RURAL DEVELOPMENT

INTRODUCTION

The Rural Business-Cooperative Service (RBS), the Rural Housing Service (RHS), and the Rural Utilities Service (RUS) constitute the Rural Development mission area. The mission area's efforts support Goal 4 of the USDA Strategic Plan — "Enhance the capacity of all rural residents, communities and businesses to prosper."

The staffs of these agencies have been, and will continue to be, important providers of financial and technical assistance to rural communities. Their efforts in the past have helped millions of rural Americans achieve a higher standard of living and have enabled them to live healthier, more productive, and more enjoyable lives. Much, however, remains to be done. The development of rural America is a difficult and complicated task in the best of circumstances. The mission area is charged with being the lead Federal entity for rural development in an era of dwindling Federal resources and in the face of rapid changes in the global economy. Substantial challenges exist for both rural America and the mission area.

This plan covers fiscal years 2000 through 2005. It is an update of the mission areas' first Strategic Plan published in September 1997. The plan will be reviewed annually and updated every 3 years.

Rural America is diverse and complex. The thousands of communities which make up rural America are at different stages in their adjustment to the forces which impact our national economy. Some communities have adjusted well and are prospering. There are, however, regions of the country, and pockets in every State, where unemployment and poverty are widespread. Between these two extremes are numerous individual communities, throughout the country, with major unmet needs. Until these needs are met, these communities have a very limited ability to attract the job-creating businesses needed for the community to grow and prosper in the future.

Even though rural communities are very diverse, with each one having its own unique needs, most of them share a common problem - difficulty in obtaining financing for needed improvements. This problem is exacerbated by the limited number of available users to support the repayment of debt, the high cost per user of rural projects due to their small scale, and the lack of expertise in many rural communities in the technical aspects of project development and management. Most small rural communities do not have bond ratings, which makes it nearly impossible for them to obtain private sector financing. Rural residents and businesses encounter similar problems in obtaining financing. Financing for homes or businesses in small rural communities is often very limited due to the small number of interested lenders in the area. There may also be a high potential for loss in case of financial failure due to a number of factors including the lack of economic diversity in the community and the limited number of people who might be interested in assuming the debt or buying the property securing the debt.

Rural Development programs are designed to meet the diverse needs of rural communities and to help them obtain the financial and technical assistance needed to improve the quality of life in rural America and help individuals and businesses compete in the global marketplace. These programs consist of a variety of loan, loan guarantee, and grant programs, plus technical assistance, in the areas of business and industry; cooperative development; rural housing; community facilities; water and waste disposal; electric power; and telecommunications, including distance learning and telemedicine.

Rural Development loan programs, with an outstanding portfolio of approximately $79.6 billion, are delivered through a National Office for each agency, 47 Rural Development State offices and a network of other field offices. The mission area is supported by a Finance Office in St. Louis, Missouri, which provides accounting support for all mission area programs, and a Centralized Servicing Center, also in St. Louis, which services the direct single-family housing portfolio.

The mission of the Rural Business-Cooperative Service is “to enhance the quality of life for all rural Americans by providing leadership in building competitive businesses and sustainable cooperatives that can prosper in the global marketplace.” RBS accomplishes this mission by investing its financial resources and technical assistance in businesses and cooperatives, and by building partnerships that leverage public, private, and cooperative resources to create jobs and stimulate rural economic activity.

The Rural Housing Service’ mission is “to improve the quality of life in rural America and help build competitive, vibrant rural communities through its community facilities and housing programs.” Two of the key components of a healthy community are decent and affordable housing and the availability of essential community services such as fire protection and health care. RHS has financed over 2 million single-family homes since the inception of its home ownership program. The rural housing programs are an essential part of the President’s National Homeownership Initiative. In the last 20 years, the community facilities program has enabled over 7,000 communities to provide basic community services for their citizens.

The mission of the Rural Utilities Service is “to serve a leading role in improving the quality of life in rural America by administering its electric, telecommunications, distance learning-telemedicine and water and waste programs in a service- oriented, forward-looking and financially responsible manner.” RUS programs provide rural residents access to modern, affordable telecommunications, distance learning-telemedicine, water, waste water disposal, and electric service. In addition to financial assistance, the agencies provide technical assistance to help rural communities deal with both day-to-day management and operational problems plus long-term problems, such as developing contingency plans for droughts, floods, and other natural disasters. These infrastructure systems are essential for the health and safety of rural Americans and are vital if they are to be participants in the global economy.

The mission area administers, through its Office of Community Development, the rural portion of the Administration’s Empowerment Zones and Enterprise Communities (EZ/EC) Initiative. Its mission is “to create self-sustaining, long-term economic development in areas of pervasive poverty, unemployment, and general distress, and to demonstrate how distressed communities can achieve self-sufficiency through innovative and comprehensive strategic plans developed and implemented by alliances among private, public, and nonprofit entities." This program is seen as the first step in rebuilding poverty-stricken communities in rural America. It is designed to empower people and communities to work together to create jobs and opportunities.

The mission area also houses and provides support to the National Rural Development Partnership, a nationwide network of rural development leaders and officials committed to the vitality of rural areas. The network consists of the National Rural Development Council, 37 State Rural Development Councils, and the National Partnership Office.

