



Committed to the future of rural communities.

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**Interim Committee on Rural Broadband  
November 14, 2012**

Good Morning Chairwoman Schwartz and Committee Members. I am Patty Clark and I currently serve as the State Director for USDA Rural Development in Kansas. I have been asked to provide information to the Committee regarding the broadband and telecommunications financing programs provided by our agency to help inform your policy deliberations regarding the provision of telecommunications connectivity to rural, less densely populated areas in our state.

First let me provide some context. Rural Development is an agency within the US Department of Agriculture. The Rural Utility Service, which provides financing for water and sewer infrastructure, electricity generation and distribution and telecommunications is a "mission area" within Rural Development along with our Rural Business Service and our Rural Housing Service. Nationwide, our portfolio of public infrastructure, business and housing loans is the equivalent of some of the largest banks in the nation and our delinquency rate rests below the private sector averages. Approximately \$.93 cents of every \$1.00 provided by the Federal Government to our Agency is circulated to rural communities and residents in the form of a loan, repayable to the Federal Government.

Rural Development has a 75-year history of financing "public callings" in rural areas across America. RUS is the oldest and most successful infrastructure lender throughout rural, high cost markets. We finance infrastructure investments, not operations – and we focus on the 50 million Americans who live and work in rural areas. Our current active portfolio is \$56 billion in loan financing for electric, water, telecom and broadband projects. We are outstanding stewards of public funds and the public trust. RUS has less than a 1% default rate on our loan portfolio.

Rural Development began investing in rural telephone service in 1949. We are an incentive lender for those who seek to serve eligible rural communities with modern telecommunications infrastructure. Currently we have 2,337 active loans with \$4.2 billion in outstanding principal. Some of our borrowers are here today are very interested in the work of this Committee.

Our telecom borrowers build advanced networks in the most prudent and cost effective manner. Our engineering ethic means that borrowers build and trench once. In other words, our borrowers deploy fiber because it is less expensive to maintain and delivers a higher through-put than copper and because we want to avoid investments that too quickly become obsolete. Borrowers must provide at least one MBPS of broadband service. In fact, with the passage of the English Amendment to the Rural Electric Loan Restructuring Act of 1993, we assure that our borrowers build infrastructure comparable to that deployed in urbanized areas.

In 2009 and 2010 via Recovery Act funds, Rural Development provided 320 loan and grant Broadband Investment Program (BIP) awards in 46 states nearing a \$3.53 billion investment. Of that total, 286 awards in the amount of \$2.36 billion were for "last mile" construction. This means service to 2.8 million households and 6 million customers including 360,000 businesses and 30,000 anchor

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Special Committee on Rural Broadband  
Date: 11-14-2012  
Attachment 5



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institutions. In Kansas during that time period, Rural Development awarded \$137,390,289 in loans and grants to 11 entities to build broadband infrastructure to service 24,873 households, 6,823 businesses and 538 anchor institutions including public schools and libraries. The CEO of one of the firms explained it in very simple terms – minus the loan and grant from Rural Development they could not have written a business plan that made their investment possible.

Telecommunications and high-speed Internet connectivity have become just as essential to rural residents as water and electricity. To survive, thrive and make a sustained contribution to our Kansas economy, our rural residents and businesses must be globally connected. Minus that connectivity, rural areas will not be places people choose to live and work. To quote an economic development professional from one rural area – the broadband infrastructure investment just “gets rural communities in the ballgame” of business.

A great example of a rural business that reaches customers around the world is Dessin-Fournir in Plainville, Kansas. Chuck Comeau grew up in Plainville and chose to establish his furniture, lighting and home décor business there 20 years ago. I have included a map as an appendix to my written testimony that is a page from his website showing the location of his showrooms – including Moscow – not Moscow, Russia – Moscow, Kansas. Minus high-speed Internet the possibility of headquartering his international business interests in western Kansas simply doesn't exist.

Another example is the city of Phillipsburg/Phillips County. Their strategy for business development involves their local “Entrepreneur Business and Enhancement Program” (EBEP). They also have strong partnerships with Network Kansas and the Northwest Kansas Planning and Development Council. They have established a local business incubation system that has created new business start-ups and helped existing businesses grow. The bottom line is they more than doubled their revenues from their ½ cent sales tax in nine years. According to Jeff Hofaker, the Phillips County Economic Development Director, this would not have been possible without high-speed Internet access and telecommunications investment by Nex-Tech our rural telecom partner. Clearly it is an investment that pays off in increased tax revenues.

Another example is the agricultural industry. It goes without question that production agriculture has been the bright spot in the US economy the past few years. But – our farmers and ranchers need technology and connectivity to compete and to succeed in the global marketplace. Data and information are essential to them – they run their pivot irrigation systems from their phones – tractors and combines are being produced that are driver-less. But they have to have connectivity in order to deploy those new technologies.

In telecommunications, Rural Development financing is dependent on sufficient, specific and predictable revenues. USF support has been one the major factors evaluated in virtually every RD loan. Of the 487 active borrowers in our portfolio, 99% of them depend on federal USF support for high cost areas. We have heard from our borrowers that the new rule leaves the revenues derived from USF support unpredictable and possibly insufficient. And we have heard that the rulemaking with its

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retroactive approach penalizes earlier investments. Further our borrowers have indicated that the waiver process is very costly (\$200,000) and needs to be simplified.

USDA has filed two ex-partes with the FCC. On July 29, 2011 USDA filed an ex-parte regarding the impacts of USF reform on our telecommunications programs and filed a second on May 31, 2012 to summarize a meeting between USDA Secretary Tom Vilsack and FCC Chairman Genachowski. In both, the concerns of our borrowers were elevated to the FCC.

In closing, I would leave you with three thoughts:

- Telecommunications and affordable high-speed Internet access are now considered a basic utility – just like water and electricity. It is essential to our business, education and health-care systems in rural Kansas.
- As an essential, if State funded programs such as the Rural Opportunity Zone program are going to work – rural communities and rural citizens will require high-speed connectivity.
- To grow the Kansas economy we need a thriving rural economy – the two are inter-dependent. If our urban economies are thriving – but our rural economies are not – we are not growing in the real sense. A robust rural economy can and does make a significant contribution to our State's bottom line.

## Business - Cooperative Programs

Helping community leaders identify ways to improve economic opportunities in rural America is a leading emphasis at USDA Rural Development. Through a variety of job-creation programs our agency partners with private and community-based organizations to create and preserve quality jobs in rural communities.

USDA Rural Development's Business and Industry (B&I) guaranteed loan program helps back the business of rural America by providing protection and incentives to lenders. In turn, businesses benefiting from a loan guarantee have a better chance of receiving the financing and terms they need so they can thrive. More than \$16.6 million in B&I loan guarantees were issued to lenders in 2012 assisting a wide variety of businesses throughout Kansas.

Another popular program in 2012 was the Rural Energy for America Program (REAP). This program provides financial assistance to help farmers and small business owners reduce energy costs by making energy-efficiency improvements, as well as helping to install renewable energy systems such as wind turbines and solar panels.

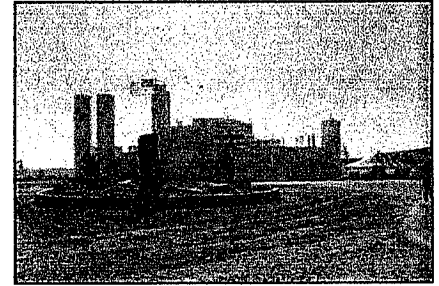


## Housing Programs

While the past few years have been a financial challenge for many Americans, the goal of achieving the American Dream of homeownership remains strong, especially in rural Kansas.

