

STRATEGIC GOAL 2: SUPPORT INCREASED ECONOMIC OPPORTUNITIES AND IMPROVED QUALITY OF LIFE IN RURAL AMERICA

Exhibit 15: Resources Dedicated to Support and Improve Rural America

USDA Resources Dedicated to Strategic Goal 2	FY 2003		FY 2004	
	Estimate	Percent of Total USDA	Estimate	Percent of Total USDA
Program Level (\$ Mil)	18,130	16%	12,185	12%
Staff Years	8,273	7%	8,217	8%

Goal 2 priorities are to develop analytical tools to measure the impact of program performance and support performance based budgeting; evaluate the rental housing program to meet simultaneously the housing needs of underserved rural Americans and the Department's fiduciary responsibilities; undertake a review of rural cooperatives to determine how they become financially stronger, more market-sensitive and responsive to rural economic opportunities; and develop a strategy to ensure rural America is aware of the opportunities that are available with the programs of USDA.

Legislative and regulatory changes can significantly alter the economic environment in which a family, community, business or agency operates. For example, the FFEIA requires Rural Development to give priority to energy programs that were not previously authorized or funded. Homeland security issues dramatically impact government and private sector entities. They also alter resource allocations within the Federal government.

The census of agriculture is taken every five years and provides comprehensive data on the agricultural economy including the number of farms, land use, production expenses, value of land and buildings, farm size, characteristics of farm operators, market value of agricultural production sold, acreage of major crops, inventory of livestock and poultry and farm irrigation practices. This provides valuable detailed production, supply, economic and demographic data at the National, State and local levels on U.S. Agriculture. Census data supplied by USDA is the sole source for most locality-based agricultural and demographic data used in making sound and informed decisions by public officials and private interests at the local level.

OBJECTIVE 2.1: Expand Economic Opportunities Through USDA Financing of Businesses

Exhibit 16: Resources Dedicated to Expand Economic Opportunities through USDA Financing of Businesses

USDA Resources Dedicated to Objective 2.1	FY 2003		FY 2004	
	Estimate	Percent of Goal 2	Estimate	Percent of Goal 2
Program Level (\$ Mil)	7,157	39%	3,972	33%
Staff Years	3,664	44%	3,615	44%

One of USDA's core missions is ensuring that rural Americans enjoy economic opportunities equivalent to those of other Americans. Lack of credit and other market imperfections sometimes limit the ability of rural economies to create the jobs and incomes that would allow rural families to succeed and rural youth to remain in their communities. USDA serves as a capital enhancement tool for rural America by investing in businesses and infrastructure improvement and expansion. Through capital enhancement and by implementing energy-related provisions of 2002 FSRIA and loans specifically targeted for the deployment of broadband service in small towns and communities, USDA will expand its ability to improve economic opportunities in rural areas.

Improve Rural Economic Opportunities

By providing economic opportunities in rural areas through the creation of jobs as a result of the financing of businesses, USDA is concerned not only with the number of jobs created but with the quality of jobs. While unable to measure job quality, USDA provides funding priority to projects that support jobs with average wage rates that exceed the Federal minimum and strongly encourages coordination with other Federal programs.

Exhibit 17: Strengthen Rural Businesses

Annual Performance Goals and Indicators	Fiscal Year					
	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Target	2004 Target
2.1.1 Create or save additional jobs through USDA financing of businesses	79,839	73,502	105,222	76,301	73,944	69,925
2.1.2 Reduce the Business and Industry Portfolio delinquency rate, excluding bankruptcy cases (Percentage)	4.8%	4.2%	4%	10.3%	9.5%	9.3%

Means and Strategies

Planned actions for achieving these performance goals and related objective include the following:

- Implement the provisions of the 2002 FSRIA, including the Rural Business Investment Program and the Renewable Energy Systems and Energy Efficiency Improvements Program and the expanded assistance for broadband.
- Increase outreach and partnerships with financial institutions and non-traditional lenders to encourage access to capital for rural minority business owners.

- Develop formal partnerships with other Federal Departments and agencies to efficiently bring additional resources to rural areas.
- Focus on value-added activities in agriculture and other natural resource industries by encouraging the establishment and growth of locally owned and operated rural businesses.
- Provide more timely and consistent credit and financial analysis of applicant/borrower proposed and actual business operations with newly acquired state-of-the-art software.
- Develop an accreditation training process for field staff.

Key External Factors

Under the Rural Community Advancement Program a certain percentage of funds from one program area can be made available for obligation by a different program. Therefore, funds available for obligation in any particular program could be impacted (increased or decreased) by the movement of funds from one program to another as authorized by the Rural Community Advancement Program. Any movement of funds will impact the ability to reach the targets.

The development of the Internet-based economy provides unique opportunities for rural America. It eliminates the limitations on business development in rural areas caused by geographical distance and a limited customer base. The ability to provide a different type of employment base in a rural area impacts the ability to create or save jobs. This element also ties to the provision of broadband access.

Improve Telecommunication for Rural Residents

USDA finances the deployment of a seamless, nation-wide broadband network in which the only thing distinguishing to users is their zip code. Since private capital for the deployment of broadband services in rural areas is not sufficient, incentives offered by USDA are more important than ever before. Providing rural residents and businesses with barrier-free access to the benefits of today's technology will bolster the economy and improve the quality of life for rural residents.