AUTHORIZING LEGISLATION

The legislative authorities for the mission area programs are found in the Consolidated Farm and Rural Development Act, as amended; Title 5 of the Housing Act of 1949, as amended; the Cooperative Marketing Act of 1926, as amended; and the Rural Electrification Act of 1936, as amended. The mission area is also impacted by other legislation, such as the Food Security Act of 1985, as amended; the Federal Agricultural Improvement and Reform Act of 1996; the Telecommunications Act of 1996; and the Energy Policy Act of 1992. A basic mandate of many of the mission area's programs is that they are not to compete with private credit, but rather supplement that credit. If the individuals or entities can obtain affordable credit to meet all, or part, of their needed funding from other sources, they are expected to do so. Another legislative mandate is that priority should be given in the delivery of our programs to the smallest and poorest communities.

PARTNERSHIPS AND COORDINATION

The partnerships and coordination with other organizations required for program delivery varies between agencies and by programs within the agencies. Most of the direct financial programs do not require a partner for program delivery but we are seeking to ensure the placement of our funds are coordinated with, and support the delivery of, the funds of other entities. Likewise, we are seeking to coordinate the delivery of technical assistance by mission area staff with assistance available from our numerous partners involved in rural development throughout the country.

Most of the coordination with rural development partners occurs at the state level or local level. This plan serves as the basis for the development of State/Tribal strategic plans required by the Federal Agricultural Improvement and Reform Act of 1996. The Rural Development State Directors develop their plans with their various public and private partners to support the coordinated delivery of all resources, both financial and technical. These partners include other Governmental agencies at the Federal, State and local level; small farm operators and organizations that represent small farm interests; minorities organizations; and community-based and nonprofit organizations.

While coordination with other agencies are not required for program delivery, close coordination with the Farm Service Agency and the Natural Resources Conservation Service is required for the

Department's Service Center initiative. This initiative focuses on the effective and efficient delivery of programs of the three agencies at the local level. This coordination involves not only the sharing of office space but also the development of common automated systems and administrative policies and practices.

Other Departmental agencies which the mission area works with are the Economic Research 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 occurs, as needed, with the Department of Housing and Urban Development; Department of Commerce; Environmental Protection Agency; Small Business Administration; Department of Labor; Department of Energy; Federal Deposit Insurance Corporation; Federal Home Loan Bank; Federal Communications Commission; Federal Energy Regulatory Commission; and Nuclear Regulatory Commission.

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, including the global economy, can have a major impact on our financial programs and the ability of our customers to meet their obligations. Rural businesses need to be competitive in the global economy if they are to succeed. 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.

MISSION

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."**

GOALS

GOAL I: 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.

Rural America is currently experiencing an economic and population revival, after the declines of the 1980's. Yet rural America continues to face significant challenges. Income and earnings from non-farm jobs in rural areas continue to lag behind those in urban areas. Structural changes in production agriculture have been, and will continue to be, significant. There is a strong continuing need for more diversified sources of income for farm and non-farm workers in rural areas.

The need is not just for jobs, but for jobs that pay a livable wage. Less than one in four rural jobs are in farm or farm-related industries. During the 1990's, the rural-urban gap in real per capita annual income remained approximately $7,000 or greater, while rural non-farm jobs in 1996 paid over $9,000 per job less than urban jobs. The rural-urban gap in real earnings per non-farm job is wider now than it was in either 1980 or 1990. There is also disparity in the poverty rates between rural and urban areas. In 1996, 15.9 percent of rural residents were in poverty compared to 13.2 percent of urban residents.

Objective 1: Increase the availability and quality of jobs in rural areas.

Strategies for Achieving the Objective:

- Build leveraging partnerships with State, local and private sources to expand total resources going to rural areas.
- Work with local communities to ensure funds are directed to projects with the highest job creation potential.
- Coordinate with the Foreign Agricultural Service to promote product development in rural areas which have a foreign market.
- Involve 1890 and 1862 land-grant universities in providing technical assistance to minority-owned businesses and entrepreneurs in training, credit acquisition, and business plan development.
- Amend the Business and Industry (B&I) Guaranteed Loan Program regulations to eliminate agricultural production when it is part of an integrated business also involved in the processing of agricultural products as an eligible purpose.
- Utilize existing regional and national conferences and workshops to inform potential lenders about Business Programs and how these programs can be used for locally based

market development for small farmers.

- Strengthen business and cooperative performance strength and growth through appropriate research and non-financial technical assistance.
- Develop and maintain a series of educational and informational publications targeting the cooperative knowledge needs of small and disadvantaged farmers, including Spanish translations of the core publications in that series.
- Train appropriate staff to recognize the unique needs of small farmers by FY 2002.

Key Outcome Measures:

Create or save jobs in rural areas.

Baseline: In FY 1999, rural unemployment was 4.4%, which was .2% higher than metro unemployment.

Target: The spread between rural and metro unemployment will be cut in half by 2005.

Baseline: In FY 1999, 74,379 jobs were created or saved through USDA financing of businesses in rural areas.

Target: Create or save 93,000 rural jobs in 2005.

Encourage innovative approaches for the financing of rural businesses.

Baseline: In FY 1999 the ratio of Intermediate Relending Program (IRP) dollars lent by intermediates to the dollars obligated to intermediates was 89.41 percent.

Target: In 2005, the ratio will be 91 percent.

Baseline: In FY 1999, $3.76 of non-IRP funds will be leveraged for each dollar of IRP funds.

Target: Maintain the baseline level of leveraging through 2005.

Baseline: 2,331 businesses benefitted from the Rural Business Enterprise Grants (RBEG) program in FY 1999.

Target: In 2005, 2600 businesses will benefit from the RBEG program.

