new and innovative internal initiatives which strengthen its ability to help rural residents and communities.

Program Activities: All

Funding and FTE's: All funds are appropriated and are included under the program goals.

PERFORMANCE GOALS AND INDICATORS	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 TARGET	FY 2001 TARGET
Enhance and Build Information Systems Which Support the Mission Area's Programs				
Implement an operational New Guaranteed Loan System (GLS)	NA	Phase 1 Completed	Phase II, III, & IV completed. Phase V, Funds Reservation system, completed.	Continue Phased Implementation
Operationalize the Community Utilities and Business System	NA	40% operational	60% operational	80% operational
Develop Programs Funding Control System	NA	Reviewed NFC and other USDA and completed cost analysis	Request for Proposal under Development	Award Commercial Off-The - Shelf software contract
Manage the Mission Area's Financial Resources Efficiently and Effectively				

Implementation of EFT in compliance with DCIA requirements	NA	32%	50%	60%
Credit Reform - % of programs with clean opinion from OIG	30%	0%	100%	100%
Implement Foundation Financial Information System (FFIS)	NA	0%	Follow USDA OCFO guidelines and schedules for implementation	Follow USDA OCFO guidelines and schedules for implementation
Reach management decision on OIG financial management audit recommendations within 6 months of audit report issuance	NA	90%	90%	90%
Percent of material FMFIA deficiencies corrected timely	NA	NA	50%	50%
Obtain clean and timely audit opinion on audited financial statements	Create task force	Receive qualified opinion	Obtain clean opinion	Obtain clean opinion

Discussion of Performance Goals: This management initiative supports USDA Management Initiative 4 - "Improve financial management and reporting."

Rural Development is constantly pursuing improvements in its financial management and financial systems. The performance goals reflect the mission area's efforts in two categories. One category reflects our success in implementing statutory requirements, such as the Debt Collection Improvement Act (DCIA), and Departmental or mission area priority initiatives, such as the integrated financial management system and the program funding control system. The second category reflects our continuing concerns regarding internal controls and the concerns of our auditors, with emphasis given to progress related to achieving an unqualified opinion on the financial statement.

Means and Strategies: Meeting the performance goals is contingent upon receiving the level of staff and S&E resources requested in the President's budget as most of these indicators are dependent upon a significant level of systems development if they are to be achieved.

Achievement of an unqualified opinion on the mission area's financial statement is currently dependent upon resolving concerns raised by OIG related to subsidy estimates for each loan program as required by credit reform. Through cooperation with the USDA Chief Financial Officer, OMB, OIG and GAO, the Under Secretary has established a special task force to pursue and resolve these concerns. Their efforts will involve the development of new subsidy models. The completion date for this task force effort is unknown.

A task force composed of staff from the programs, information systems, accounting, and financial management have reviewed the requirements of DCIA and developed a plan documenting

internal actions required to implement each requirement. This plan is updated and reviewed monthly.

Rural Development will implement the Foundation Financial Information System (FFIS) for its Salaries and Expense Appropriation activity. A task force composed of staff from the Budget Division and Deputy Chief Financial Officer will develop the business requirements for Rural Development's interface to the FFIS. The task force will follow the guidelines and schedule for implementation issued by the USDA Chief Financial Officer.

Verification and Validation: Rural Development will verify and validate accomplishment of these goals against data residing in existing internal management reports, such as the IRM planning documents, DCIA monthly reports, credit reform task force progress reports, and the audit tracking system. This information, while not audited, is considered to be sufficiently accurate by management to use for management purposes.

MANAGEMENT INITIATIVE 3: Employee Excellence.

Rural Development will create and sustain a work environment that develops and fosters partnerships, cooperation, full and open communications, teamwork, mutual respect, and maximum individual development.

Program Activities: All

Funding and FTE's: All funds are appropriated and are included under the program goals.

PERFORMANCE GOALS AND INDICATORS	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 TARGET	FY 2001 TARGET
Enhance Human Resource Systems to Ensure They Are Fair and Equitable to All Employees				
Implementation of new policies and practices related to work schedules and leave	NA	NA	Obtain Partnership Council approval and provide training as needed	Implemented
Implement annual civil rights training for all employees	NA	Implemented	Ongoing	Ongoing

Discussion of Performance Goals: This initiative supports USDA Management Initiative I --- "Ensure that all customers and employees are treated fairly and equitably, with dignity and respect."

Fairness and equity, both in program delivery and human resource management, have been critical issues to the Secretary and the Under Secretary. This goal ensures the mission area is actively responding to these concerns.

