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October 22, 2008

Dear Friends of the Denali Commission:

We are pleased to share with you the Alaska USDA Rural Development's Annual Report for Fiscal Year 2008. Since its inception, the Denali Commission has enjoyed a close and productive partnership with Alaska USDA Rural Development in the context of rural Alaska infrastructure development.

We congratulate State Director Chad Padgett and the staff of Alaska USDA Rural Development on USDA Rural Development's successful program delivery in FY 2008 and wish them continued success serving the people of rural Alaska. We look forward to continued collaborative efforts between our agencies in FY 2009.

Sincerely,

A handwritten signature in blue ink that reads "George J. Canelos".

George J. Canelos  
Federal Co-Chair

# Programs for Progress



**Look how far we've come... but we've still so far to go.**

# Programs for Progress

As 2008 draws to a close, the face of Rural America continues to rapidly change. The Internet revolution and broadband have dramatically expanded the horizons of rural communities. Rural based businesses can now compete globally. Renewable energy, which is largely rural energy, is generating new economic growth and jobs. Communities across the country are upgrading hospitals, schools and other essential services.

For USDA Rural Development, these changes represent both a challenge and an opportunity. Our mission is to improve the quality of rural life and we have invested billions of dollars across America over the last eight years in housing, infrastructure, facilities and business development. To us, “rural renaissance” is not just a slogan, it is already a tangible reality in many rural communities and the promise of a better tomorrow in others. It is also a continuing challenge of keeping abreast of rapid technological and economic developments across the nation.

At Rural Development we believe that success isn't just measured in the amount of dollars invested, it is measured in jobs



Thomas C. Dorr

created, an improved business climate and in families moving into safe, affordable housing. It is reflected in improved access to health care, modern water and wastewater facilities, access to broadband and in growing, vital communities that provide rural residents with a sense of “place.” We encourage the 6,000 members of Rural Development to get out of the office and into the field, to meet American families and business leaders and help them achieve their goals.

In these challenging economic times, Rural Development is stretching every available dollar to provide a greater range of economic opportunities to a growing number of Americans. Our total loan portfolio is over \$103 billion and our delinquency rate is about one percent. While grants and direct loans remain an important part of our programs, loan guarantees are becoming increasingly common as a funding mechanism because they encourage greater private investment while maximizing the impact of taxpayer funds. It's all about doing more with the dollars we invest.

Renewable energy is one of America's greatest recent success stories. The United States leads the world in geothermal, solar, waste to energy, ethanol and biodiesel technology. Wind generation capacity in the United States has increased more than 700 percent and exciting new wind generation opportunities are being funded by Rural Development in many areas including Alaska.

Rural Americans get things done. They know what works in their communities. At Rural Development we are a willing and active partner, joining with States, producers, community groups, businesses, financial institutions and American families to achieve goals, create jobs and a better quality of life. Working together, there is nothing we can't accomplish because at Rural Development we are committed to the future of rural communities.

*Agriculture Under Secretary for Rural Development*  
Thomas C. Dorr



*Agriculture Secretary*  
Ed Schafer

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**A Message from the State Director**

Over the eight years of the Bush Administration, USDA Rural Development has invested an estimated \$1.2 billion in rural Alaska. As a taxpayer, I'm proud to say we've spent the Federal money entrusted to us by Congress wisely.

By increasing the percentage of loans and loan guarantees made to eligible applicants, we make the funds we receive go farther and promote substantial economic activity.

You can't enter a rural community in Alaska without seeing evidence of our investments. We fund large projects like a water tank and water lines for Kotzebue, sewer and water lines for the Mat-Su Regional Medical Center and a new power plant in Nome. With the support of our Congressional delegation, we provide up to \$30 million a year for the Alaska Village Safe Water program. Renewable energy and energy efficiency is a top priority. We provide funds for wind generation projects in Western Alaska and small hydro projects to reduce power costs in communities like Tok, and help limited income Alaskans with grant and loan funds to make energy-saving improvements to their homes.

Rural Development guarantees loans for small businesses. Over the years we've guaranteed loans on business endeavors including a motorcycle shop in Fairbanks, a construction firm in Western Alaska, a lumber company in Southeast, a Susitna Valley newspaper, a chain of discount grocery stores and a retail store in Juneau.

Through our Community Programs, we generate employment opportunities: Rural Development has helped to fund a food bank in Kenai, a recycling center in Kodiak and a thrift store in Wasilla. These endeavors and others like them fill a community need and create jobs, many of which go to adults with special needs. We also have played a vital role in the construction of mental health facilities in Fairbanks, the Mat-Su and on the Kenai Peninsula.

In addition to good jobs, residents of our communities need quality, affordable housing. That's why we have funded a number of multi-family housing complexes and continue to encourage the construction of seasonal housing for our farm and fisheries workers.

Demand for single family housing remains strong. Working with Alaska's lenders, in 2008 alone we provided guarantees for more than 170 loans valued at \$34 million. Our direct program, coupled with our "Self Help" program, also remains extremely popular. Families on the Kenai Peninsula and in the Mat-Su Valley, working under the direction of non-profit partners, are building their own homes. It takes a year but when they're done their labor becomes "sweat equity" and reduces their mortgage. As you will see in this report, Alaskans who could not afford a home any other way are enjoying safe and secure housing, thanks to our programs. New projects are planned in the coming year in Kenai, Palmer and Houston.

Community health and public safety are vital to rural Alaska. With our partners we've funded clinics in communities like Sand Point, Angoon, Unalakleet, Noorvik and Talkeetna. We've funded the purchase of police cars and an ambulance in Fort Yukon, magnetic resonance imaging (MRI) equipment for the hospital in Kodiak, and fire suppression equipment for towns like Kotlik. This year, we are assisting the Southeast community of Yakutat as it builds a public safety building. Through our support of Project "Code Blue," many communities have new, reliable rescue gear. This year, for example, the Yukon Kuskokwim Health Corporation will receive almost \$80,000 in grants from Rural Development to purchase emergency medical equipment for 47 predominately Native communities in the Bethel region.