Baseline: In 1999, $2.40 of non-RBEG funds were leveraged for each dollar of RBEG funds.

Target: Maintain the baseline level of leveraging through 2005.

Baseline: In 1999, $3.00 of non-Rural Economic Development Loans and Grants (REDLG) funds were leveraged for each dollar of REDLG funds.

Target: Maintain the baseline level of leveraging through 2005.

Objective 2: Encourage and promote the use of marketing networks and cooperative partnerships to increase marketing opportunities and market access for farmers and rural residents.

Strategies for Achieving the Objective:

- Coordinate efforts with the Foreign Agricultural Service to utilize cooperatives to promote, in rural areas, the development of products which have a foreign market.
- Research and develop models of cooperatives that address the barriers facing small and beginning farmers and marketing challenges facing all farmers.
- Improve access to cooperatives for small, beginning, women, and minority farmers.
- Partner with public, non-profit, and educational institutions to heighten awareness and understanding of cooperatives and marketing opportunities in underserved rural areas.

- Provide field level training and technical assistance to cooperatives and developing cooperative groups.
- Give priority to development of cooperatives which will primarily benefit small farm operations including women, minorities and beginning farmers.
- Research and develop cooperative models that address the barriers beginning farmers face, particularly models that address the barriers.
- Research and develop means for cooperatives to enable new small farmers to join cooperatives, to ensure that control remains dispersed.

Key Outcome Measures:
Assist marketing networks and cooperative partnerships in the establishment and expansion of business outlets.

Baseline: In 1999 technical assistance and educational services were provided to 215 customers.
Target: Increase the number of cooperatives served by 25 percent in 2005.
Baseline: In 1999, two formal partnership agreements or Memoranda of Understanding with other public agencies, non-profits, or educational institutions existed to support cooperative development and enhance cooperative role in the marketplace.
Target: Establish at least three additional partnerships in 2005.
Baseline: In 1999 the customer rated quality of technical assistance was 3/5.
Target: In 2005, the customer rated quality of technical assistance will be 3.5/5.
Baseline: In 1999, 100,000 copies of publications on cooperatives and downloads of report copies and other information on cooperatives were distributed to the public.
Target: Increase the distribution of reports by 50 percent in 2005.
Baseline: In FY 1999, 4.4 percent of B&I guaranteed funds were obligated to cooperatives.
Target: In 2005, 20 percent of B&I guaranteed funds will be obligated to cooperatives.

Objective 3: Direct Rural Development program resources to those rural communities, and customers with the greatest need.

Strategies for Achieving the Objective:

- Support Rural Developments' Appropriate Technology Transfer for Rural Areas Program (ATTRA) by developing a clearinghouse of available equipment and systems and a means to identify unmet needs.
- In ranking projects for funding consideration, discretionary points authorized under the various Business Programs loan/grant regulations will be considered for projects involving value-added cooperative development and other business activities that support marketing and supply service needs of targeted groups including small beginning farmers.
- Ensure accessibility of Rural Development programs for Native Americans.
- Set aside B&I Guaranteed Loan Program funding for cooperative development financing. Priority within the set aside will be given to projects involving farmer-owned, value-added cooperatives.
- Conduct a program of outreach to inform minorities, women, and small or beginning

farmers of the availability of Business Programs loan/grant programs.

•Conduct outreach to State Rural Electric Cooperative Associations to leverage available loan and grant funds for agricultural development to create local value-added agricultural businesses for the products produced by small farms.

• Invest 20% of the B&I Guaranteed Loan Program funding for cooperative development. Priority will be given to locally owned, value-added cooperative farm-product-related businesses or small farm business operations.

Key Outcome Measures:

Invest in the EZ/EC and Champion communities.

Baseline: In 1999 21.5 percent of RBEG funds were invested in these communities.

Target: In 2005, 22.0 percent of RBEG funds will be invested in these communities.

Baseline: In 1999, 12.1 percent of IRP funds were invested in these communities.

Target: IN 2005, 19.0 percent of IRP funds will be invested in these communities.

Baseline: In 1999 1.3 percent of B&I Guaranteed Loan Program funds were invested in these communities.

Target: In 2005, 1.4 percent will be invested in these communities.

Invest in communities with special needs designated by the President or Secretary.

Baseline: In 1999, 37.6 percent of B&I guaranteed funds were invested in these areas.

Target: In 2005, 10 percent of B&I guaranteed funds will be invested in these areas.

Baseline: In 1999, 48 percent of IRP funds were invested. in these areas.

Target: In 2005, 20 percent of IRP funds will be invested in these areas.

Baseline: In 1999, 48.8 percent of RBEG funds were invested in these areas.

Target: In 2005, 20 percent of RBEG funds will be invested in these areas.

Baseline: In 1999, 47.3 percent of REDLG Program funds were invested in these areas.

Target: In 2005, 2 percent of funds will be invested in these areas.

Objective 4: Manage the loan portfolio in a manner that is efficient and effective.

Strategies for Achieving the Objective:

•Acquire software that will assist National and Field Staffs in analyzing financial statements, comparing their standard ratio trends to make a more informed decision on the credit or servicing review.

Key Outcome Measures:

Manage the loan portfolio efficiently and effectively.

Baseline: In FY 1999, the delinquency rate, excluding bankruptcy cases, for guaranteed Business and Industry (B & I) loans was 4.8 percent.

Target: In 2005, the delinquency rate will be 3.0 percent.

GOAL II: 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.