For example, more than 2,000 families in rural Kansas turned to USDA Rural Development in 2012 for assistance in purchasing their new home. An active housing market has a significant impact on a community or region's ability to create jobs. USDA Rural Development has two low-interest, no-down-payment loan programs to help eligible families living in rural communities and areas purchase new or existing homes. Loans, and some grants, are also available to help families make needed repairs to their homes.

USDA Rural Development also provides financing for 327 apartment complexes in rural Kansas. These complexes provide rural Kansans with access to more than 6,000 apartments. Rent in the apartments is based on income, and rental assistance is available depending on the income of the tenant.



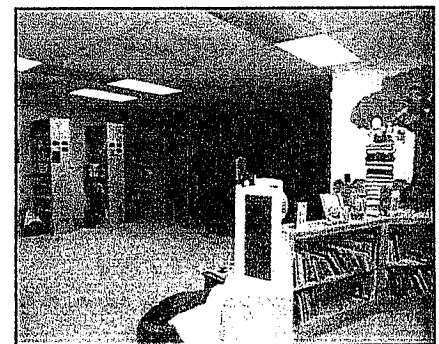
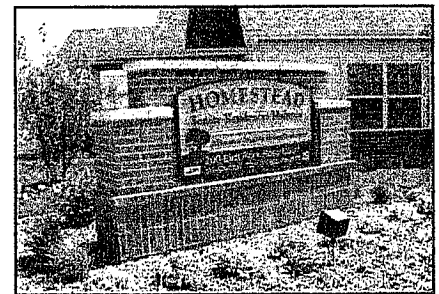
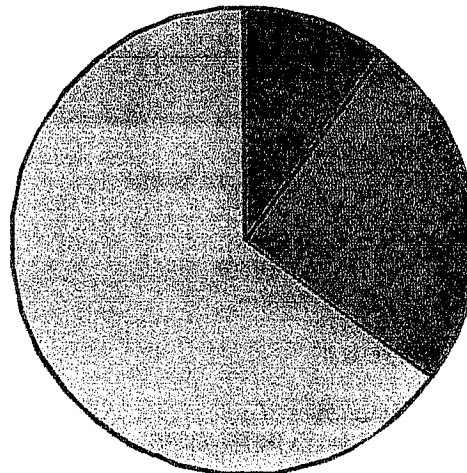
## Community Programs

USDA Rural Development improves the quality of life in rural America through a variety of loan, grant and guarantee programs that assist water and wastewater systems, assisted living facilities, healthcare facilities, fire and rescue programs and community building such as libraries, city halls and recreation centers.

During the past year, the agency assisted 43 communities across Kansas with \$83.5 million in financing to help make quality-of-life improvements for rural residents through new and upgraded services, facilities, buildings, equipment and infrastructure.

Helping to ensure that all rural Kansans have access to quality healthcare continues to be an important area of emphasis for USDA Rural Development. Since 2009, USDA Rural Development has provided a total of \$66.4 million in loans, grants and loan guarantees to 21 rural healthcare facilities around the state helping them make needed facility and equipment improvements including new ambulances, medical, surgical and information-technology equipment, hospital beds, as well as complete replacement of hospitals and extensive renovation projects.

Whether the project is a new medical clinic, hospital, fire station, fire truck, emergency equipment, community building, assisted living facility, library, child care center, water and wastewater system, or telephone, electric or broadband upgrade, USDA Rural Development is ready to assist.



USDA RURAL DEVELOPMENT  
FUNDING ACTIVITY - KANSAS 2012

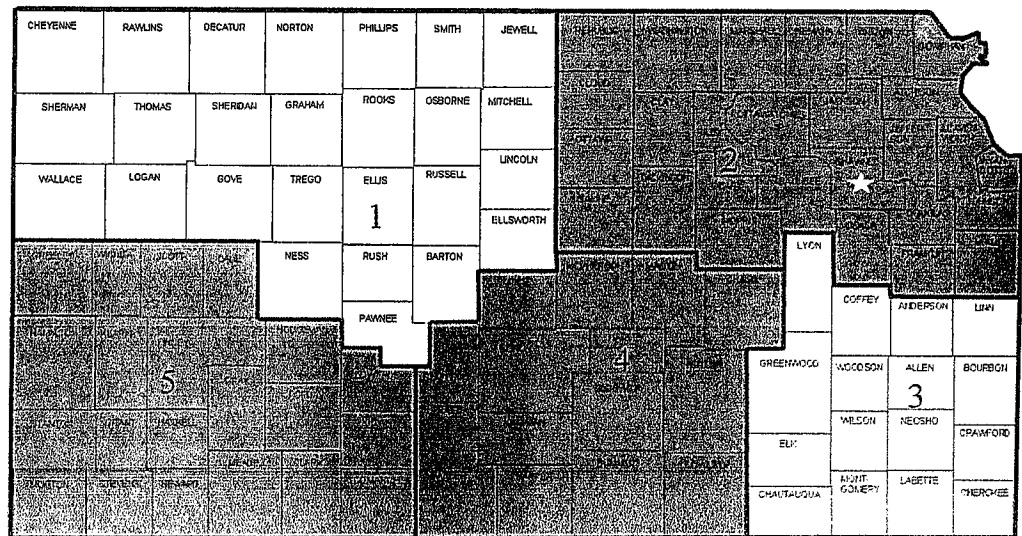
- Business Programs  
\$34,901,905
- Community Programs  
\$84,064,270
- Housing Programs  
\$221,274,970

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**Investing in the Future of  
Rural Communities  
USDA Rural Development  
KANSAS**

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620.365.2901, Ext. 4

**Area 4 - Newton Area Office**  
1405 South Spencer Rd, Newton, KS 67114  
316.283.0370, Ext. 4

**Area 5 - Garden City Area Office**  
2106 East Spruce  
Garden City, KS 67846  
620.275.0211, Ext. 4

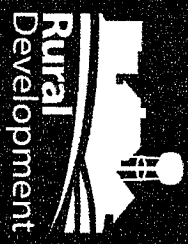
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USDA  
Rural  
Development

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2011  
Progress  
Report  
Kansas



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# Secretary Vilsack: The Future of USDA

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Strong rural communities are key to a stronger America. President Obama has acknowledged as much in his travel to rural communities, and through the creation of the first-ever White House Rural Council, and at USDA we share his conviction.

Over the decades, USDA has enhanced the vital contributions of rural America to our nation's prosperity, security and success. With the current economic challenges, USDA has responded focusing on efforts that maximize the use of program funding, streamlining processes and promoting thriving economies and job creation in rural America.

Through Rural Development programs USDA continues to work alongside farmers, ranchers, homeowners, businesses, nonprofits, cooperatives, Tribes and local governments to effectively enhance the country's economic climate. These partnerships allow us to leverage private and public funding to promote local and regional business development, infrastructure build-out and access to affordable credit in rural areas. During the last fiscal year, the cumulative results of these efforts have helped save or create thousands of jobs in rural America and beyond.