Broadband service and access to knowledge is a key to quality rural life. That's why we helped fund construction of new libraries in Haines and Homer, improved community build-

ings in Metlakatla, and funded distance learning programs for communities like Anderson and Galena. Rural Development distributes grant funds to provide broadband Internet service in Native communities as diverse as Kasaan, Ruby and Tatitlek. We're also working with the Regulatory Commission of Alaska to extend broadband service to communities where there is currently only dial up Internet service.

Every Alaskan is touched, every day, in some way by USDA Rural Development. As much as we've accomplished, there is still much more to do. Priorities include improving rural hospitals, sanitation services, working with community organizations including the faith-based community to establish child care centers, and providing funds for energy efficiency and renewable energy initiatives to blunt the effect of high energy prices.

As this Administration draws to a close, I want to personally thank everyone who has worked so hard to accomplish so much on behalf of the people of Alaska.

*(Continued on next page)*



Chad B. Padgett  
Acting State Director  
USDA Rural Development

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That includes Tribal, nonprofit and community groups, State officials, electric cooperatives, the Alaska Housing Finance Corporation, the Rasmuson Foundation and our Federal partners including the Denali Commission, the Economic Development Administration and the Department of Housing and Urban Development. Nothing we have done would be possible without the support of our Congressional Delegation and the Alaska Congressional staff. I also want to extend a special thank you to Reverend Denver Copeland. For the past 7 years he has worked with our Kenai, Fairbanks and Palmer offices through the faith-based group "World Changers" to repair the homes of limited income Alaskans. He's leaving our state but the work he coordinated continues, and the buildings he helped repair will stand as a testament to his goodness.

Finally, I want to acknowledge the incredible effort of the 40 Alaska employees who work for Rural Development. Alaska Rural Development has the highest productivity rate in the Nation per employee. Our administrative cost is less than 2%. At Rural Development we are committed to the future of rural communities, but we are also committed to ensuring that people's hopes and dreams come true. We have more than 40 Rural Development programs and we're looking for partners. Call us.

*Chad B. Padgett  
Acting State Director  
USDA Rural Development*



USDA Rural Development Team Alaska 2008

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# Community Facilities & Utilities Programs

Through its Community Facilities Programs, Alaska USDA Rural Development seeks to improve the quality of life in rural Alaska through a variety of loan and grant programs for community facilities. We also provide utility loans and grants.

Funds are used to improve community facilities providing essential services in rural areas and towns. The funds are available to cities, Alaska Native tribes, and non-profit corporations for health care, fire and rescue, community centers, assisted living projects, day care and other public purposes.

## **Guaranteed Community Facilities Loans**

Community Facilities guaranteed loans are available to finance the same types of facilities as the direct loan program, as well as community recreational facilities. Loans are made by a conventional lender and guaranteed by USDA Rural Development.

## **Direct Community Facilities Loans**

These loans are low-interest, long term loans and can be used to fund essential community facilities.

## **Community Facilities Grants**

Community Facilities grants are available for essential facilities in low-income areas.

## **Water and Waste Disposal Loans**

Loans may be used to construct, extend or improve water and waste disposal (including solid waste and storm drainage) systems in rural areas and towns. The funds are available to cities, Alaska Native tribes, and non-profit corporations that are unable to obtain affordable credit elsewhere. Rates typically range from 2.75% to 5.1225% and terms are available up to 40 years.

## **Water and Waste Disposal Grants**

Grants may not exceed 75% of eligible project costs and are usually made in conjunction with a loan.

## **Technical Assistance and Training Grants**

The program provides funding to non-profit organizations for a wide range of issues relating to water and waste disposal operations.

## **Solid Waste Management Grants**

Solid Waste Management Grants are available to provide technical assistance and training to non-profit organizations and public bodies to reduce or eliminate pollution of water resources, improve planning and management of solid waste facilities, and reduce the solid waste stream.

## **Guaranteed Water and Waste Disposal Loans**

Loans are made by eligible lenders to public bodies and non-profit corporations to improve water, waste disposal, storm sewer or solid waste disposal systems in rural areas.



Acting State Director Chad Padgett and Merlaine Kruse, Director, Community Programs, from USDA Rural Development with Threshold's Richard Pillans at Threshold Services' Kodiak recycling center. USDA Rural Development awarded Threshold Services, Inc. a \$348,000 loan and \$41,750 grant to buy and renovate a building that will be used as a recycling facility in Kodiak.

## Community Facilities & Utilities Programs Report

This was an active year for USDA Rural Development's Community Facilities and Water and Environmental Programs staff.

During 2008, USDA and the Alaska Native Tribal Health Consortium (ANTHC) entered into a memorandum of understanding to deliver USDA's Rural Alaska Village Grant Funds and worked with the Alaska Department of Environmental Conservation on reporting methods that will improve accountability for the water and sewer funding that is provided for the Alaska Village Safe Water program. That program, funded through the efforts of Alaska's Congressional Delegation, provides up to \$30 million a year for projects designed to improve public health and provide clean, safe drinking water in rural areas. Also this year, the agency initiated a pre-planning and development grant (PPG) program to ensure that, when a water improvement or waste disposal project begins in a community, there are no unexpected difficulties or significant cost overruns.

USDA Rural Development is improving public health in a number of ways. In Kotzebue, the agency is providing funds for water system improvements to complement the water tank funded there several years ago through a provision in the 2002 Farm Bill. USDA money provided to the Alaska Rural Water Association funds the efforts of individuals like Scott Lindsey who travels to rural communities to maintain sewer and water systems. Rural Development also provides funding to RCAC to provide technical assistance.



Merlaine Kruse, USDA Rural Development Alaska Director of Community Programs, (third from left) and Jacqueline Ponti-Lazaruk, assistant administrator of USDA's Water and Environmental Programs (on Kruse's right) visited Hooper Bay's land fill, along with other governmental staff. USDA Rural Development is working with private and non-profit firms to clean up landfill sites like this one. The items in the background are items the community has gathered to be "back-hauled" on barges.