Vibrant communities are critical to the success of rural America. One of the key components of a healthy community is decent, safe, sanitary and affordable housing. Another fundamental foundation for strong rural communities is the availability of essential community facilities, such as fire stations, health care clinics, and child care facilities. These facilities often provide the bedrock for economic development in the community and provide a sense of security and well being to the residents.

The need for homeownership in rural areas is continuous as new families are formed and rural residents move from one community to another. In addition, with an estimated 1.6 million rural households residing in substandard housing, there is a need for families to move to decent, safe and sanitary housing. Available mortgage credit has always been more limited in rural areas, especially for those families with very low to moderate incomes. Since 1950, RHS has helped more than 2 million families become homeowners.

Rural communities also need decent, safe, and sanitary rental properties to house those members of the rural population who cannot obtain homes of their own or may not want to be homeowners.

Although RHS's housing programs have been successful, many rural residents still live in substandard housing. According to the Housing Assistance Council's recent report, The State of Rural Rental Housing, more than 900,000 rural rental households, 10.4 percent of the total, live in either severely or moderately inadequate housing. More than one million rural renter households are "worst case needs" households, which the Department of Housing and Urban Development defines as being below 50 percent of the area median household income, extremely cost burdened or inadequately housed, and receiving no federal housing assistance. Of those rural renters with worst case needs, 92 percent pay more than one half of their income, about $6,000, for housing costs.

Together, RHS's Section 515 Rural Rental Housing (RRH) program and Section 521 Rental Assistance (RA) program provide decent, safe, and affordable housing to those families who need it most. The Section 515 program provides loans at 1 percent interest rate to build affordable housing, while the Rental Assistance program ensures that tenants pay no more than thirty percent (30 percent) of their income for rent. The average annual income of our Section 515 tenants is just under $7,700. Of our 426,330 tenant householders, 42 percent are elderly, 14 percent have a handicap or disability, 25 percent are members of minority groups, and 72 percent are women.

Many rural communities lack the basic services needed to provide the residents with a good quality of life. Although over 20 percent of Americans live in non-metropolitan areas, only 11 percent of patient care physicians practice there. In a recent survey, there were 243 rural counties which had no primary care physicians practicing in the county. Rural Development has provided funding for more than 80 different kinds of projects, from child care centers to hospitals to fire trucks. These projects, while vital to the residents, also help communities attract businesses that provide jobs and services for their residents.

Objective 1: Improve the quality of life for the residents of rural communities by providing access to decent, safe, affordable housing.

Strategies for Achieving the Objective:

- Build leveraging partnerships to expand resources going into rural areas.
- Direct resources to the neediest families and communities.
- Work with rural communities to ensure housing funds are wisely invested.
- Expand self-help housing to all 50 States.
- Provide leadership for the President's Homeownership Initiative in rural areas.
- Request $50 million of RHS funds annually for the Farm Labor Housing (LH) Program.

Key Outcome Measures:

Provide access to decent, safe, sanitary housing.

Baseline: In 1999, 75.4 percent of rural residents owned their own home.

Target: Homeownership among rural residents is 76 percent in 2005.

Baseline: In 1999, 55,941 rural residents received USDA financial assistance to purchase a home of their own.

Target: Provide credit to purchase a home to 68,000 rural residents in 2005.

Baseline: In 1999, relieved 38,311 rural households of rent overburden.

Target: In 2005, relieve 42,500 rural households of rent overburden.

Baseline: In 1999, provided 10,087 rural households with improved or more suitable housing through rental housing programs.

Target: In 2005, provide 15,000 rural households with improved or more suitable housing through rental housing programs.

Strengthen rural communities.

Baseline: In 1999, created or retained 35,666 jobs through the Single Family Housing (SFH) program.

Target: In 2005, create or retain 43,500 jobs.

Objective 2: Improve the quality of life in rural America by providing essential community facilities.

Strategies for Achieving the Objective:

- Build leveraging partnerships to expand resources going to rural areas.
- Direct resources to the neediest projects and communities.
- Work with local communities to ensure funds are wisely invested.
- Support Welfare Reform by promoting development of day-care facilities.

Key Outcome Measures:

Provide essential community facilities.

Baseline: In 1999, participated with 565 funding partners in financing community facilities.

Target: In 2005, participate with 900 funding partners in financing community facilities.

Baseline: In 1999, provided 69 new day care projects serving 5,628 children.

Target: In 2005, provide 100 new day care projects serving 9,000 children.

Baseline: In 1999, provided new or improved essential community facilities for 8 million people.

Target: In 2005, provide new or improved essential community facilities for 13 million people.

Strengthen rural communities.

Baseline: In 1999, created or retained 9,600 jobs through community facilities projects.

Target: In 2005, create or retain 15,500 jobs through community facilities projects.

Objective 3: Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.

Strategy for Achieving the Objective:

- Develop joint funding agreements with partners.

Key Outcome Measures:

Leverage loan funds to increase the number of rural residents assisted.

Baseline: In 1999, assisted 5,371 families to achieve home ownership by using leveraged funds.

Target: In 2005, assist 10,000 families to achieve home ownership by using leveraged funds.

Baseline: In 1999, participated with 565 funding partners in financing community facilities.

Target: In 2005, participate with 900 funding partners in financing community facilities.

Baseline: In 1999, assisted in the development of 429 community facilities projects by using leveraged funds.

Target: In 2005, assist in the development of 700 community facilities projects by using leveraged funds.

Objective 4: Manage the loan portfolio in a manner that is efficient and effective.