USDA Secretary Vilsack

But there is more work to be done. Now more than ever, we must stretch limited government dollars and strategically direct funding that encourages private investment and creates economic opportunity in both the short- and long-term. In an unprecedented effort, President Obama last year created the White House Rural Council designed to build on the Administration's robust economic strategy for rural America. The Rural Council, which I chair, is comprised of twenty-five heads of federal executive branch departments and agencies. As the President stated in his Executive Order creating the Council, its purpose is to enhance the Federal Government's efforts to address the needs of rural America and to better coordinate Federal programs and maximize the impact of Federal investment to promote economic prosperity and quality of life in our rural communities. Numerous cabinet members and senior officials have participated in over 100 White House Rural Roundtables across the country to seek input on how the Federal Government can be a better partner to those who live in rural communities. These White House Roundtables complement an effort at USDA this year to talk to stakeholders about how we can improve our processes.

As a result of these initiatives, we have heard from folks across the country on a number of key topics ranging from ways to build small business and strengthen the middle class in rural America, to plans for building economic opportunity for rural business through infrastructure investment. Many emphasized the need to fully capitalize on the emerging opportunities, especially in growth sectors that offer the most promise yet face the most difficult competitive challenges, including technological innovations and development of renewable energy. Moving forward, these insights and priorities will inform our delivery of programs and services and help generate the greatest economic benefits across the country.

This responsiveness and innovation is nothing new for USDA. Our employees understand the prosperity challenges of rural America and how each community's needs are unique. Our dedicated Rural Development staff, who live and work in the communities they serve, are able to hear and respond quickly to local issues. Through a variety of business, economic development, utility and housing programs, our Rural Development specialists are doing more for rural communities than ever before.

Sincerely,  
Thomas Vilsack  
Secretary of Agriculture



# Under Secretary Tonsqger: Investment in Rural America

In 2011, USDA Rural Development delivered programs to the American people that created jobs and new economic opportunities in rural communities. I am proud to report that our three mission areas, Housing, Utilities, and Business and Cooperative Programs, have collectively helped save or create thousands of jobs in rural America.

By encouraging both public and private investment, local businesses enjoy spillover economic benefits that come with people being put to work and having money to spend.

But that's just part of the story. In addition to generating jobs today, Rural Development investments are creating ongoing economic opportunities in rural America that will pay benefits for years to come. Our programs help modernize essential water systems, build clinics and hospitals, support renewable energy systems, energy conservation, and ensure affordable housing for credit-worthy limited income rural residents. Our efforts boost the reliability of the electric grid, improve educational opportunities, ensure clean water, and provide affordable, reliable Internet service to rural homes and businesses. These are all building blocks needed to grow businesses, add housing, attract employers, and develop a skilled workforce. As in urban areas, this kind of civic infrastructure provides the capacity necessary for private sector jobs to flourish in rural areas.



USDA Under Secretary  
Dallas Tonsqger

In 2011, Rural Development allocated a total of \$28 billion nationwide to maximize private investments in rural communities. Of this, 29.6 percent was directed in the form of direct loans that get paid back with interest. Another 66.7 percent funded fee-generating loan guarantees that make it possible for private lenders to work within the banking system to safely increase the pool of capital available in rural areas for credit-worthy businesses, communities and home-buyers. Just 3.7 percent of Rural Development funding was directed in the form of strategically selected grants.

Our Rural Development programs help create and sustain good paying jobs, and will have a lasting impact across the country. In addition to the investments of countless businesses, nonprofits, cooperatives, Tribes and local governments that partner with us, much credit is due to our talented, efficient and dedicated workforce of USDA employees who deliver Rural Development assistance in small communities and remote areas across all 50 states and the territories of the United States. Their continued commitment to rebuilding and revitalizing rural America is shared by myself, Secretary Vilsack and President Obama. In the upcoming year, we will continue to work with communities, residents and others to ensure that rural America continues to be a healthy, safe and prosperous place to live, work and raise a family.

Illas Tonsqger  
Under Secretary  
USDA Rural Development

Direct Loans	\$8.4 Billion	29.6%
Loan Guarantees	\$18.8 Billion	66.7%
Grants	\$1 Billion	3.7%
<b>Total</b>	<b>\$28,178,856,412</b>	<b>100%</b>

Single-Family Housing and Guaranteed Loans**	224,831
Business and Industry Loan Guarantees***	27,806
Specialty Business Programs***	37,241
Rural Utility Programs**	150,000

\*Estimates are not available for all programs.  
\*\*Estimates are based on models project numbers of jobs created per \$1 million invested.  
\*\*\*Estimates are based on information provided by program applicants.

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# 2011 USDA Rural Development Highlights in Kansas

Following two years of unprecedented federal investment in rural Kansas through the American Recovery and Reinvestment Act funding, Kansans again benefitted from USDA Rural Development programs to accomplish public works projects, maintain and create jobs, finance small businesses and enhance home ownership in our rural communities during 2011.

Time and again, I have heard our constituents say... "we could not have accomplished our project without USDA Rural Development's advice and financing assistance." This is a testament to the value of our programs, as well as the passion and hard work of our employees. Our staff bring significant technical expertise to each and every project in addition to the federal funds our agency provides.

We have reached a new pinnacle of partnerships with other Kansas agencies and organizations to the benefit of our mutual rural constituencies. We all recognize that communities benefit when all the rural resource partners work in concert on behalf of rural constituents.

Despite budget and staffing reductions, we look forward to another productive year in 2012.

Patricia Clark  
USDA Rural Development  
State Director in Kansas



USDA Rural Development  
State Director Patty Clark

**2011 USDA  
Rural Development  
Investment  
in Rural Kansas  
\$433,231,296**

**Funding by Program Area:**

- Business Programs**  
\$40,620,722
- Community Programs**  
\$11,853,667
- Housing Programs**  
\$221,744,204
- Water & Environmental Programs**  
\$15,656,703
- Electric Loans**  
\$96,280,000
- Broadband Loans**  
\$47,076,000

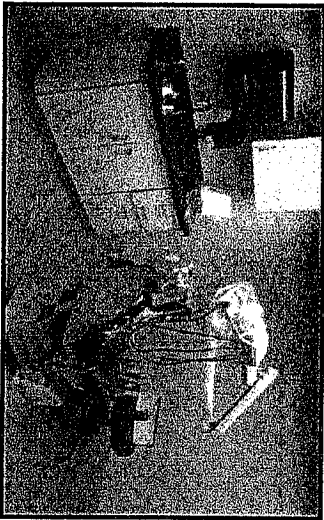
# Kansas Photo Highlights



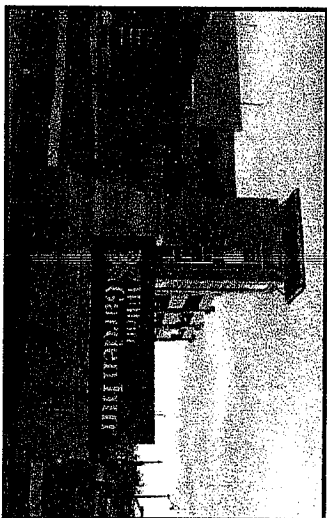
Kiowa County Commons  
Community Facilities



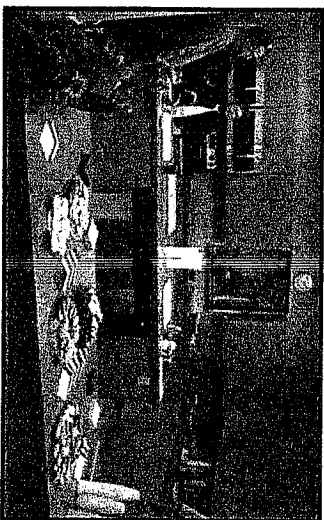
Stock Realty in Ulysses  
Housing Programs