Rural development is also working to clean up Alaska's watersheds, providing solid waste control funds to communities through its partners at the Denali Commission, and providing training grants to non-profit tribal organizations. In Kodiak, USDA provided a grant and loan to Threshold Services to fund a recycling center where about half of the employees at the center have developmental disabilities.

USDA also has an impact on residents across the state through its Community Facilities programs. From funding a public safety building in Yakutat to financing new police vehicles in Fort Yukon, and emergency medical equipment and rescue gear for dozens of villages, USDA is boosting public safety and emergency health services. The agency also works with faith-based organizations. This year, in concert with a local bank, First National Bank Alaska, USDA provided funds to a consortium of 10 Mat-Su Valley churches to greatly expand the Treasure Loft Thrift Store in Wasilla.

That store not only creates jobs for community residents, but provides discount medical equipment to members of the community who need it.

In the next fiscal year, Rural Development's priorities will continue to include providing safe water systems to communities that need them; ensuring dire sanitation conditions are corrected; funding new public safety equipment including EMS vehicles and equipment, rescue gear and police vehicles; funding for Critical Access Hospitals including equipment; and financing public infrastructure including solid waste management sites and equipment. These projects improve living standards and offer job opportunities to Alaskans. Working with faith-based and other eligible groups, USDA also will endeavor to provide funding for child care centers in communities that need them.

**USDA Rural Development gives a boost to public safety/health efforts in Alaska**

Building on its record of providing emergency equipment and health and safety facilities to communities around Alaska, USDA Rural Development in 2008 approved loan and grant applications designed to improve public safety across the state. In July, Rural Development announced a \$526,000 loan to the City and Borough of Yakutat in Southeast Alaska to build a 2,700 square foot public safety building to provide a base for fire, police and emergency medical services. The Interior community of Fort Yukon borrowed funds and received a grant through the Community Facilities Program for two new police cars. A loan was also approved for Youth Advocates of Sitka to purchase a facility to be used for youth.

A total of \$477,110 in Economic Initiative Impact (EII) Grants was awarded to purchase emergency rescue equipment by the Yukon Kuskokwim Health Corporation (YKHC), Norton Sound Health Corporation, Maniilaq Association, and the Southeast and Southern Region



USDA Rural Development funds were used to purchase law enforcement and emergency service(s) equipment for several rural communities.

Emergency Medical Services. In many cases, the equipment is specialized for use in Alaska. For example, YKHC, which is based in Bethel, will use an EII grant to purchase all terrain vehicles equipped with rescue sleds for smaller Alaska Native villages and mini ambulances for large communities. A total of 47 Native communities will be served. Regular Community Facilities grant funds provided a police communications dispatch console to the Haines Borough.

A Community Facilities loan and grant were provided to public radio station KTNA in Talkeetna to purchase the facility they currently rent.

**USDA awards training funds for waste management and cleanup efforts in Interior Alaska**

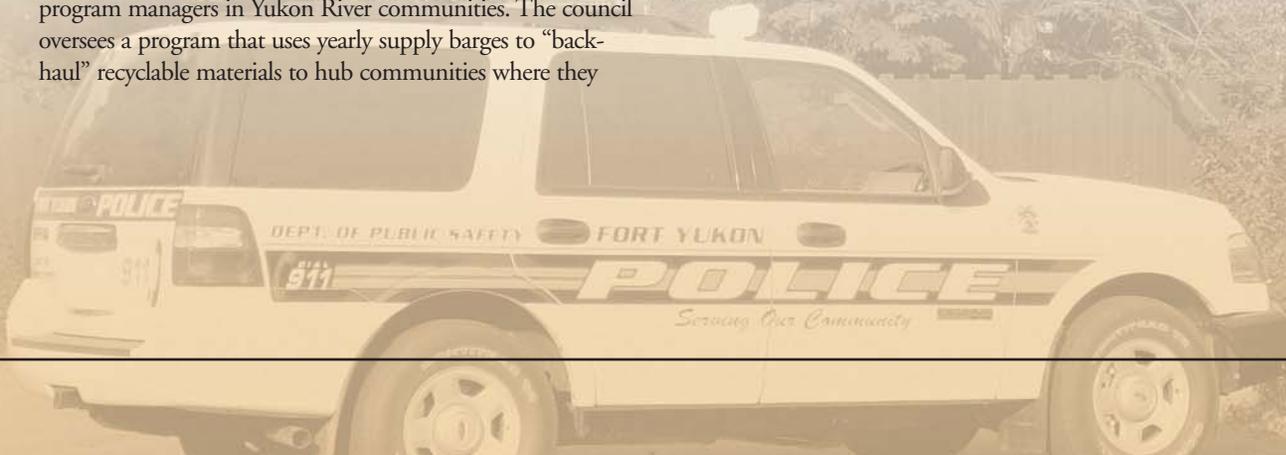
Funding totaling \$485,000 was awarded to two Fairbanks-based organizations to provide training to managers of waste control programs in rural Alaska. USDA Rural Development Administrator of rural utilities programs James Andrew announced the grants during the annual energy conference at Chena Hot Springs, north of Fairbanks.

The Yukon River Intertribal Watershed Council received a \$185,000 solid waste management grant to train solid waste program managers in Yukon River communities. The council oversees a program that uses yearly supply barges to “back-haul” recyclable materials to hub communities where they

can be reused. The Tanana Chiefs Conference received solid waste management grant and technical assistance and training grant funds totaling \$300,000. Those funds will be used to provide training to improve the operation of solid waste management facilities and facilities that provide drinking water to low income rural Native villages in Interior Alaska.

“These funds are part of Rural Development’s continuing commitment to provide training to system managers and to work with our partners to ensure that waste materials including recyclables continue to be removed from communities along the Yukon River watershed,” Andrew said. USDA Rural Development Acting Alaska State Director Chad Padgett said that the grants continue training programs that have a proven success record. “The backhaul program alone has removed tons of recyclable and hazardous materials from the Yukon River watershed and has gained national attention.”