Strategies for Achieving the Objective:

- Improve portfolio and debt management by enhancing the Dedicated Loan Origination and Servicing (DLOS) system.
- Utilize the existing partnership with the Office of the Inspector General to identify and correct any fraud or abuse in the management of the RRH projects.
- Improve coordination with the other agencies and departments involved in detection of fraud, waste and abuse cases and the enforcement of corrective actions related to those cases.
- Preserve and maintain the existing stock of rural rental housing projects for low-income families and ensure the projects are well managed and maintained.
- Reinvent the Multi-Family Housing (MFH) Program, including completion of automation projects to improve program management.

Key Outcome Measures:

Minimize losses to the Government.

Baseline: In 1999, the Community Facility (CF) customers and the RRH customers had a currency rate of 98 percent.
Target: In 2005, maintain the 98 percent currency rate for CF and RRH customers.
Baseline: In 1999, had a 95 percent first-year currency rate for SFH customers.
Target: In 2005, the first year currency rate will be 97 percent for SFH customers.

GOAL III: 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.

Access to safe drinking water and modern, sanitary waste facilities is critical if a community is to prosper. An estimated 2.5 million rural Americans have a critical need for safe, dependable drinking water, including approximately 1 million residents who do not have water piped into their homes.

The telecommunications program provides capital, establishes telecommunications standards, and provides policy guidance for rural telecommunications in the Administration's National Information Infrastructure Initiative. The Information Superhighway can provide rural residents access to libraries, training centers, vocational schools, and other institutions located in metropolitan areas and support rural businesses. It also provides improved health care through linkage with other rural health care providers and urban medical centers for clinical interactive video consultation, distance training of rural health care providers, and access to medical expertise and library resources.

As part of the restructuring of the electric utility industry, Rural Development is ensuring the continued availability of reliable, high-quality electric service at a reasonable cost to rural consumers. Many rural electric and telecommunications systems are aging and the obsolete infrastructure must be replaced and improved.

Objective 1: Improve the quality of life in rural America by providing technical assistance and financing for modern, affordable water and waste water services in rural communities.

Strategies for Achieving the Objective:

- Utilize leveraging partnerships to expand resources going to rural areas.
- Direct resources to the neediest projects and communities.
- In the spirit of Water 2000, continue to pursue the achievement of its goals by bringing safe, clean drinking water to every rural household.
- Ensure accessibility of Rural Development programs to Native Americans.

Key Outcome Measures:

Provide safe, affordable water and waste disposal service.

Baseline: In 1997, 7 percent of rural households had drinking water reported as not safe to drink.
Target: The percentage of rural households with unsafe drinking water will be reduced to 6.5 percent by 2005.

Baseline: In 1999, financing provided to connect 748,000 rural people to public water for the first time.

Target: Provide financing to connect 843,000 rural people to public water for the first time in 2005.

Baseline: In 1999, financing provided for 1.3 million people to obtain safe, affordable drinking water.

Target: In 2005, provide financing for 1.4 million people to obtain safe, affordable drinking water.

Baseline: In 1999, financing provided for 583,000 people to obtain improved, safe, affordable waste disposal service.

Target: In 2005, provide financing for 624,000 with to obtain improved, safe, affordable waste disposal service.

Direct resources to those communities with the greatest need.

Baseline: In 1999, $21 million of W&W funds were invested in EZ/EC communities.

Target: In 2005, invest $53.9 million of W&W funds in EZ/EC communities.

Objective 2: Improve the quality of life in rural America by providing technical assistance and financing for modern, affordable telecommunications services, including distance learning and telemedicine facilities, in rural communities.

Strategies for Achieving the Objective:

- Continue to build leveraging partnerships to expand resources going to rural areas.
- Where applicable, direct resources to the neediest projects and communities.
- Work with borrowers and grantees to ensure funds are wisely invested.
- Implement the President's National Information Infrastructure Initiative thereby increasing educational and health care levels in rural areas

Key Outcome Measures:

Provide improved voice and data telecommunications services.

Baseline: In 1999, financing was provided for 170,000 rural residents and businesses to obtain improved telecommunications service.

Target: In 2005, provide financing for 270,000 residents and businesses to obtain improved telecommunication service.

Provide telecommunications to support improved education and health care.

Baseline: In 1999, provided financing for 200,000 rural residents and businesses to obtain education or training experiences through distance learning facilities.

Target: In 2005, provide financing for 3.8 million rural residents and businesses to obtain education or training experiences through distance learning facilities.

Baseline: In 1999, 287 schools were provided with financing for distance learning facilities.

Target: In 2005, 2545 schools will be provided with financing for distance learning facilities.

Baseline: In 1999, 131 health care providers were provided with financing for telemedicine facilities.

Target: In 2005, provide financing for telemedicine facilities to 4435 health care providers.

Objective 3: Improve the quality of life in rural America by providing technical assistance and financing for modern, affordable electric service to rural communities.

Strategies for Achieving the Objective:

- Continue to build leveraging partnerships to expand resources going to rural areas.
- Where applicable, direct resources to the neediest projects and communities.
- Work with borrowers to ensure funds are wisely invested.

Key Outcome Measures:

Baseline: In 1999, 179 rural electric systems received financing for upgrading.

Target: Provide financing to upgrade 171 rural electric systems in 2005.

Baseline: In 1999, financing was provided to benefit 2.8 million residents with improved electrical systems.

Target: Provided financing for 2.7 million residents to benefit from improved electrical systems in 2005.

Baseline: In 1999, provided financing which will generate over 36,000 jobs as a result of electric facilities constructed with RUS funds.