Heart of Kansas Family Health Care Center  
In Great Bend  
Community Facilities



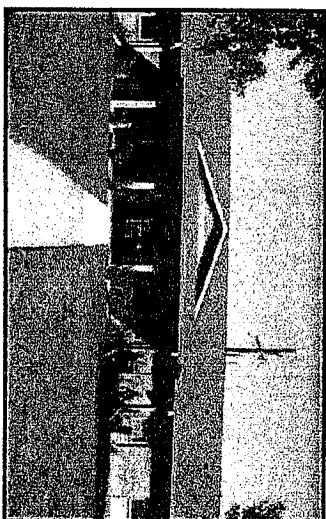
Hilton Garden Inn in Manhattan  
Business Programs



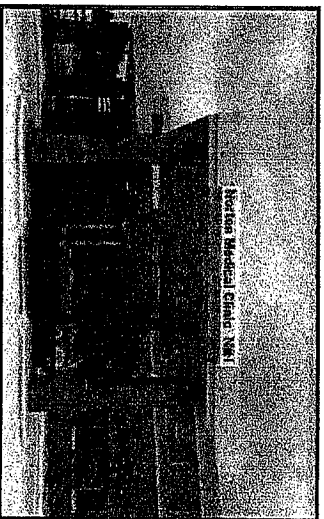
Sedgwick Senior Citizens Center  
Community Facilities



Burlingame Earth Day Project  
Water & Environmental Programs



Tolin Terrace in Clay Center  
Housing Programs



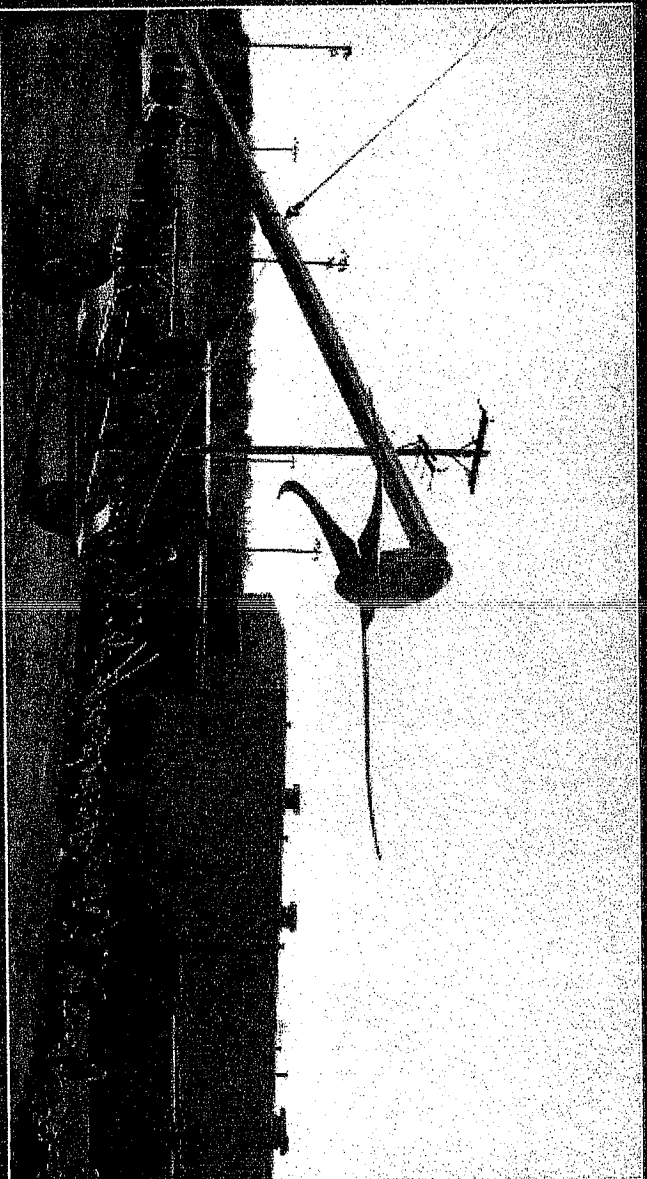
Norton County Hospital  
Community Facilities



Citizens Medical Center in Colby  
Community Facilities

I decided to spearhead the wind turbine project at Jeff West High School because I felt like I had a good group of student managers, and thought it could benefit the school both environmentally and educationally. Students, patrons and visitors all benefit from seeing the turbine spinning and being made aware of the renewable energy options available to all of us.

-- Leslie Bruton, Jeff West High School Teacher and Wind for Schools Project Sponsor



# Energy Investments

USDA Rural Development can assist rural Kansas businesses and organizations looking to reduce energy use. In 2011, USDA Rural Development provided more than \$17 million in financing to establish new renewable energy projects in Kansas, as well as improving the energy efficiency of rural businesses.

Kansas agricultural producers and small business owners have utilized the Renewable Energy for America Program (REAP) to reduce their energy needs. Through the REAP program, agricultural producers and small business owners in Kansas received a total of nearly \$800,000 to improve energy efficiency and develop more renewable energy sources this year.

## Energy Efficiency

Fourteen Kansas agricultural producers received REAP grants to convert their diesel or natural gas irrigation engine to an electric motor with variable frequency drive to reduce energy consumption and improve water efficiency. Also through the REAP program, three agricultural producers converted their current irrigation systems to subsurface drip irrigation systems and one producer installed a geothermal heating and cooling unit in an agricultural shop.

The REAP program also assisted 12 Kansas small businesses with various energy efficiency upgrades including: lighting, heating and cooling systems, windows, insulation and equipment. David Jarrett, owner of Red Zebra Salon in Hutchinson, received a REAP energy efficiency grant to make energy improvements to the salon, which is in a historic building. The building was built in 1888 and Jarrett is utilizing the REAP grant to assist in installing a new heating, ventilation and air conditioning unit, as well as new insulation.

## Renewable Energy

Four Kansas school districts installed wind turbines to educate students on the importance of wind as an alternative energy source and to promote rural jobs for the future. The following school districts each received a \$5,000 Rural Business Enterprise

Grant to install a 1.8 kilowatt wind turbine: Central Plains, Eudora, Halstead-Bentley, and Jefferson West. The turbines will offset a small amount of the electric needs at the schools, and will provide a hands-on learning opportunity for students in math and science courses.

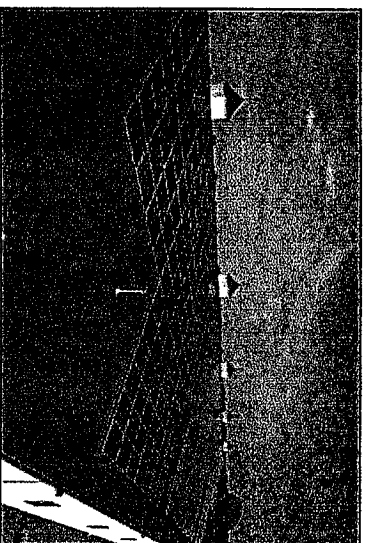
In addition to the schools installing wind turbines, four Kansas small businesses received funding through the REAP program to install wind turbines throughout the state. The REAP program also assisted two businesses install solar units, and five businesses install flexible fuel pumps.