In the past two fiscal years alone, Rural Development has provided \$550,000 to the Tanana Chiefs Conference and \$255,000 to the Yukon River Inter-Tribal Watershed Council for training. Funding has also been provided by State and Federal partners, including the Denali Commission.



## USDA funded Alaska circuit rider marshals forces to clean up the town

The Interior Alaska community of Lower Kalskag had a human waste disposal problem. Human effluent was running untreated, on the open ground. Scott Lindsey, a wastewater “circuit rider” who works for the Alaska Rural Water Association in a position funded by USDA Rural Development, decided to fix it.

Lower Kalskag is a community of about 270 residents, most of whom are Alaska Natives. When Lindsey arrived in the village he was alarmed to see what he said was a “river of human waste” near the homes. “We had to do something. Children were playing in it. There were literally bags of waste lying around, but there was no money to fix things,” said Lindsey.

He went to the city council and asked for \$2,000. Using that funding, he hired a back hoe and operator and spent a week digging holes, burying the waste and establishing a temporary sanitation solution for the town. “The most important thing was to get the wastewater away from the community. About 40 houses were at risk. That’s done now,” said Lindsey. He says the next step will be to make the solution permanent by keeping the effluent away from the homes. “We’ll get everyone hooked up,” said Lindsey. He also hired two village residents to apply lime to the waste, and he credited the local tribal organization for assisting in the effort. Tools and supplies were purchased with training funds.

Rural Development provides utility program funding for “circuit riders” across the nation. These professionals travel to small communities that often cannot afford full time sewage system maintenance staff, and fix problems they encounter.

Because of Lindsey’s efforts, residents of a rural Alaska community are less likely to be exposed to disease. Lindsey said he especially wanted to thank John Spriggs and John Nichols of the Alaska Native Tribal Health Consortium for supporting his request to the city council, and for agreeing to work with the community next year to ensure that residences are connected to the sewer system. He also acknowledged the work of Anna Morgan with the Tribe and Joe Sarcone with the U.S. Environmental Protection Agency (EPA). “I also want to acknowledge Merlaine Kruse, Director of Community Programs with USDA Rural Development. Her compassion and support make efforts like this one possible,” said Lindsey.

## Quinhagak gets a secure water system thanks to USDA Rural Development Village Safe Water Funds

USDA Rural Development is authorized to provide up to \$30 million a year to the Alaska Village Safe Water Program. These funds, combined with other Federal and State dollars are used to provide improved water and sanitation services to rural Alaska communities. The Western Alaska community of Quinhagak is one of them. Located southwest of Bethel on Kuskokwim Bay, the community has a population of approximately 550 residents, who are mainly Alaska Native, most of whose homes do not have indoor plumbing.

Starting in 2000, Rural Development funded a phased \$6.6 million sanitation improvement project in Quinhagak. USDA Rural Development provided \$4.9 million (75%) of the project costs. Funds were used to design and construct a sewer pipeline to the washeteria (where many residents wash their clothes and shower). Additionally, a water storage tank

capable of holding up to a quarter million gallons was built, along with a utility building housing boilers, pumps and water and sewer equipment. A dozen homes have been connected to the new water and sewer system, with plans to connect about 98 additional homes.

“The Village Safe Water Program has been supported by Federal appropriations for many years and it is making a real difference in the quality of rural life. A safe, reliable water supply is a basic human need and this program provides this service to rural Alaskans,” said Acting State Director Chad Padgett.



The residents of Quinhagak now have a water storage tank capable of holding up to a quarter million gallons.

**Rural Development Distance Learning and Telemedicine funds improve education and health care for Alaskans**

Six Distance Learning and Telemedicine Grants totaling \$1.9 million were provided to Alaska applicants in 2008. The funds will be used to provide improved education and health opportunities to rural residents.

“These funds will increase the range of educational opportunities available to students in rural communities and improve access to health care for countless numbers of rural Americans,” said Agriculture Under Secretary Thomas Dorr. “The projects will also open the door to the expansion of technology, increasing rural economic opportunities, promoting strong and vibrant communities.”

Three of the Alaska grants are for telemedicine services and the other three are to school districts for distance learning purposes. The Anchorage-based Southcentral Foundation will receive a grant for a telemedicine and telepharmacy network. Residents in 40 rural communities will benefit. The project is being undertaken in conjunction with Alaska Native corporations. Telemedicine grants are also being awarded to Chugachmiut and to the Southeast Alaska Regional Tribal Health Consortium.

Distance Learning grants will be provided to three Alaska school districts: the Southeast Island School District, based in Thorne Bay; the Cordova City School District and Wrangell Public Schools. The districts will use the funds for interactive videoconferencing and on-line learning. The grants also fund equipment purchases.

“Alaska faces unique challenges because of the distance between communities and the lack of roads,” said Rural Development Acting Alaska State Director Chad Padgett. “These funds will enable more Alaskans to obtain prompt medical services in local communities and will improve educational opportunities for students in many rural areas.”

**The Alaska recipients include:**

Cordova City School District	\$475,289
Southcentral Foundation	\$361,220
Southeast Alaska Regional Health Consortium	\$267,885
Southeast Island School District	\$286,009
Wrangell Public Schools	\$329,681
Chugachmiut	\$146,841

**USDA announces \$38 million loan to Kodiak Electric Association**

**Rural Development Funds to Finance Purchase of Terror Lake Hydro Project**

Members of an Alaska electric cooperative are expected to benefit from the purchase of an electric generating facility on Kodiak Island. Purchase of the Terror Lake Hydroelectric plant was made possible through a \$38 million loan to Kodiak Electric Association (KEA). James Andrew, Administrator of USDA Rural Development’s rural utilities programs, announced the loan during an August visit to Kodiak Island.

