



Committed to the future of rural communities.

Kentucky



• Business



• Utilities



• Housing



Improving the
quality of life for
rural Kentuckians

Looking back on a record year

Rural Development had a record year in Kentucky during 2010, thanks in large part to the American Recovery and Reinvestment Act of 2009. More than \$1 billion was invested in a variety of rural housing, utilities, community facility and business and cooperative programs in rural communities across Kentucky.

RURAL DEVELOPMENT LEADERSHIP



Agriculture Secretary Tom Vilsack

"President Obama and I understand and appreciate, as I'm sure many in rural America understand, that a healthy American economy depends to a great extent on a prosperous rural America, and we know that rural America supplies much of our nation's food and water and safeguards our environmental heritage. Its role in establishing our nation's energy independence is growing every day, and certainly our values are rooted in rural America."

– September 2010

Under Secretary Dallas Tonsager

"Secretary Vilsack has established energy conservation as a central theme and a top priority for our Department. USDA is looking at all aspects of its programs, services and actions to improve both the conservation of energy as well as development and promotion of new energy opportunities."

– November 2009



State Director Thomas Fern

"Rural Development's focus is on building sustainable economies and we had a record year of investment in rural Kentucky communities during 2010. The Recovery Act allowed us to increase the number of people, businesses and communities served -- and the projects funded this year will create jobs, improve the quality of life and have tremendous impact for years to come."

– September 2010

RURAL DEVELOPMENT MISSION AREAS

Business and Cooperative Programs

These programs offer economic and community development opportunities to Kentucky entrepreneurs and small businesses. Programs are available to launch, acquire or expand a business; purchase land or construct buildings; establish community development projects; develop rural cooperatives; advance value-added opportunities; establish economic development plans and feasibility studies; fund renewable energy projects; and much more.

Investments across the state exceeded \$96 million this fiscal year.



Rural Housing Service

Rural Development offers single and multi-family housing options to rural Kentuckians to meet a variety of housing needs. Through the Single-Family Housing programs, low- and very-low income families can buy or build a home, or repair and rehabilitate their existing homes. The Multi-Family Housing program partners with private and non-profit developers to provide affordable rental housing, as well as subsidized rental options for low and very-low income families and the elderly.

Investments across the state exceeded \$407 million this fiscal year.



Rural Utilities Service

These programs provide assistance with building, repairing or improving rural water and wastewater systems, and provide technical assistance and training to solid waste facilities. Programs also exist for telecommunications, health care facilities and broadband.

Investments across the state exceeded \$98 million this fiscal year.



Community Facilities

Assistance is provided to entities such as libraries, schools and first responders (e.g. ambulance, police, fire and hospitals), through a variety of programs that assist in funding construction, operating costs, repairs and equipment.

Investments across the state exceeded \$111 million this fiscal year.



Broadband Initiatives Program

The American Recovery and Reinvestment Act authorized USDA budget authority of \$2.5 billion for loans and grants to expand broadband access in rural America.

Investments across the state exceeded \$305 million this fiscal year.



BUSINESS AND COOPERATIVE PROGRAMS

Funding Totals FY10

| | |
|------------|-----------------|
| B&I-Gtd. | \$27.9 million |
| ARRA B&I | \$59.62 million |
| IRP | \$750,000 |
| REDG | \$600,000 |
| REDL | \$1 million |
| RCDG | \$225,000 |
| RBEG | \$1.5 million |
| VADG | \$323,807 |
| 9007-Gtd. | \$1.35 million |
| 9007-Grant | \$1.54 million |
| RMAP-Loan | \$1 million |
| RMAP-Grant | \$205,000 |

Total \$96 million



ARRA Totals for FY09 and FY10

| | |
|------|-----------------|
| B&I | \$64.62 million |
| RBEG | \$765,000 |

Total \$65.4 million



Judy Canales, USDA's Administrator of Business and Cooperative Programs (second from left) visited McKechnie Vehicle Components in Nicholasville this summer. She was joined by Tom Fern, Linda Torakis, U.S. Rep. Ben Chandler and Mike Torakis.