The building and delivery of an advanced telecommunications network is having a profound effect on our nation's economy, strength and growth. Broadband networks in small, rural towns will facilitate economic growth and provide the backbone for the delivery of increased educational opportunities over state-of-the-art telecommunications networks. While rural America can be defined by various statistics—number of counties: 2,300; or percentage of landmass: 80 percent—the most important statistic is that rural America is HOME to 55 million people. Just as our citizens in our cities and suburbs benefit from access to broadband services, so should our rural residents. In rural America, access to broadband plays a vital role in solving the problems created by time, distance, location and lack of resources. The promise of broadband is not just “faster access.” It means new educational opportunities through distance learning;—enabling rural students to take virtual field trips to places all over the world, from historic Williamsburg to the Louvre; life saving medical treatment over telemedicine networks—allowing for specialists to guide surgeries hundreds of miles away; and economic growth and new markets—where businesses prosper and grow locally, while competing nationally and globally over high-speed networks and inter-connecting with suppliers, manufacturers and consumers to optimize business strategies.

Today's advanced telecommunications networks will allow rural communities to become platforms of opportunity for new businesses to compete locally, nationally and globally and ensure that no rural resident—from students to parents and teachers, from patients to doctors, or from consumers to entrepreneurs—will be left behind in this new century.

Exhibit 18: Improve Telecommunication Services in Rural America

Annual Performance Goals and Indicators	Fiscal Year					
	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Target	2004 Target
2.1.3 Improve the ability of small, rural towns to enjoy economic growth through provision of financing to support high-speed telecommunications services (broadband):						
• Number of entities	N/A	N/A	12	16	23	23
• Number of counties	N/A	N/A	61	163	184	184

Means and Strategies

Planned actions for achieving this performance goal and related objective include the following:

- Build leveraging partnerships to expand resources going to rural areas.
- Increase educational and health care levels in rural areas.

Key External Factors

Changes in the economy can have a major impact on both Rural Development programs and the ability of our customers to meet their obligations. Rural Development’s customers include residents, communities, and organizations in rural areas where monetary policy sometimes has a disproportionate effect. These customers do not typically share in economic upswings felt by metropolitan areas. For example, a rise in unemployment generally affects low-income families and communities first and can result in an increase in loan delinquency rates. A general lack of economic diversity in many rural communities also makes them particularly susceptible to changes in the economic environment. Interest rates impact the subsidy rates for each program and the amount of funds available for lending. Rates also affect the ability of new customers to afford needed assistance and the ability of existing RD customers to graduate to private sector credit.

OBJECTIVE 2.2: Improve the Quality of Life Through USDA Financing of Quality Housing, Modern Utilities and Needed Community Facilities

Exhibit 19: Resources Dedicated to Improve the Quality of Life

USDA Resources Dedicated to Objective 2.2	FY 2003		FY 2004	
	Estimate	Percent of Goal 2	Estimate	Percent of Goal 2
Program Level (\$ Mil)	10,973	61%	8,213	67%
Staff Years	4,608	56%	4,603	56%

Rural America is diverse and the challenges facing rural communities are wide-ranging and varied. Its diversity presents opportunities for the creative application of programs and policies and calls for unique partnerships. Through programs that provide for clean water, adequate housing and access to essential community facilities, USDA can meet the challenges and provide for an improved standard of living in Rural America.

Improve the Standard of Living in Rural America

The President has expressed his desire that all Americans share in homeownership opportunity and has established a major initiative to increase minority homeownership nationwide. USDA will implement an action plan in support of the President’s goal. An increase in new and improved community facilities and access to clean drinking water will serve to support an increase in homeownership.

Exhibit 20: Raise Quality of Life in Rural America

Annual Performance Goals and Indicators	Fiscal Year					
	1999 Actual	2000 Actual	2001 Actual	2002 Actual	2003 Target	2004 Target
2.2.1 Improve the quality of life in Rural America:						
• Increase financial assistance to rural households to buy a home	55,941	45,420	44,073	42,069	45,700	49,000
• Increase the number of minority homeowners	N/A	N/A	6,300	8,200	8,400	8,480
• Provide access for residents to new and/or improved essential community facilities (Mil)	N/A	N/A	N/A	6.8	7.2	7.2
• Provide access for residents to clean drinking water (Mil)	N/A	N/A	N/A	1.96	2.06	2.03

Means and Strategies

Planned actions for achieving this performance goal and related objective include the following:

- Support the President’s minority homeownership initiative by implementing a plan to:
 - Lower fees to reduce barriers to minority homeownership;
 - Increase the number of self-help participants;
 - Increase participation by minority lenders through outreach;
 - Promote credit counseling and homeownership education; and
 - Monitor lending activities to ensure an increase in minority homeownership.

- Increase the leveraging of outside funds by developing relationships with all potential sources of funding in rural communities for water, environmental and essential community facilities.

Key External Factors

Changes in the economy can have a major impact on both Rural Development programs and the ability of our customers to meet their obligations. Rural Development's customers include residents, communities, and organizations in rural areas where monetary policy sometimes has a disproportionate effect. These customers do not typically share in economic upswings felt by metropolitan areas. For example, a rise in unemployment generally affects low-income families and communities first and can result in an increase in loan delinquency rates. A general lack of economic diversity in many rural communities also makes them particularly susceptible to changes in the economic environment. Interest rates impact the subsidy rates for each program and the amount of funds available for lending. Rates also affect the ability of new customers to afford needed assistance and the ability of existing RD customers to graduate to private sector credit.