## Biofuels Industry

Currently Kansas has the capacity to produce more than 400 million gallons of ethanol per year. The current law allows up to 10 percent of ethanol to be blended into gasoline, which helps consumers save money at the pump.

USDA Rural Development supports Kansas' ethanol industry by making payments to eligible producers to support and ensure an expanding production of advanced biofuels. Payments are based on the amount of biofuels a recipient produces from renewable biomass materials other than corn kernel starch. Eligible examples include biofuels derived from cellulose, crop residue, animal, food and yard waste material, biogas (landfill and sewage waste treatment gas), vegetable oil and animal fat.

In 2011, eleven Kansas ethanol facilities received payments from USDA through the Bioenergy Program for Advanced Biofuels totaling \$16.5 million.

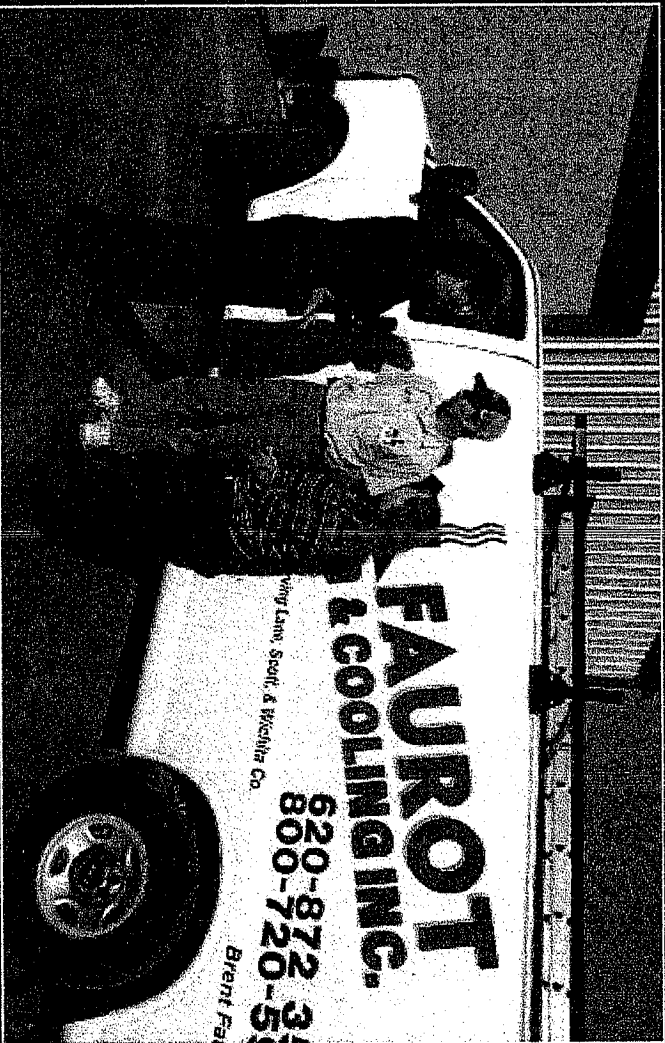


Fire Stables received financial assistance from USDA Rural Development's REAP program to install a solar array. Photo by: Cromwell Environmental.

5-12

Scott County is currently in a growth pattern, and through the USDA Rural Development's Rural Business Enterprise Grant we will be equipped to assist those individuals with viable business plans that could boost the future of the county.

--Katie Eisenhour, Director of Scott County Development Committee



# Rural Entrepreneurship Support

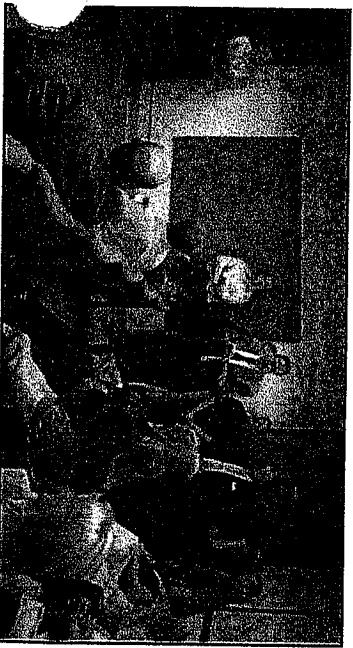
5-14

Small businesses are the backbone of rural communities, and it is imperative that USDA Rural Development partner with small businesses to help them succeed. The agency offers several programs that provide support for rural entrepreneurs interested in creating or expanding a business.

## Rural Business Enterprise Grants (RBEG)

USDA Rural Development's RBEG program is a key component of the Agency's economic development efforts across America. RBEG grants finance and facilitate development of small and emerging rural businesses. Nine entities in Kansas received RBEG funds this year that totaled \$452,000, and a few examples are:

- Scott County Development Committee will increase its revolving loan fund to partner with several businesses in Scott County that seek to expand or open a new venture.
- Flint Hills Tourism Coalition plans to enhance tourism and economic development opportunities for businesses and communities along the Flint Hills region.
- Harvey County Economic Development Council will partner with the Advanced Manufacturing Institute at Kansas State University, Wichita Technology Corporation and other local and state economic development partners to evaluate the feasibility of establishing a regional innovation accelerator. The accelerator will focus on serving emergent and existing manufacturers in rural south central Kansas.



Jeff Tucker, Associate Director of the Advanced Manufacturing Institute, explained to Harvey County officials how the USDA RBEG grant for a regional innovation accelerator will assist rural, south central manufacturers.

## Rural Economic Development Loan & Grant Program (REDLG)

Kansas is one of the nation's leaders in utilization of the REDLG program. REDLG loan recipients are rural utilities program borrowers that pass borrowed funds on to local organizations for projects to retain and create jobs. In 2011, USDA Rural Development provided eight loans to rural Kansas utilities that totaled more than \$4.3 million.

Since 2008, USDA Rural Development has provided \$18.5 million to Rural Kansas Utility Companies for economic development

In 2011, the Lyon-Coffey Electric Cooperative received a \$180,000 REDLG loan. The electric cooperative then utilized the loan to provide an interest-free loan to a local business, Doug Schmidt Construction in Olpe.

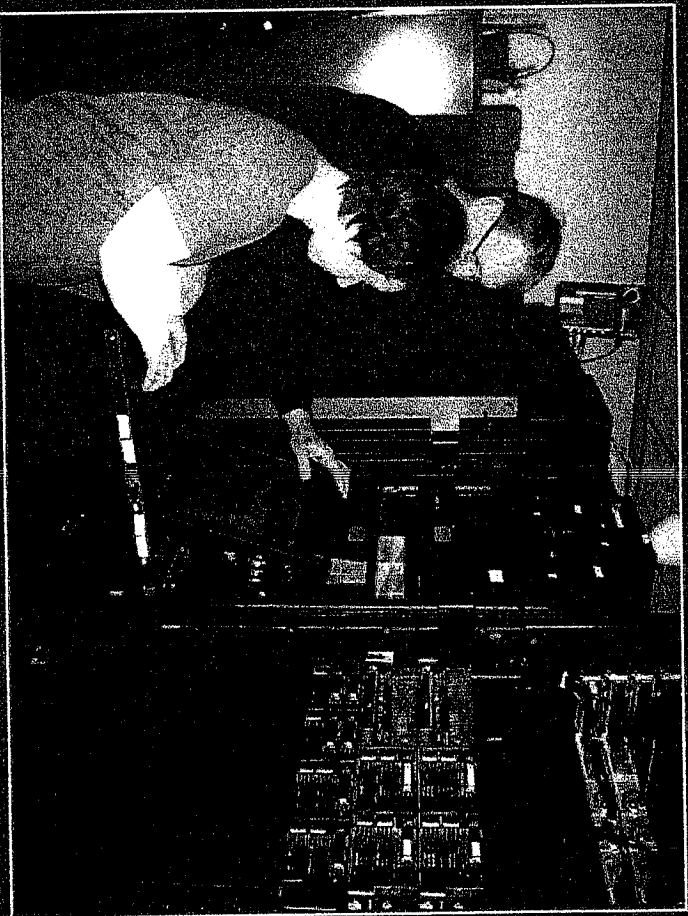
Doug Schmidt Construction decided to expand into the cabinetry business after being in the construction business for 30 years. Owners Doug and Laurie Schmidt, challenged their son, Tyler, to expand and take over the company's cabinetry business. Demand for the company's cabinetry products has grown and a new facility and equipment was needed, which will be financed through the Lyon-Coffey Electric Cooperatives REDLG loan. The Schmidt's couldn't be happier that their son has returned to the family business.