Business Programs

USDA Rural Development is the leading advocate for rural America. The mission area supports rural communities and enhances quality of life for rural residents by improving economic opportunities, community infrastructure, environmental health and the sustainability of agricultural production.

To support rural regional economic prosperity, USDA Rural Development provides job training and business development opportunities for rural residents, including cooperative business development, community economic development and strategic community planning and faith-based and self-help initiatives. Funding for most of these efforts is administered by USDA Rural Business Programs.

Rural Development also offers programs to provide the educational opportunities, training, technical support, and tools for rural residents to start small businesses and to access jobs in agricultural markets, the green economy, and other existing markets, as well as acquire training in vocational and entrepreneurship skills they can use in the marketplace and business sector.

Cooperative Programs

The mission of Rural Development's Cooperative Assistance Programs is to promote understanding and use of the cooperative form of business as a viable organizational option for the marketing and distribution of agricultural products. These programs serve cooperative members, directors, management, educational institutions, organizations, rural residents, and all others with an interest in the cooperative form of business.



U.S. Rep. Hal Rogers (third from left) was joined by Governor Steve Beshear, State Director Tom Fern and Sensure President Chris Deaton as a ceremonial check was presented to South Kentucky RECC and Sensure for a Rural Economic Development Loan.

SUCCESS STORIES

RD Helps Auto Parts Manufacturer Implement Efficiency Improvements



McKechnie Vehicle Components received a \$5 million Business and Industry Guaranteed Loan that made it possible for the company finance efficiency improvements that are saving money, increasing profits and making it possible to create 45 new jobs – with additional growth possible. Those improvements include the implementation of robotics to reduce material and energy consumption, the development of a closed-loop water handling system that eliminates process wastewater and the creation of a process of nickel and chrome recovery that recycles heavy metal that was previously discarded. McKechnie is a leading manufacturer of decorative exterior trim products for companies such as Ford, GM, Toyota, Nissan, Subaru, Volkswagen, Chrysler and Mercedes. The company is co-owned by Mike and Linda Torakis.

Bath County Opens Agriculture Education/Marketing Center

USDA Administrator of Business and Cooperative Programs Judy Canales got a taste of southern hospitality when she visited Kentucky this summer. Canales was able to experience the products of local artisans and agriculture producers that were on display in new Bath County Agricultural Education and Marketing Center in Owingsville. The Bath County Agriculture Education and Marketing Center was the recipient of a \$400,000 Rural Business Enterprise Grant. The Center is designed to be a model for Kentucky agriculture and a vital tool for the industry's changing economic environment. Specifically, it will give farmers and producers the opportunity to manufacture and market their locally grown and locally produced value-added and "Kentucky Proud" branded products, including fresh produce, artisan crafts and specialty food products. The Center will be open year-round and allow residents to sell products in four retail categories.



RURAL HOUSING

Funding Totals FY10

Single Family

502 Direct – \$61.58 million
**Assistance for 593 families*

502 Guaranteed – \$326 million
**Assistance for 2,932 families*

504 Repair Loans – \$1.96 million
**Assistance for 360 families*

504 Repair Grants – \$1.96 million
**Assistance for 202 families*

Total \$390.67 million

Multi-Family

538 Guaranteed Rural Rental Housing – \$1.35 million

533 Housing Preservation Grants – \$387,518

521 Rental Assistance – \$14.43 million

Preservation and Revitalization (MPR) – \$619,279

Tenant Vouchers – \$45,288

Total \$16.84 million



ARRA Totals for FY09 and FY10

Single Family

502 Direct \$42,297,000
**Assistance for 377 families*

502 Guaranteed \$219,255,172
**Assistance for 2,063 families*

Total \$261.55 million

Single-Family Housing

Single Family Housing Programs provide home ownership opportunities to low and moderate-income rural Americans through several loan, grant and loan guarantee programs.

The programs also make funding available to individuals to finance vital improvements necessary to make their homes decent, safe, and sanitary.