“It’s expected that when this plant is acquired by KEA from the Four Dam Pool Power Association, cooperative members will benefit through a projected reduction in overall costs,” Andrew said. He noted that USDA Rural Development has a long and positive track record of

supporting rural infrastructure development in Alaska and across America. Andrew, along with other USDA officials and KEA representatives, toured the dam site, powerhouse, and also viewed the site of a wind generation project planned by KEA on a mountain above Kodiak. KEA’s purchase of the Terror Lake infrastructure will help make the wind generation project financially viable.

Located about 25 miles from Kodiak, Terror Lake is the only hydro facility inside a national wildlife refuge. It is a two-unit, 20 megawatt facility and delivers power through a 17-mile long transmission line. The system also includes three substations and 11 miles of distribution lines. Andrew acknowledged the efforts of USDA Rural Development Alaska General Field Representative Eric Marchegiani in negotiating the loan with KEA.



Kodiak Electric Association is purchasing the Terror Lake Hydroelectric Plan with a rural utilities loan provided by USDA Rural Development. Photo courtesy of Kodiak Electric Association.

## **“Community Connect” grant moves Southeast Alaska Native community onto the broadband superhighway**

The Alaska Native community of Kasaan, on Prince of Wales Island at the tip of Southeast Alaska did not have high speed broadband, due to harsh surrounding terrain and other factors. Lack of high speed broadband threatened to severely limit educational and other opportunities for the residents of the town. A \$1 million USDA “Community Connect” grant changed that.

Grant funds were provided to Alaska Power and Telephone Company (AP&T) to work cooperatively with the Organized Village of Kasaan and construction was completed in 2007.

AP&T built a mountain top antenna site on Kasaan Mountain, established a community technology center, and provided more than a dozen computers for use by local residents. The new technology opens the community to telemedicine service, distance learning and connects Kasaan to other tribal organizations. “Coming together with the Village of Kasaan on this project was a natural extension of who we are as an employee-owned Alaskan company, as well as a keystone in AP&T’s broader plans for Southeastern Alaska,” said Michael Garrett, executive vice president of AP&T.

“The USDA Rural Development ‘Community Connect’ program has brought high speed broadband not only to Kasaan, but to other communities in Alaska,” said USDA Rural Development Acting State Director Chad Padgett.



School children in Kasaan now may access the Internet through a \$1 million USDA Rural Development “Community Connect” grant. Photos courtesy of AP&T.

“The Alaska Congressional Delegation has been a strong supporter of broadband, and through those efforts we are working with the State and with industry partners to ensure that remote Alaska communities like Kasaan are at the forefront of the digital age, with the opportunity to develop new business and educational opportunities,” said Padgett. Padgett noted that the Community Connect grant program requires that public safety organizations in the community receive broadband service and that the technology center be open to anyone who wants to use it.

Thanks to a partnership with USDA Rural Development, AP&T and the Organized Village of Kasaan, the community now enjoys access to state-of-the-art broadband communication technologies with improved public safety, increased educational opportunities and access to commercial services. Other Alaska towns that have received Community Connect grants in recent years are Angoon, Anvik, Hughes, Kake, Nuiqsut, Ruby and Tatitlek. Tatitlek’s \$1 million grant was announced late in 2008 and the recipient, Copper Valley Telephone Cooperative, plans to extend broadband service to the clinic and community center as well as preparing for future broadband expansion in the Prince William Sound region.



AP&T built a mountain top antenna on Kasaan Mountain.

## **NOAA weather radio now numbers 1,000 transmitters with USDA support**

The National Weather Service (NWS) earlier this year reached a historic milestone with the addition of a weather radio transmitter in the community of Nenana. The transmitter is the 1,000th station in the NOAA Weather Radio All Hazards network. The broadcast originates at the NWS Weather Forecast Office in Fairbanks.

The transmitter was funded under a cooperative agreement with USDA Rural Development. The USDA grant purchased the transmitter and antenna; the City of Nenana provided building and tower space along with electrical power for 15 years. In early September, the NWS Alaska Region and the City of Nenana completed the installation project.

Nenana is a predominately Alaska Native village about 55 miles southwest of Fairbanks and 75 miles north of Denali National Park, at the confluence of the Nenana and Tanana Rivers. Nenana and the surrounding area have a population of about 1,000. The transmitter is expected to reach more than 6,000 people in Central Alaska.

This transmitter is the 98th funded by USDA Rural Development. Another seven USDA funded transmitters are being installed elsewhere in the United States this year.

**USDA selects eight Alaska recipients for \$11.2 million in projects to reduce energy costs**

Agriculture Under Secretary for Rural Development Thomas Dorr announced in May that eight Alaska projects have been selected for funding under the USDA Rural Development High Energy Cost Grant program. Funds will be used to reduce energy costs in a number of rural Alaska communities.

“Rural energy costs in Alaska are among the highest in the nation, and the projects funded by these grants are intended to increase energy efficiency,” Dorr said. “The grants will help make it possible for communities to upgrade their systems and provide electricity to customers in a more cost effective way.”

Among the projects selected was a proposal to construct a hydro project on Yerrick Creek near Tok. The project is intended to provide electricity to Tok, Dot Lake, Tanacross and Tetlin. USDA will provide \$1,675,000 for the project. The Southeast Alaska community of Yakutat will receive \$1.4 million to replace its power plant and distribution system and upgrade the fuel storage and handling system. The Nushagak Electric and Telephone Cooperative will receive \$1.6 million to add a high efficiency generator to the power plant in Dillingham. Also planned is a wind turbine and control system for the existing diesel generating plant serving the community of Kokhanok in the Lake and Peninsula Borough. The wind-diesel system, to be constructed with \$999,227 in grant funds, will save the community an estimated \$100,000 a year in fuel costs.

Dorr also announced that the Alaska Village Electric Cooperative (AVEC), based in Anchorage, will receive

two grants: \$1.5 million to construct a 6.5-mile intertie between Teller and Brevig Mission on the Seward Peninsula, and \$1.25 million to complete installation of a wind turbine system at Hooper Bay, located in the Yukon-Kuskokwim Delta region. Teller, Brevig Mission and Hooper Bay are all listed as “economically distressed” communities.