## Intermediary Relending Program (IRP)

The South Central Kansas Economic Development District (SCKEDD) received an IRP loan this year. With the IRP financing, SCKEDD will continue to provide low-interest loans to public and non-profit organizations to relend for business and community development in 14 south central Kansas counties: Butler, Chautauqua, Cowley, Elk, Greenwood, Harper, Harvey, Kingman, Marion, McPherson, Reno, Rice, Sedgwick and Sumner.

With USDA Rural Development financing we will be able to assist several Kansas hospitals with transferring to electronic medical records by purchasing the needed equipment and software as a group, which is much cheaper than purchasing the equipment and software individually.

-- Roger John, President of the Great Plains Health Alliance



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# Rural Health Care

Access to quality and affordable health care is critical for rural Kansans. USDA Rural Development offers programs to assist health care providers to secure financing for improving rural health care services.

In 2011, USDA Rural Development's Community Facilities programs provided nearly \$12 million in financing to projects across the state of Kansas with 92 percent of the funding going towards health care projects. Health care projects that are eligible for USDA Rural Development assistance can include dental, general practice, and mental health clinics, as well as nursing homes, hospitals, and ambulances.

USDA Rural Development also offers financing through its Business Programs for rural health care projects. The Business & Industry Loan Guarantee Program and the Rural Economic Development Loan and Grant Program (REDLG) can provide financing for rural health care projects.

Prairie Land Electric Cooperative received a \$300,000 interest-free loan through the REDLG program to provide Cloud County Health Center. The health center purchased a digital x-ray machine to replace outdated equipment.

## Electronic Medical Records

Health care providers will need to convert to electronic medical records by 2014. A Kansas based business, Great Plains Health Alliance, decided to assist several Kansas hospitals to convert to electronic medical records before 2014.

USDA Rural Development financed \$10.8 million in Kansas health care projects in 2011.

Great Plains Health Alliance Inc, based in Phillipsburg, received \$3 million community facilities direct loan and a \$2.2 million community facilities loan guarantee to purchase health records equipment and software for 22 rural Kansas hospitals. When

completed, the hospitals will offer clinical telemedicine services, including real-time virtual consultations, diagnostic examinations, digital diagnostic imaging, remote monitoring and other specialty services.

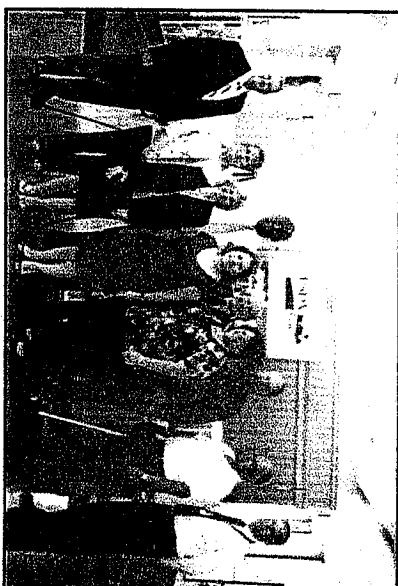
The Great Plains Health Alliance project is expected to create or save an estimated 41 Kansas jobs.

## Mental Health Care

State funding for mental health care centers in Kansas has been declining, and one center looked to USDA Rural Development for financing. The Elizabeth Layton Center a private, non-profit organization that provides mental health services in Miami and Franklin Counties, had outgrown its Miami County facility and was looking for new building.

In August 2011, USDA Rural Development provided the Elizabeth Layton Center with a \$2 million community facilities direct loan and a \$225,067 community facilities loan guarantee to help the center purchase a 16,000 square-foot facility, which will allow the company to expand its mental health services in Miami County. In addition to the funding received by USDA Rural Development, the center utilized funding from Peoples Bank in Ottawa, Kansas Department of Commerce and the Federal Home Loan Bank.

The new facility will allow the outpatient, emergency and children services offered by Elizabeth Layton Inc., in Miami County to be under one roof.



USDA Rural Development staff, Devore Associates, Elizabeth Layton Center staff and board members, and several project supporters gathered for the USDA Community Facilities loan announcement for the Elizabeth Layton Center.



We would like to thank USDA Rural Development, without their support the sewer infrastructure project wouldn't be possible. Updating the city's infrastructure will help create a stronger community.

-- Tim Lentz, Mayor of the City of Horton, Kan.



5-17



# Building Community Infrastructure

Rural communities across Kansas have aging infrastructure, which limits their ability to grow and provide quality services to residents. USDA Rural Development assists rural communities in repairing and replacing their aging systems. Through USDA Rural Development's Water and Environmental Programs, 14 Kansas communities received low-interest financing to help upgrade critical infrastructure this year.

## Horton Wastewater Project

The City of Horton has more than 70,000 feet of vitrified clay sewer pipes, and records indicate that part of the sewer pipes were constructed prior to 1915. Due to the age of the sewer lines, the city is experiencing excessive inflow and infiltration in the collection system that is causing stress on the pump station and lagoon treatment facility.



The city of Horton has utilized USDA Rural Development's Water & Environmental Program to repair the city's water and sewer lines.

USDA Rural Development's Water & Environmental Programs provided the city of Horton a \$2.955 million loan and a \$545,000 grant to improve the city's wastewater collection system. Approximately 35,000 feet of wastewater collection lines and 150 manholes will be repaired and/or replaced with the first phase of the project, another phase is planned to replace the remaining pipe.

In 2010, USDA Rural Development also provided financing to the city of Horton for dredging of the city's lake to regain use of surface water as a necessary water source. The project also consisted of installing water lines and making repairs to the dam and treatment plant. Without the support of the federal government for these projects, Horton residents would pay much higher utility rates.

## Oswego Water Project

The city of Oswego has received nearly \$9 million in financing from USDA Rural Development over the past eight years to improve the city's water infrastructure.

Approximately 22

miles of cast iron pipe, and more than 100 fire hydrants and gate valves are being installed. The city estimates that by spring of 2012, the water infrastructure updates will be completed.



USDA Rural Development partnered with the city of Oswego to repair a dam on the Neosho River to protect the city's drinking water.