- Rural Housing Guaranteed Loan
- Rural Housing Direct Loan
- Rural Repair and Rehabilitation Loan and Grant
- Rural Housing Site Loans
- Self-Help Technical Assistance Grants
- Technical and Supervisory Assistance Grants



Multi-Family Housing

Multi-Family Housing Programs offer Rural Rental Housing Loans to provide affordable multi-family rental housing for very-low, low and moderate-income families; the elderly; and persons with disabilities. These programs provide assistance to construct or substantially rehabilitate apartment communities and related facilities. In some cases, rental subsidies are available to eligible families.



- Rural Rental Housing
- Guaranteed Rental Housing
- Housing Preservation Grants
- Farm Labor Housing Loans and Grants
- Rental Assistance Program



SUCCESS STORIES

Laurel County woman proves you're never too old to pursue a dream

Lela Bunch is no ordinary woman – she began building a home earlier this year at the age of 94.

She and her daughter, Lee Meadors, were renting a trailer in a mobile home park in Laurel County, Ky. Although they liked where they live, Bunch says it just wasn't the same as living in a home of your own with a yard and some measure of privacy.



She had been renting for several years and finally decided the time was right to build a home of her own close to her family's homestead – near the house where she was born and raised, which remains standing today. Being close to her parents' burial site in a cemetery near the building site was one reason she opted for new construction.

"This was very important to me. I had a tough time finding a place where I wanted to live, so I thought it was best to build a house," said Bunch. "I've already picked out the dogwood trees."

She celebrated her 95th birthday very near the time construction was finished. Back in the spring of 2010, Bunch was asked how she planned to celebrate once the house was finished. She didn't hesitate: "I told the contractor I'm going to have a dancing party!"

Bunch said a neighbor that told her about a housing program through Daniel Boone Community Action Agency (DBCAA) that partners with USDA Rural Development to provide housing programs to low-income residents of rural communities.



Energy-Efficient Homes Made Affordable for Low-Income Families

This summer Rural Development assisted with financing for a house in Vanceburg that promises to be one of the "greenest" homes in the state of Kentucky. It was built according to standards set by the LEED for Homes program, an internationally recognized green building certification program.

The LEED (Leadership in Energy and Environmental Design) program awards points for energy efficient and environmentally friendly building practices as verified by a third party inspector. The more points awarded, the higher the level of certification the house receives. The levels of certification from lowest to highest are: Certified, Silver, Gold, and Platinum.

In light of ever rising utility rates, it is more important than ever to construct energy-efficient homes that reduce energy usage and provide housing for low-income households that remains affordable through the family's lifetime. Green homes use less energy, water, and natural resources and produce less waste, not only during their construction, but also throughout the life of the home. Homes such as this one have been rated to use one third less energy than new homes using standard construction methods.

Rural Development works with other state and federal funding sources, to make these homes affordable for low-income home buyers. This new home and lot was purchased for \$90,000.

The house was built by People's Self-Help Housing Inc., with financing through Rural Development's Section 502 Direct Loan Program.

There are only two other LEED houses officially listed in Kentucky, a silver-rated house in Lexington that was built in 2006, and a gold-rated house in Covington that was completed earlier this year.

RURAL UTILITIES/COMMUNITY FACILITIES

Funding Totals FY10

| | |
|----------------|-----------------|
| WEP Loan | \$28.84 million |
| WEP Grant | \$12.2 million |
| ARRA WEP Loan | \$39.58 million |
| ARRA WEP Grant | \$17.8 million |
| CF Loan | \$19.2 million |
| CF Grant | \$3.44 million |
| ARRA CF Loan | \$87.5 million |
| ARRA CF Grant | \$1.56 million |

Total \$210.19 million



ARRA Totals for FY09 and FY10

| | |
|-----------|-----------------|
| WEP Loan | \$68.4 million |
| WEP Grant | \$24.45 million |
| CF Loan | \$87.5 million |
| CF Grant | \$2.5 million |

Total \$182.9 million

Utilities

Utility services are the foundation of rural infrastructure. Reliable and affordable water, waste treatment, electric power and telecommunications services can help rural areas expand economic opportunities and improve the quality of life for rural residents.

USDA Rural Development provides funding opportunities in the form of loans, grants and loan guarantees for the development and commercialization of vital utility services.