Means and Strategies: The availability of adequate resources (staff, training funds, and travel funds) is the key criteria to Achievement of this performance goal.

Verification and Validation: The records of the Human Resources staff and the Civil Rights staff will be sufficient to verify the achievement of the indicators. While this information is not subject to audit, it is considered adequate for management's purposes.

MANAGEMENT INITIATIVE 4: Quality Customer Service.

Rural Development will foster and continually strengthen an internal culture that focuses on and is driven by customer needs, both internally and externally, that systematically acts to make internal processes and individual actions responsive to the needs of customers, and that assures that all customers and employees are treated fairly, equitably, and with dignity and respect.

Program Activities: All

Funding and FTE's: All funds are appropriated and are included under the program goals.

PERFORMANCE GOALS AND INDICATORS	FY 1998 ACTUAL	FY 1999 ACTUAL	FY 2000 TARGET	FY 2001 TARGET
Reduce backlog of Program and EEO Complaints	NA	36% program 75% EEO	25%	25%
Obtain Feedback from Program Customers				
Business and Industrial Loans	Focus Group and Survey	NA	Reconcile survey findings to program operations	Implement findings in program operations
Cooperative Services	Survey	Completed Survey	Survey	Survey
Single Family Housing	NA	Completed Survey	Reconcile survey findings to program operations	Participate in the SCIT Customer Service Activities
Water and Waste	NA	Did Not Survey	NA	NA
Electric Program	NA	Did Not Survey	Survey	Reconcile survey findings to program operations
Telecommunications	NA	Did Not Survey	NA	Survey

Discussion of Performance Goals: This management initiative supports USDA Management Initiative 1, "Ensure that all customers and employees are treated fairly and equitably, with dignity and respect." and USDA Management Initiative 2 --- "Improve customer service by streamlining and restructuring county offices." Equity in program delivery and employment is a priority. The performance measure related to effective management of complaints reflects the mission area's

commitment to this priority.

It is critical that the agencies deliver the programs in a way that meets the needs of the customers and ensures that all program recipients are treated equally. The performance measures reflect the mission area's efforts to obtain feedback from customers on how they are treated and how the various processes they encounter impact them. This is the first step in ensuring our programs are delivered in a customer-focused manner. Each program has a variety of potential target audiences (new applicants, existing customers, and recipients of specific servicing actions) which could be surveyed over a period of years. Information received in this process will be helpful in identifying changes needed in our lending and servicing processes. Once identified, there is a limited need to obtain additional feedback from a target audience until needed changes have been made in regulations and processes.

Means and Strategies: The strategy for reducing complaints of program and employment discrimination is two-fold. First, priority will be given to processing existing complaints. Second, training related to diversity sensitivity, customer service, and conflict resolution is being provided in order to avoid future complaints.

The mission area is utilizing the services and expertise of the Service Center Implementation Team's (SCIT) Quality Customer Service Team which has obtained a three year generic clearance from OMB for a variety of customer service information collections. Rural Development customers will be included in the annual surveys conducted by the Team with the results made available for agency use. In addition the Team is in the process of implementing a comment/complaint card system which will be available at USDA service centers in order to give all service center customers a means for providing feedback about the quality of service received. Our ability to conduct meaningful surveys requires the availability of financial and staff resources.

Verification and Validation: Quarterly reports from State Civil Rights Managers will be used to report on progress towards civil rights and EEO performance measures. Verification of surveying activity will be determined by the surveying activities conducted during the year.

SUMMARY OF RESOURCES FOR FY 2000

(Dollars in Billions)

	GOAL 1	GOAL 2	GOAL 3	TOTAL
Rural Business /Cooperative Service	\$1.068 304 FTEs			\$1.068 304 FTEs
Rural Housing Service		\$5.811 6,081 FTEs		\$5.811 6,081 FTEs
Rural Utilities Service			\$4.292 715 FTEs	\$4.292 715 FTEs
Total	\$1.068 304 FTEs	\$5.811 6,081 FTEs	\$4.292 715 FTEs	\$11.171 7,100 FTEs

SUMMARY OF RESOURCES FOR FY 2001

(Dollars in Billions)

	Goal 1	Goal 2	Goal 3	Total
Rural Business /Cooperative Service	\$1.463 **			
Rural Housing Service		\$6.679 **		
Rural Utilities Service			\$4.261 **	
Total	\$1.463 **	\$6.679 **	\$4.261 **	\$12.403 7020 FTEs

** The FY 2001 budget proposal provides for a combined S&E budget for all Rural Development agencies. The FTE will no longer be shown separately.

(Note: Funding for management initiatives has been included under the program goals for both Fiscal Years.)