Including this year’s announcement, USDA Rural Development has provided more than \$170 million in High Cost Energy Grant funds to Alaska since 2001. The Denali Commission has received \$128.5 million of that amount, including \$10 million this year.



USDA Rural Development Utilities Administrator James Andrew (left), Meera Kohler, President and CEO of the Alaska Village Electric Cooperative (AVEC) and Acting State Director Chad Padgett hold a ceremonial check representing the award of funds to AVEC to improve service to rural areas of Alaska.

<b>May 2008 USDA Rural Development High Energy Cost Grant Program –Alaska Projects</b>		
<b>Applicant</b>	<b>Project</b>	<b>Award</b>
Alaska Village Electric Cooperative	Hooper Bay Wind Project controls and plant upgrade	\$1,250,000
Alaska Village Electric Cooperative	Intertie construction-Brevig Mission to Teller	\$1,520,576
Lake and Peninsula Borough	Wind turbine, controls, Kokhanok	\$999,227
Levelock Village Council	Generator replacement, new bulk fuel facility	\$2,637,831
Nushagak Electric and Telephone Cooperative, Inc.	Generation plant upgrade, generator replacement, Dillingham	\$1,600,000
Yakutat City and Borough	Power plant replacement and new distribution system, fuel storage upgrade and recovery upgrade and heat recovery	\$1,400,000
Alaska Power and Telegraph Co.	Transmission line construction-Prince of Wales Island	\$153,774
Alaska Power and Telegraph Co.	Yerrick Creek Hydro construction (Tok)	\$1,675,000
<b>TOTAL</b>		<b>\$11,236,408</b>

# Rural Housing Programs

Rural Development makes loans and grants to provide rural residents with decent, safe and sanitary housing. USDA programs help finance new or improved housing for moderate, low and very-low income families each year. Our programs provide financing with no down payment, at favorable rates and terms, either through a direct loan or a loan from a private financial institution, which is guaranteed by Rural Development.

## **Guaranteed Home Loans (GRH)**

This program serves low and moderate income borrowers who have the ability to make mortgage payments but may not have the necessary down payment. Applications are made through an approved lender for 30-year mortgages at fixed market interest rates.

## **Direct Homeownership Loans**

Direct loans are available for very low and low income borrowers who cannot obtain financing from other sources but have the ability to pay house payments, insurance, taxes, maintenance, and necessary living expenses. Loans provide 100% financing on 33-year fixed rate mortgages with monthly payments that may be subsidized depending upon family income.

## **Multi-Family Housing Loans (MFH)**

The program finances affordable apartment properties for rent by very-low, low and moderate income tenants. MFH programs partner with Low Income Housing Tax Credits (LIHTC), state, federal and conventional funding sources. Borrowers apply with an approved lender for a Section 538 Guaranteed MFH Loan or with RD for a 515 loan. Notice of Funds Availability (NOFA) is published in the Federal Register.

## **Home Improvement and Repair Loans and Grants (504)**

The program helps very-low income homeowners to remove health and safety hazards from their homes. Loans are at 1% interest rate for up to 20 years. Energy efficiency home improvement projects are also eligible. Applicants who are 62 years of age and older who cannot afford to repay a loan may be eligible for a grant.



Deborah Davis, Housing Director (right) presents a GRH Lender Award to Stephanie Kerkove and Bridgett Cassidy at First National Bank Alaska during Homeownership month.

## **Self Help Housing Loans**

This program provides assistance to groups of six to eight low-income families to build their own homes. Loans help provide materials and skilled labor. Construction education and guidance are provided by an experienced non-profit contractor. The families work together as a group until all the homes are finished.

## **Housing Preservation Grants (HPG)**

Non-profit organizations or local governments may be eligible for funds to repair and rehabilitate eligible homes. NOFA is published in the Federal Register.

## 2008 Housing Program Report

In the face of a challenging economic environment nationally, USDA Rural Development's housing programs continued to thrive in 2008. The investment impact of Rural Development housing programs on the Alaska economy was \$49.5 million this year.

Rural Development guaranteed more than \$34 million in home ownership loans made by Alaska's lending institutions. The agency also continued to make direct home ownership loans to Alaskans. Demand was strong: USDA funded \$14.2 million in direct home ownership loans to low and very low income Alaskans in Fiscal Year 2008. The default (delinquency) rate continues to be among the lowest in the nation. Rural Development is a willing partner with a number of entities, including: The U.S. Department of Housing and Urban Development, Alaska Housing Finance Corporation, Rural Alaska Community Action Program, Alaska Community Development Corporation and Native housing authorities. As always, Alaska's lending institutions worked closely with Rural Development State staff and field offices to package and close sound loans.

According to Deborah Davis, Housing Director, "the numbers say a lot about how important Rural Development is to Alaskans, but in reality it isn't about the numbers, it's about the people." Coupling unique programs like Self Help Housing with affordable direct loans, Rural Development has helped countless Alaskans move from substandard housing into quality homes.

Working with state agencies and faith-based groups like "World Changers," Rural Development provided another 40 very low income Alaskan homeowners with the ability to make repairs and to weatherize their dwellings to increase their comfort level and conserve fuel. USDA Rural Development's goal in the next year is to provide more support for farmers and fishermen who want to offer quality housing to seasonal workers, and to "grow" the number of Alaskans who access Rural Development loan and grant funds to improve the energy efficiency of their homes. Most importantly, Rural Development wants to continue making it possible for rural Alaskans to achieve their dreams of homeownership.



Rev. Denver Copeland (center) holds a certificate of appreciation presented to him by Acting State Director Chad Padgett in honor of his work on behalf of limited income homeowners. Shown from right are Padgett, Kenai Area Director Michelle Hoffman, Copeland, loan technician Wylie Chandler and loan specialist Amy Milburn.

## Loan guarantee helps Kenai Peninsula resident become a homeowner

Daniel Bookey didn't have a clue how credit worked or what an impact it could have on his life. In May 2008, the 26-year-old Kenai resident came to see Alaska USA Mortgage Company's Rhonda Johnson because he wanted to buy the home he had been renting. The seller was willing to work with him and wait for him to be in a position to purchase the home so the staff at Alaska USA went to work.