These programs revitalize rural communities with a variety of infrastructure improvements, and create sustainable opportunities for wealth, new jobs, and increased economic activity in rural America. Utilities programs connect rural residents to the global economy by:

- Increasing access to broadband and 21st century telecommunications services;
- Funding sustainable renewable energy development and conservation;
- Financing reliable and affordable electric systems;
- Working to integrate smart grid technologies;
- Capitalizing on climate change opportunities; and
- Developing rural water and wastewater systems to help address water quality.

Community Facilities

Community Programs provide loans, grants and loan guarantees for projects to develop essential community facilities for public use in rural areas. This may include hospitals, fire protection, public safety, libraries, schools, day care centers as well as many other community-based initiatives.

Community Facilities Direct and Guaranteed Loan Program

Loans and guarantees are available to public entities such as municipalities, counties, and special-purpose districts, as well as to non-profit corporations and tribal governments in rural areas and towns of up to 20,000 in population.

Community Facilities Grants

Grants are available to assist in the development of essential community facilities in rural areas and towns of up to 20,000 in population and are authorized on a



graduated scale. Applicants located in small communities with smaller populations and low incomes will receive a higher percentage of grants. Grants are available to public entities such as municipalities, counties, and special-purpose districts, as well as non-profit corporations and tribal governments.

SUCCESS STORIES



Magoffin County Opens New Health Department

A dream more than 10 years in the making became a reality on March 19, 2010, as the residents of Magoffin County turned out in force to celebrate the opening of a new health department in Salyersville, Ky.

More than 250 people waited in line for a chance to tour the facility and hear about the long journey that brought the project to fruition. For a community without a hospital and struggling with a lack of medical professionals, it was a special day indeed.

"This is a perfect example of what can happen when federal, state and local governments listen and do what the citizens want. It's wonderful to look at my colleagues and have them say, 'They've got the best facility in the area,'" said Dr. Charles Hardin, a physician who sits on the health department board and also serves as Magoffin County Judge-Executive.

Moving the health department from its old, outdated and inadequate facility to a new building that will improve and expand services was the brainchild of Bertie Salyer, Public Health Director for Magoffin County. The former health department building is 47 years old and unable to adequately meet the needs of the community. The new building will consolidate operations into a single location and expand services to the community.

"This facility was worth waiting on. The vision came from the vision of the staff of the health department," said Salyer. "There are so many people responsible for making this project a reality ... we came together as a community."

With the new facility complete, county officials expect patient volumes to expand by 25 percent. The building will provide improved service for 4,000 active patients and increase access to care for 1,000 additional patients. The project will create as many as nine new positions within the building, which will house a clinic, health education center, office space and records storage. In addition to medical services, the new health department will offer services for disaster response, those who are indigent and early childhood development.

Rural Development Funds Monticello Wastewater Treatment Plant Upgrade

Monticello's wastewater treatment plant serves more than 2,500 customers in rural Wayne County, which is one of Kentucky's persistent poverty counties and part of the Appalachian region.

The city was awarded a low-interest loan in the amount of \$4.984 million and a grant for \$2.136 million to fund improvements to its wastewater treatment plant.

The upgrade will increase the plant's capacity from 700,000 gallons per day to 1.4 million gallons per day.

Additionally, other improvements will be made to the treatment processes to ensure that the plant meets the new Kentucky Pollution Discharge Elimination System requirements for phosphorous removal. Proposed modifications to the plant also will improve the water quality of nearby Elk Spring Creek.

The current plant has been in use since 1987 and operates at a capacity of 58 percent. Upgrades to the facility include removal of the existing chlorine contact basin and the installation of a new ultraviolet disinfection system. Two additional sludge holding basins also will be constructed to improve sludge handling.

An event to highlight the project was held on April 22, 2010, in conjunction with the 40th anniversary of Earth Day.



Tom Fern congratulates Monticello Mayor Kenneth Catron.