Target: Provide financing which will generate 33,800 jobs as a result of electric facilities constructed in 2005.

Objective 4: Where applicable, direct Rural Development program resources to those rural communities and customers with the greatest need.

Strategies for Achieving the Objective:

- Improve accessibility to Rural Development programs for Native Americans.
- In the spirit of Water 2000, continue to pursue the achievement of its goals.

Key Outcome Measures:

Baseline: In 1999, 247 located in persistent-poverty rural counties received financial assistance to establish or improve a system for drinking water or waste disposal.

Target: The number of communities assisted in these counties will be 278 in 2005.

Baseline: In 1999,provided financial assistance for 168 water and waste systems in the 700 counties with persistently declining populations.

Target: Provide financial assistance for 179 water and waste systems in the 700 counties with persistently declining populations in 2005.

Baseline: In 1999,72 electric borrowers serving persistent poverty counties received financial assistance to establish or improve local electric service.

Target: The number of borrowers assisted in these counties will be maintained in 2005.

Baseline: In 1999,83 electric borrowers serving the 700 counties experiencing out-migration received financial assistance to improve the local electric service.

Target: The number of borrowers assisted in these counties will be maintained in 2005.

Objective 5: Maximize the leveraging of loan funds to increase the number of rural residents assisted by Rural Development programs.

Strategy for Achieving the Objective:

- Where possible, increase the leveraging of RUS funds with borrowers and supplemental lenders.

Key Outcome Measures:

Baseline: In 1999, leveraged $5.22 of private funds in rural telecommunications infrastructure for every $1 of RUS telecommunications program loan advances.

Target: Leverage $5 of private funds in rural telecommunications infrastructure for every $1 of RUS telecommunications program loan advances in 2005.

Baseline: In 1999, leveraged $2.70 of private funds in rural electric infrastructure for every $1 of RUS electric program loan advances.

Target: Leverage $2.73 of private funds in rural electric infrastructure for every $1 of RUS electric program loan advances in 2005.

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

The preceding goals recognize that rural development involves the provision of financial assistance. This goal adds the understanding that a successful comprehensive community development process also involves technical assistance to build leadership capacity and community development skills. Mission area staff provide technical assistance to rural communities and cooperatives, often in partnership with public and private organizations.

Two key avenues for providing this assistance are the Empowerment Zone/Enterprise Community (EZ/EC) initiative and the Rural Economic Area Partnership (REAP) initiative. EZ/EC focuses on poverty communities and builds upon earlier rural development efforts at the Federal and State level by including tax credits and other supply-side incentives for business development in the neediest communities. The difference between the two designations is the level and type of assistance provided to them by statute. Eight rural communities have been designated as Enterprise Zones, including one Native American tribe. Fifty-one rural communities have been named as Enterprise Communities, including 4 Native American tribes.

The REAP program is designed to address a different, but significant, problem in rural areas---declining populations and job opportunities. These communities are often characterized by historical dependence on agriculture, geographic isolation with communities separated by long distances, an aging population, and a lack of access to major transportation routes. Four multi-county zones have initially been designated for the REAP initiative.

Strategies for Achieving the Goal:

- Use local and state coordinating bodies, such as planning districts, Resource Conservation and Development Councils (RC&D) and the State Rural Development Councils, to identify alternative sources of funding for rural projects.
- Provide assistance and training to rural leaders on strategic planning and other sources of technical assistance, which are available to help them assess community strengths, plan for the future, and prepare applications for assistance.
- Implement collaborative rural economic and community development training for rural organizations, involving other Federal, State, and local agencies, and organizations.
- Expand the base of knowledge and understanding of the Rural Development mission area employees in economic and community development, evaluation methods and operations, and analyzing the social/economic dynamics of rural areas and communities.

Key Outcome Measures:

Assist the neediest communities.

Baseline: In 1999, 612 assisted communities successfully applied for non-USDA financial assistance.

Target: The number of communities assisted will be 800 per year in 2005.

Baseline: In 1999, 2288 jobs were created or saved in EZ/EC and REAP communities.

Target: Create or save 3000 jobs per year in EZ/EC and REAP communities in 2005.

Baseline: In 1999, leverage $8.40 of non-EZ/EC grants for every $1 of EZ/EC grants invested.

Target: leverage $10 of non-EZ/EC grants for every $1 of EZ/EC grants invested in 2005.

GOAL V: EFFECTIVE. EFFICIENT SERVICE TO THE PUBLIC. Rural Development will develop the staff, systems, and infrastructure needed to ensure high quality delivery of its programs to all rural residents.

Rural Development is dependent upon the ability and skills of its staff for the effective delivery of its programs. The staff must be adequately trained and have the resources needed if it is to accomplish its job. The mission area's administrative resources have been reduced as a result of the Administration's and Congress' joint efforts to balance the Federal budget, while program resources have increased. This has resulted in reductions in staff and field offices needed to deliver the programs plus an even greater reduction in administrative staff. A reduction in human resources increases the need for automated systems which can help staff work more efficiently, while still maintaining their effectiveness.

Reductions in resources also requires that Rural Development be innovative in identifying new ways of doing business while being ever mindful of the need to provide high quality service to our customers. Rural Development will utilize a management approach and encourage a workplace environment which values employees and involves them, as partners, in the management of the mission area. The environment of the workplace will ensure that all customers and employees are treated fairly, equitably, and with dignity and respect.

Objective 5.1: Create and sustain a work environment that develops and fosters partnerships, cooperation, full and open communications, teamwork, mutual respect, and maximum individual development.