"After pulling the first credit report in May 2008," Johnson said, "I was able to counsel Mr. Bookey on the items that were preventing him from purchasing his new home. I gave him an outline on what he needed to do and put him on a credit follow-up program to give him further tips and help keep him motivated. Mr. Bookey was a 'poster child' on how to pay attention. He implemented every single task I gave him immediately. He was so excited to see what effect the smallest of changes made to his credit score."

By September, 2008, Bookey had successfully raised his credit score by 80 points and that put him in a position to purchase the home.

He learned how important managing credit is and how to keep it in good standing, not only by paying his bills on time, but also by keeping his charge account balances to a minimum and not carrying balances that are close to the limit.

By renting the home prior to purchasing it, he was able to get a good feel for the actual home expenses above and beyond his mortgage payment. Alaska USA worked to create a budget for him to keep him living within his means.



The staff at Alaska USA Mortgage Company in Soldotna received an award this year from USDA Rural Development for participating in the guaranteed program. Alaska USA in Soldotna was one of five lending institutions in Alaska to receive awards this year from USDA.



New roof on Strong's home in Anderson, AK.

Afterward, USDA Rural Development issued a "Loan Guarantee" which added an assurance that if an unforeseen event occurs the loan will be secure. USDA Rural Development in recent years has issued more than \$30 million a year through its guarantee program.

"Mr. Bookey is a true success story for someone willing to work hard and pay the price for education to learn how best to achieve his dreams," Johnson said. "He has learned a great deal from his past mistakes and now, at a very young age, can look forward to a long life of accomplishing his financing goals in the future by keeping control of his credit."

## USDA helps Alaska homeowners repair homes

USDA Rural Development provides rural homeowners with 1% interest loans and a limited number of grants for seniors who meet very low income standards. The funds pay for necessary home repairs to address "life, health and safety" issues, but they can also be used to make dwellings handicap accessible and to weatherize homes. The funds provided by USDA are not available from any other source.

Anderson resident James Strong is a typical borrower, located near Denali National Park on the Parks Highway. Strong had

been living on a Interior remote homestead but when he developed a health problem, his daughters wanted him to move where they could visit him more easily. Strong purchased a basic home in Anderson, but it needed work. The house was a compilation of several small additions and a log structure attached to the original dwelling. A single roof was needed to cover all the additions and the mobile home. Not only would this tie the building together, it would provide badly needed weatherization and improve energy efficiency. Rural Development provided a loan and grant combination to Strong and the improvement project gave the home an entirely new look. It breathed new life into an old home with the net result being a safer, more energy efficient, functional, and aesthetically attractive building.

Strong wrote a letter to Fairbanks Loan Specialist Kim Wood and Loan Technician Jane Gibson thanking them for their efforts to secure his repair loan and grant. In his letter, he told them he now has a new roof on his house and expects a "12 to 20%" reduction in his home heating cost. He said the house also "looks good" and praised USDA Rural Development for making it possible for him to make necessary repairs to his dwelling.

"Thank you America," said Mr. Strong, "And thank you Kim and Jane for the time you gave to improve my living conditions. You are remembered!"

**Self Help Program helps Alaskan families achieve the dream of homeownership**

Mary Beall of Wasilla has never met Eddie Engelstad or his companion Tina Bolton of Sterling, but they have something in common. Each built their own home in Alaska through Rural Development’s Self Help Housing Program.

**The Beall Family story**

Mary Beall, a single mother of eight, spent a year working with seven other prospective homeowners to build ranch-style homes at Settlers Bay near Wasilla. A State employee, Beall held down a 40 hour a week job and worked an additional 30 hours a week on the housing project. While Beall was working on the house, she and two daughters shared a one bedroom apartment above a store. Now they own a four bedroom home with a view of the mountains. Ms. Beall’s work became her “sweat equity” at closing. Her total commitment to the building project was more than 1,000 hours. “I knew what I was getting into. This is a process, a commitment I had to make. I hated renting.”

Her daughter Sarah, a student at Wasilla Middle School, is thrilled to be getting her own bedroom. “I’ve never had that before. I’m going to paint the walls green.” Her sister also has her own bedroom and her 15-year-old brother has his own room downstairs.

“I would recommend this program to anyone who has income issues and wants to own their own house. Working for the Alaska Division of Public Assistance, I talk to people about this all the time,” said Beall. “My co-workers have been tracking my progress and I know of at least one other State employee who has also applied to build a home.” Beall and her group built their homes under the direction of the

Palmer-based Alaska Community Development Corporation. The corporation is now accepting applications from individuals wanting to build homes in Palmer and Houston.

**Self Help on the Kenai Peninsula**

Eddie Engelstad and Tina Bolton were living in an old trailer. “It was a bad situation,” said Kenai Rural Development housing specialist Amy Milburn. “They needed to be out of there.” Working with the Rural Alaska Community Action Program (RurAL CAP), Engelstad and Bolton determined that they qualified for a Self Help home in a neighborhood in Sterling. Like Beall, they worked tirelessly for many months on their house and others nearby but now they are in a new home with a detached garage. “Thank goodness for this Rural Development program,” said Engelstad, a member of the Kenaitze Indian Tribe. “Thanks to you and your agency, we were able to move from an old trailer into our new home.”

“This program has allowed Kenai area residents achieve the dream of homeownership,” said Michelle Hoffman, Kenai Rural Development area director. Hoffman said RurAL CAP is working on another self help project in Kenai and is accepting applications for a future project.

Front cover photo: Kenai Self Help Program, Summer 2008



Lisa Hunt (left), her mother Susan Best and Lisa’s son Gavin at the Self Help Housing site in Kenai. Lisa is a program participant. Photo courtesy of RurAL CAP.



Sterling residents Tina Bolton and Eddie Engelstad are the proud owners of a new Self Help home. Photo courtesy of RurAL CAP.