BROADBAND INITIATIVES PROGRAM



Broadband Awards for Kentucky

- West Kentucky Rural Telephone Cooperative – \$85.4 million
- Mountain RTCC – \$78.12 million
- Windstream – \$31.12 million
- Windstream – \$27.64 million
- People's Rural Telephone Cooperative – \$25.5 million
- Foothills Rural Telephone Cooperative – \$20.97 million
- Highland Telephone Cooperative – \$19.28 million
- Thacker-Grigsby Telephone Company – \$7.4 million
- Leslie County Telephone Company – \$6.17 million
- Salem Telephone Company – \$1.93 million
- Windstream – \$951,445
- Mikrotec CATV – \$829,813

Total of \$305.37 million for 71 Kentucky counties

- | | | |
|--------------|------------|------------|
| Adair | Grayson | McCreary |
| Barren | Greenup | Menifee |
| Bath | Hardin | Metcalfe |
| Boyd | Harlan | Monroe |
| Boyle | Hart | Montgomery |
| Bracken | Hickman | Morgan |
| Breathitt | Jackson | Nelson |
| Breckinridge | Jessamine | Owsley |
| Bullitt | Knox | Perry |
| Butler | Larue | Pike |
| Calloway | Laurel | Powell |
| Carlisle | Lawrence | Pulaski |
| Carter | Lee | Rockcastle |
| Casey | Leslie | Rowan |
| Clay | Letcher | Russell |
| Clinton | Lewis | Scott |
| Crittendon | Lincoln | Taylor |
| Cumberland | Livingston | Warren |
| Edmonson | Lyon | Washington |
| Elliott | Madison | Wayne |
| Estill | Magoffin | Whitley |
| Fleming | Marion | Wolfe |
| Garrard | Marshall | and |
| Graves | Mason | Woodford |

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (Recovery Act). The legislation provides funding to the Department of Agriculture and Department of Commerce to expand broadband access to rural and unserved areas of the country. The information below explains how Rural Development's Rural Utilities Service (RUS) is implementing the broadband provisions of the Recovery Act.

Funding

The Recovery Act authorized USDA budget authority of \$2.5 billion that it is used flexibly to provide loans, grants and loan/grant combinations to expand broadband access in rural America. USDA obligated all funds by September 30, 2010.

Broadband Initiatives Program

The Recovery Act established the rapid disbursement of the funds as an important priority for the BIP program to create jobs and stimulate the economy. The program also must be administered judiciously to ensure responsible use of public funds. To balance these objectives, RUS favored projects that commenced construction promptly and demonstrated technical and financial feasibility, organizational capacity, and the furtherance of other Administration priorities. A commitment to transparency in the award process and rigorous reporting requirements will help ensure accountability.

BIP Priorities

The Recovery Act required that at least 75 percent of a BIP-funded area be rural and "without sufficient access to high speed broadband service to facilitate rural economic development." The Recovery Act also mandates that

priority be given for projects which: (1) give end users a choice of providers; (2) serve the highest proportion of rural residents that lack access to broadband service; (3) are projects of current or former RUS borrowers (Title II borrowers); and, (4) are fully funded and ready to start once funding is received. BIP application scoring criteria targeted projects that met these priorities.

Projects Obligated

By September 30, 2010 there were 320 awards obligated that total \$3.529 billion. The total awards were 285 last-mile projects that total \$3.25 billion, the 12 middle-mile awards total \$172.6 million, four satellite awards for \$100 million, and 19 technical assistance awards for over \$3.0 million. The awards will provide access to 2.8 million households, 364,000 businesses, and 32,000 anchor institutions across more than 300,000 square miles. The projects also overlap with 31 tribal lands and 125 persistent poverty counties. The projects will create more than 25,000 immediate and direct jobs and are expected to contribute to the long-term economic development opportunities in each rural community where a broadband project is launched.

West Kentucky and Tennessee Telecommunications Cooperative was awarded \$123 million in Recovery Act funding through BIP to build a fiber optic network that will bring high-speed broadband capability to every home, business and institution in WK&T's multi-county service areas in Kentucky and Tennessee.



Ola Merrell (in front) was a featured homeowner during one of Rural Development's National Homeownership Month events held on August 17, 2010, in White Plains, Ky. Merrell is pictured with daughters Johnetta McNary (right) and Lorrie Furham and brother-in-law Paul Cundiff.





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