After the water lines are repaired and replaced, the last phase of the city's water structure improvements includes repairing the city's dam and intake structure. During the spring of 2009, the city-owned dam on the Neosho River was damaged by severe storms that caused flooding, straight line winds and tornadoes. In 2011, the city received a \$423,000 loan and a \$330,000 grant from USDA Rural Development to repair the dam and modify the streambank.

Without the financial assistance of USDA Rural Development on its water improvement projects, Oswego residents would be paying approximately \$30 more per month on their water bill.

The city of Oswego also utilized USDA Rural Development's financing to upgrade its sewer system in the 1990s.

8-15

I enjoy the privacy of my new home and being able to have a dishwasher, personal washer and dryer, garden, barbecue grill and garage. The new house has given my family room to roam.

-- Nicole Ratzlaff, USDA Rural Development Home Loan Recipient



# Rural Housing

USDA Rural Development helps thousands of Kansans achieve the American dream of homeownership. In addition to helping individuals become homeowners, the agency also assists in repairing homes of low-income residents. Homeownership plays an important role in improving lives, creating jobs and economic opportunities, and strengthening America's neighborhoods.

## Home Loans

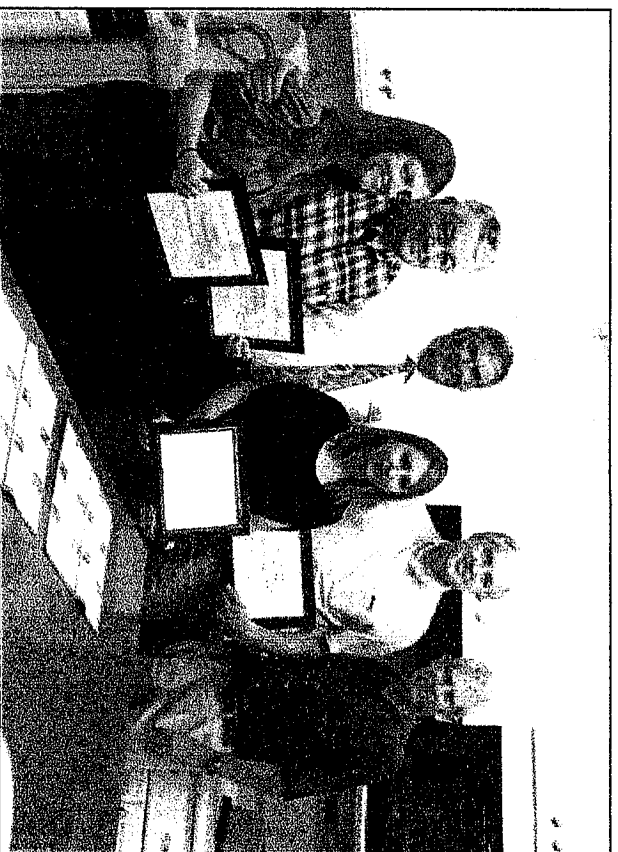
For individuals who struggle to secure mortgage financing through traditional means, USDA Rural Development offers two home loan programs: Guaranteed Rural Housing Loans and the Single Family Direct Loans. In 2011, USDA Rural Development provided nearly \$200 million in loans to assist 1,918 Kansas homeowners.

Nicole Ratzlaff, a single mother living in Colby, was able to purchase a new home by using the USDA Rural Development Single Family Direct Loan Program. Prior to moving into her home, Ratzlaff lived in an apartment for three years. She enjoys homeownership in part because her children have a backyard to play in, and the new house provides many conveniences she did not have in apartment living.

## Home Repairs

USDA Rural Development Housing Repair and Rehabilitation loans and grants have assisted many homeowners in need. The agency provided 65 loans and 145 grants to Kansans totaling more than \$1.1 million. One such home repair recipient was Sarah Heckel of Hiawatha.

For more than 25 years, Sarah Heckel has lived in her home in Hiawatha. Heckel and her husband moved to Hiawatha to be closer to her family after they had lost their South Dakota farm in the 1980s. Shortly after moving to Kansas, Heckel's mother passed



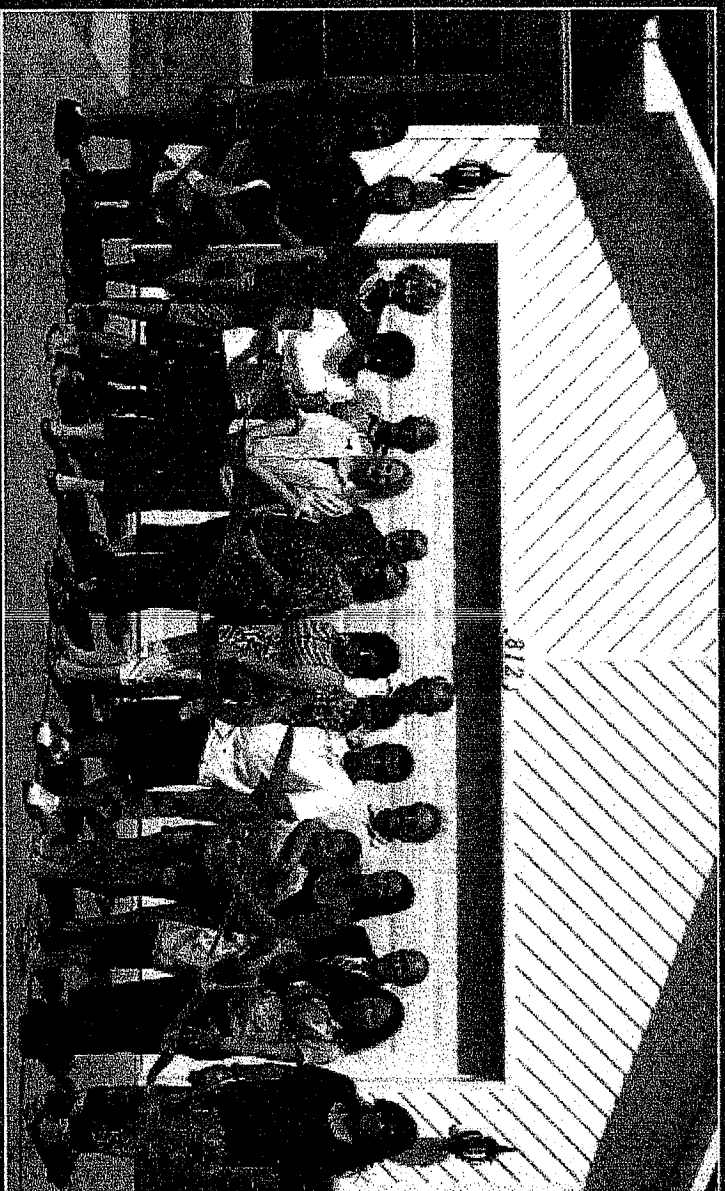
USDA Rural Development honored several partners and home loan recipients during National Homeownership Month in June. Pictured above is a Home Ownership event that took place on June 1, 2011 at Diebolt Lumber in La Harpe.

away. Heckel and her husband moved into her mother's house, where she still resides today. The house has remained in the family for more than 55 years, but was in need of repair.

Heckel is 91 years old and is confined to a wheelchair. Her house needed repairs to better accommodate her wheelchair and her active lifestyle. With assistance from the Northeast Kansas Area Agency on Aging, Heckel applied for USDA Rural Development's Single Family Housing Repair and Rehabilitation loan and grant. Heckel received financing to hire local businesses to install a new furnace, water heater, storm door and windows. Repairs were also made to the floors, foundation and roof. She is thrilled to remain in her home, and grateful for all the assistance provided.