Strategies for Achieving the Objective:

- Develop a workforce capable of delivering a full range of financial and non-financial services in support of rural development activities.
- Foster, and continually strengthen, an internal culture that focuses on and is driven by customer needs, both internally and externally**.**
- Increase the use of Alternative Dispute Resolution (ADR) as a tool for resolving workplace and external customer disputes.
- Enhance the work environment by developing policies and adopting processes which are friendly to the employees and their families.
- Instill the value of cultural diversity in all Rural Development personnel and develop a workforce which is representative of the diversity of the areas in which they work.
- Provide Civil Rights training to all employees.
- Support USDA service centers by developing common administrative policies and processes with other USDA agencies.
- Maximize the use of automated systems to ensure consistency in work processes and as a replacement for staff lost in downsizing efforts.
- Include in the recognition and rewards system a linkage to the accomplishment of the goals and objectives of the strategic plan.

Key Outcome Measures:

Develop policies and practices which are employee and family friendly and consistent with those of other Federal USDA agencies.

Baseline: In 1999, implemented a common procedure with FSA and NRCS regarding performance appraisals, hours of work, and employee recognition and rewards.

Target: Common policies regarding leave, telecommuting, and grievances will be fully implemented by 2003, thus completing the development and implementation of common human resource policies and procedures with FSA and NRCS.

Baseline: In 2000, a transit subsidy consisting of non-cash tax credits for commuting expenses in the National Office and the field was made available.

Target: Cash payments for commuting expenses will be made available in the National Office in 2001, with non-cash tax credits continuing to be available to employees in field offices.

Provide fair and equitable treatment to all customers and employees.

Baseline: In 1999, 95 percent of the mission area employees received civil rights training.

Target: Provide civil rights training to 100 percent of the employees in 2005.

Baseline: In 1999, the backlog of program and EEO complaints was reduced by 75 percent.

Target: Reduce the backlog of complaints by 80 percent in 2005.

Provide efficient, timely personnel support.

Baseline: In 1999, basic modules of the Combined Administrative Management System (CAMS), a state-of the art personnel processing system based on a client/server architecture, were implemented in 37 states in cooperation with FSA and NRCS.

Target: CAMS will be web-based, contain additional processing modules (e.g., benefits), and fully operational throughout Rural Development in 2003.

Baseline: In 1999, researched the availability of off-the-shelf automated staffing systems in cooperation with FSA and NRCS.

Target: An automated staffing system will be fully operational in 2005.

Objective 5.2: Develop information systems which support cost-effective delivery of programs and maximize the availability of information to all employees.

Strategies for Achieving the Objective:

- Support the establishment of USDA Service Centers and develop processes and automated systems which maximize their effectiveness.
- Focus information and technical infrastructure development on enhancements which improve service delivery and maximizes the availability of data for all employees.
- Make data more accessible by utilizing WEB technology.
- Develop a data warehouse to ensure current data is available to all employees and to support the ability of the mission area to better manage and analyze its delivery of programs.

Key Outcome Measures:

Enhance and build information systems which support the mission area's programs.

Baseline: In 1999, 40% of the requirements of the business system needed to support the utility programs were operational.

Target: The system will be able to fully support the utility programs by 2005.

Baseline: In 1999, Phase 1 of the new Guaranteed Loan System (GLS) was implemented.

Target: GLS will be fully implemented by 2005.

Baseline: In 1999, developed functional requirements and cost analysis for a new Program Funds Control System (PFCS).

Target: PFCS will be operational by 2005.

Baseline: In 2000, Congress passed Freedom to E-File legislation requiring Rural Development to provide for electronic receipt of applications for program benefits.

Target: Provisions of E-File legislation will be implemented by 2003.

Objective 5.3: Improve financial management to ensure fiscal accountability.

Strategies for Achieving the Objective:

- Enhance Rural Development's ability to track and monitor administrative funds appropriations and provide accurate reports to all internal customers.
- Implement the electronic funds transfer (EFT) requirements of the Debt Collection Improvement Act.
- Work with the Departmental OIG and OCFO to resolve issues related to credit reform and obtain a clean opinion on Rural Development's audited financial statement.

Key Outcome Measures:

Manage the mission area's financial resources efficiently and effectively.

Baseline: In 2000, Rural Development provided the training required to implement USDA's Foundation Financial Information System (FFIS).

Target: FFIS will be fully integrated into Rural Development's operation in 2001.

Baseline: In 1999, Rural Development received a qualified opinion on its financial statement.

Target: A clean opinion is received in 2001.

Baseline: In 1999, 32 percent of all disbursements were made electronically.

Target: In 2005, 90 percent of the number of disbursements are made electronically.

LINKAGE OF GOALS TO ANNUAL PERFORMANCE PLAN

An annual performance plan will be prepared each fiscal year to accompany the Rural Development budget request. The plan will consist of annual performance measures directly linked to the general goals, objectives and strategies contained in the strategic plan. It will outline an annual increment of the key strategies called for in the strategic plan and any additional strategies that are required to implement Rural Development objectives and achieve current performance goals. It will also contain baseline data for the measures for the two fiscal years prior to the budget year.

The data systems used by the Rural Development mission area contain elements responsive to many needs other than this plan. The performance measures included in this plan are selected indicators of success in achieving the goals and are based on data currently available in the existing systems. As new systems are developed and refined, additional data will be available for measurement of future performance.

Most of the performance measures used in this plan will also be used in the annual performance plan. However, additional or different measures may be used in any given year to report on priority concerns related to the Goal or to make use of new data that has become available.

The annual performance plan will constitute the basic management tool to direct the application of resources to implement key strategies and identify specific efforts that will be used to achieve goals, objectives and performance measures. Performance plans will include estimated staff years and program costs required to achieve performance goals.

Upon completion of the fiscal year for which the annual performance plan was prepared, a report to Congress will be made defining achievement of the performance goals.

Goal 1 is linked to the Business and Industry program, Intermediate Relending Program, Rural Business Opportunity Grants, Rural Business Enterprise Grants, Rural Economic Development Loans and Grants, Cooperative Services' Research on Cooperatives, Appropriate Technology Transfer for Rural Areas, and the Cooperative Development Grant Program.

Goal 2 is linked to the Community Facilities Program, the Multi-Family Housing Program and the Single Family Housing Program.

Goal 3 is linked to the Electric Program, Telecommunications Program, including Distance Learning and Telemedicine, and the Water and Waste Water Disposal Program.

Goal 4 is linked to the Rural Empowerment Zones and Enterprise Community Grant Program.

Goal 5 is not linked to any programs but is supported by the mission area's Salary and Expenses appropriation.

RESOURCES NEEDED

Since future funding is uncertain, this plan is based upon current levels of program and administrative funding with adjustment for inflation. However, to become a comprehensive community development organization, Rural Development needs to streamline its operations so that staff is available to perform the new functions expected of them. The second critical piece of this transition is providing training to the staff so employees know what is expected of them and have the skill needed to meet those expectations. Severe reductions of resources, beyond what is currently anticipated, will adversely affect achievement of the plan.

RESOURCE PRIORITIES

The resource allocation priorities for the programs administered by the Rural Development Mission area are a function of the Congressional appropriations and authorizing committees. In fiscal year 1999,of a total program level of $9.896 Billion, 52 percent was appropriated to the Rural Housing Service, 34 percent to the Rural Utilities Service and 14 percent to the Rural Business-Cooperative Service. The Appropriations Committees have, at the Administration's request, included certain reservations of funds for specific areas, including Empowerment Zones/Enterprise Communities, Colonias, and Native Alaskan villages. These funds are reserved generally until the fourth quarter of the fiscal year, and if not used for the specific purposes, become available for other applicants. Within those priorities a key mission area policy is increased emphasis on those rural counties with the greatest need, such as the 535 counties that have experienced persistent poverty for the past four decades. Another policy emphasis is the Water 2000 initiative which targets resources to rural Americans who have some of the Nation's most serious drinking water availability, dependability and quality problems; including the approximately 1 million rural Americans without access to drinking water in their homes.

In particular, the Empowerment Zones/Enterprise Communities program assists communities with high levels of poverty by empowering them to implement sustainable, locally controlled strategic economic and community development activities. The program requires communities to build comprehensive, strategic, and citizen-controlled 10-year community development plans. Then, based on their 10-year plan, program funds produce increased jobs, improved job skills, and expanded and improved community services. Federal funds are leveraged with resources from businesses, government, and non-profit sources.

PROGRAM EVALUATION

As a result of Congressional mandates, Administration initiatives, and internal studies, a variety of program and management concerns have been identified and were considered in the development of this plan. Future internal studies planned are:

- *Multi-Family Housing Preservation Needs* - a study to determine the resources needed to preserve the multi-family housing stock. Estimated completion date: December, 2001.
- *The Role of Cooperatives in Supporting and Enhancing Farm Policy and Contributing to the Health of Rural Economies* - an examination of how farm cooperatives can be most effectively used to improve the health of the farm and rural economies. Estimated completion date: September 2001.

In addition, the development of this plan was guided by findings in GAO and OIG audits such as the following:

- Review of Centralized Servicing Operations
- Guaranteed Rural Housing Loan Program
- Evaluation of Rural Rental Housing Program Tenant Income Verification Program
- Distance Learning and Telemedicine Program
- Rural Business-Cooperative Service Business and Industry Guaranteed Loan Program
- Audit of Rural Development's Fiscal Year 1998 Financial Statements
- Telephone Loan Program Policies and Procedures
- Business and Industry Loan Program

The policies defined in the plan will be implemented through new regulations and systems. Rural Development will evaluate the impact of these strategically driven changes through Management Control Reviews, State Internal Reviews, and findings in future audits.

ROLE OF EXTERNAL ENTITIES

The Rural Development Strategic Plan for 1997-2002, which was the predecessor to this document, was developed by Rural Development employees with facilitation services provided by outside contractors. Stakeholders provided significant contributions in the development of the earlier plan through their participation in focus groups and listening forums held at the State and national levels. Rural Development State Directors held 39 listening forums with partners and stakeholders to identify their concerns and obtain their input. A National Listening Forum was held to obtain the comments and concerns of national interest groups. In addition, all mission area employees were surveyed to obtain their thoughts and comments with over 50 percent of them responding.

Since 1997, Rural Development staff has held numerous meetings with stakeholders on a variety of issues and the feedback from those meetings have been considered in the development of this plan. Also added to this plan are the recommendations from the Civil Rights Action Team's Report, Civil Rights at the United States Department of Agriculture, dated February 1997, and the National Commission on Small Farm's report, A Time To Act, dated January 1998. Both of these reports are based on extensive feedback from customers and stakeholders and contain recommendations specific to Rural Development. No additional external input was sought in the development of this plan and no outside facilitation was involved.