It is neat to watch the families work together and bond while building the self-help homes. The USDA Rural Development Self-Help Housing Program has provided families in Liberal with affordable housing that they couldn't find otherwise.

-- Karen LaFreiniere City of Liberal Housing and Community Development Director



5-21

# Rural Housing Continued

USDA Rural Development also offers financing to organizations for assisting low-income individuals repair their homes through the Housing Preservation Grant Program. Intermediaries such as city or county governments, public agencies, federally recognized Indian Tribes, non-profit organizations and faith-based and community associations participate in the program. These organizations then distribute the grants to homeowners and owners of multi-family rental properties or cooperative dwellings who rent to low- and very-low income residents.

The Coffey County Housing Authority was one of two Kansas recipients of USDA Rural Development's Housing Preservation grants. Grant funds used by the Coffey County Housing Authority will go towards replacing approximately 15 roofs and several windows in the homes of low-income residents.

## Self-Help Housing

USDA Rural Development Self-Help Housing Program allows families to work together in groups to build their own home. A public body, or nonprofit organization, coordinates the program including: securing building lots, developing house plans, working with contractors, coordinating materials, training participants on construction skills and supervising construction.

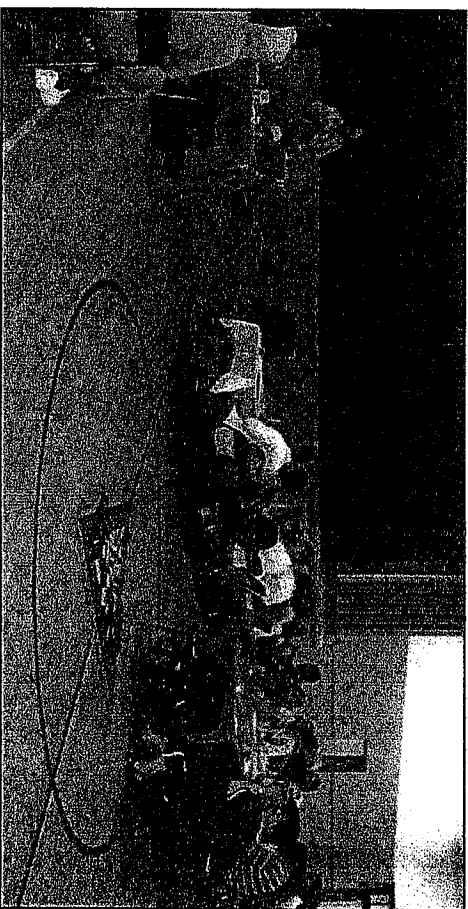
In Kansas, three organizations have technical assistance grants with USDA Rural Development: Mennonite Housing Rehabilitation Services, City of Junction City and City of Liberal. In 2011, the City of Liberal received \$317,000 to assist in the building of seven homes.

The City of Liberal was awarded a technical assistance grant from USDA Rural Development in 2006 to begin the city's Self-Help Housing Program. Through the program, 37 homes have been

built in Liberal. USDA Rural Development's direct home loans have financed \$3.9 million for Liberal's self-help homes.

In Junction City, six homeowners completed their self-help homes this summer bringing the total number to 77 homes built through the USDA Self-Help Program in the city. Since 2002, USDA Rural Development has provided more than \$1 million in technical-assistance grants to the Junction City Mutual Self-Help Housing Program. USDA Rural Development's Single Family Direct Loan Program has provided \$6.7 million in low-interest mortgage loans to Junction City self-help homeowners. This program has been critical because of the expansion of nearby Ft. Riley Army Base.

The Mutual Self-Help Program helps lower income individuals and families achieve homeownership, teach practical skills, and add modest, quality homes to the community.



In August, the Junction City Self-Help Program celebrated the completion of six homes through the USDA Rural Development's Self-Help Program.

# USDA Rural Development Offices in Kansas

5-23

**USDA Rural Development**  
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 Hays, KS 67601  
 785-628-3081, Ext. 4

**Manhattan Area Office**

3705 Miller Parkway, Suite A  
 Manhattan, KS 66503  
 785-776-7582, Ext. 4

**Iola Area Office**

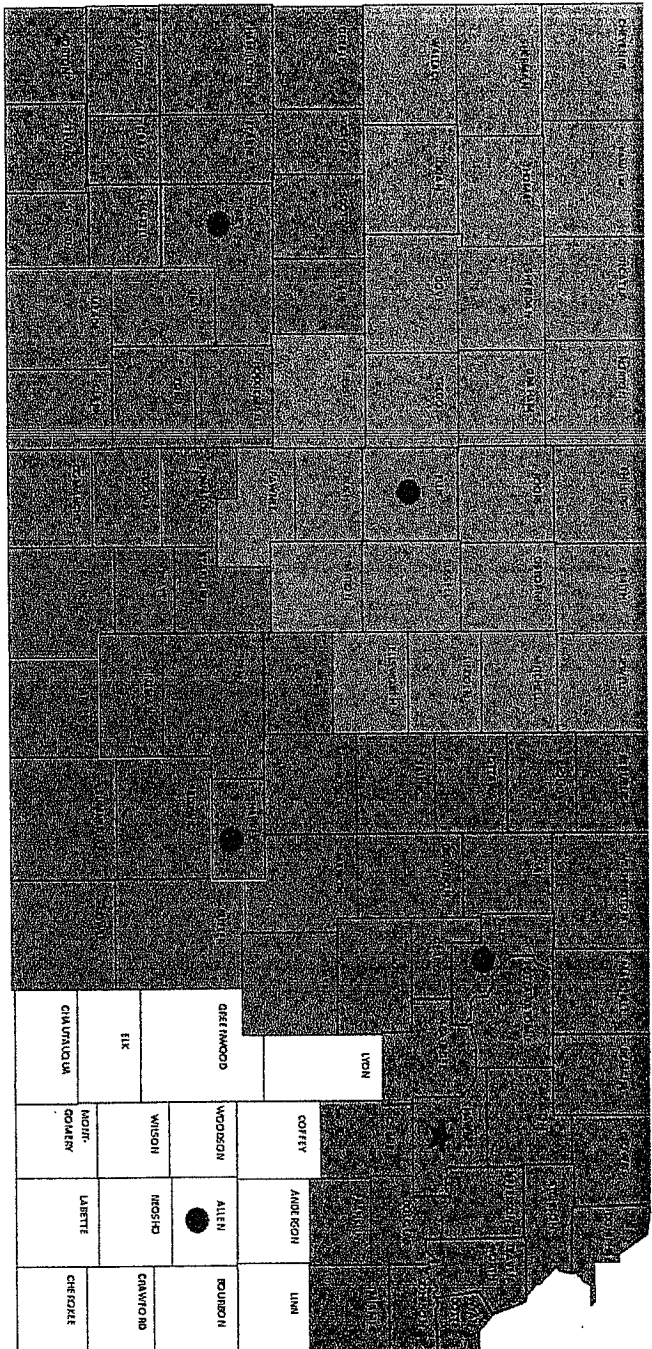
202 West Miller Road  
 Iola, KS 66749  
 620-365-2901, Ext. 4

**Newton Area Office**

1405 South Spencer Road  
 Newton, KS 67114  
 316-283-0370, Ext. 4

**Garden City Area Office**

2106 East Spruce  
 Garden City, KS 67846  
 )-275-0211, Ext. 4



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