USDA Rural Development Alaska Housing Specialist Catherine Milazzo (left) stands with three members of the Beall family (right to left), Mary, Sarah and Shannon. Also shown (back row) is Bobbie Moline Jackson of Oklahoma who traveled to Alaska with her daughter with the faith-based group “World Changers” to work on the Beall home and seven other Self Help homes.

# Rural Business – Cooperative Programs

USDA Rural Development's goal is to provide a dynamic business environment in rural America. Working with the private sector and community-based organizations, we provide financial assistance to rural businesses and cooperatives; conduct research into rural economic issues; and provide cooperative education material to the public.

We help fund projects that create or preserve quality jobs and/or promote a clean rural environment. We support renewable energy and energy efficiency initiatives. Individuals, corporations, partnerships, cooperatives, public bodies, and non-profit corporations may be eligible.

## **Business and Industry Guaranteed Loans**

The program is designed to improve the economic and environmental climate in rural communities, including pollution abatement and control. This objective is achieved through bolstering the existing private credit structure with guarantees of quality loans.

## **Rural Energy for America Program**

Up to 25% grant funding is available to rural residents and agricultural producers for renewable energy production or energy efficiency projects. Loan guarantees are available for up to 75 percent of the project cost and may be coupled with a Business & Industry Guaranteed Loan.

## **Value Added Producer Grants**

Grants are available to agricultural producers and groups of producers (including aquaculture and fishermen) who add value to their products through further processing. The program is designed to encourage independent producers to process their raw materials into marketable goods, thereby increasing income.

## **Intermediary Relending Program**

This program is designed to alleviate poverty and increase economic activity and employment in rural communities, especially disadvantaged and remote communities, through financing targeted primarily toward smaller and emerging businesses, in partnership with other public and private resources, and in accordance with state and regional strategy based on identified community needs. Loans are made to intermediaries that establish programs for the purpose of providing loans to ultimate recipients for business facilities and community developments in a rural area. Intermediaries (borrowers) may be private non-profit corporations, public agencies, Native American groups or cooperatives.

## **Rural Cooperative Development Grants**

Grants are available to eligible non-profit corporations and institutions of higher learning to assist with start-up, expansion, and operation of cooperatives in rural areas.

## **Rural Business Enterprise Grants**

The program helps non-profits, public bodies, and Native groups so that they can undertake activities that will facilitate the development of small and emerging rural private business enterprises.

## **Rural Business Opportunity Grants**

Grants are made to non-profits, public bodies, Native groups and cooperatives that undertake to provide technical assistance to small businesses or do economic development planning.

## **Rural Economic Development Loans & Grants**

Zero interest loans and grants are available for rural electric and telephone borrowers to promote rural economic development.

## **Cooperative Development Technical Assistance**

Help is available to residents to form new cooperative businesses and improve the operation of existing cooperatives.

**2008 Business Report**

In 2008, USDA Rural Development provided 15 business guarantees valued at \$27,114,050, creating or saving an estimated 195 Alaska jobs.

One of the highlights of the year was USDA's guarantee of a \$4.5 million loan for the new AT&T Sports Complex, located in the Mat-Su Valley. The 60,000 square foot sports facility opened in April and holds five basketball courts, an indoor running track, spectator seating, office space for local sports organizations and a health club. This facility marks the first time USDA Rural Development has guaranteed a business loan with Alaska USA Federal Credit Union.

Rural Development strongly supports new small business development in Alaska. One example is the "micro loan" program established by the Kenai Peninsula Economic Development District. Using funds provided by USDA Rural Development in 2005, the staff has made a total of 12 loans of \$20,000 or less for businesses running the gambit from manufacturing fertilizer from Alaska fish waste to charter fishing operations. "This is a very successful endeavor," said program manager Dee Gaddis. She noted that no borrower has been in arrears in the history of the program. "We work with local banks and the borrowers make payments on a regular basis," said Gaddis. Funds repaid are then available for "relending." Gaddis says the program is so successful that the Economic Development District now has almost \$60,000 on hand to provide to other entrepreneurs who want to start a business in the Kenai-Soldotna area.

A \$192,600 Rural Business Enterprise Grant (RBEG) was awarded to the Central Council of Tlingit and Haida Indian Tribes of Alaska (CCTHIA). The grant supports the work of the Angoon Business Center, a "business

incubator" which opened in January of 2008 with Rural Development support. CCTHIA is receiving RBEG funds to continue a full-time small business development technician position in Angoon and provide additional funds to hire another technician to start a facility in Hydaburg. Both Angoon and Hydaburg are Tlingit villages with 85% Alaska Native populations. These positions provide technical assistance and e-commerce education to local entrepreneurs. CCTHIA will furnish one-on-one individual counseling to small businesses and potential business owners in areas such as pre-business planning start-up, developing business plans, and credit practices among others. The center is intended to help turn creative ideas and artists' work into profitable businesses.

Following the passage of the 2008 Farm Bill, Rural Development is redoubling its efforts in Alaska to encourage small businesses and agricultural producers to seek funding for renewable energy and energy efficiency projects. Rural Alaska faces an increasing challenge because of rising energy costs and USDA Rural Development has programs available to assist business owners and agricultural producers in using energy more efficiently.

**Rural Business Enterprise Grants promote Alaska business development**

In 2008, a \$70,000 Rural Business Enterprise Grant was awarded to the University of Alaska-Anchorage Center for Economic Development. The funds are intended to support the development of new cooperatives and provide technical assistance to existing cooperatives across Alaska.

Rural Development also made a \$35,000 Rural Business Enterprise grant to Naukati West, Inc., a non-profit organization on Prince of Wales Island. The island is the self-proclaimed "shellfish capital of Alaska" and funds will be used to purchase equipment for lease to new shellfish farmers supporting their efforts to establish themselves in the business of shellfish production.



Wells Fargo Bank in Sitka provided a loan to Parker Guide Services, Inc. to remodel and upgrade a fishing vessel for guided hunting and fishing charters and eco-tourism excursions. The loan was made possible through a Rural Development B&I loan guarantee.



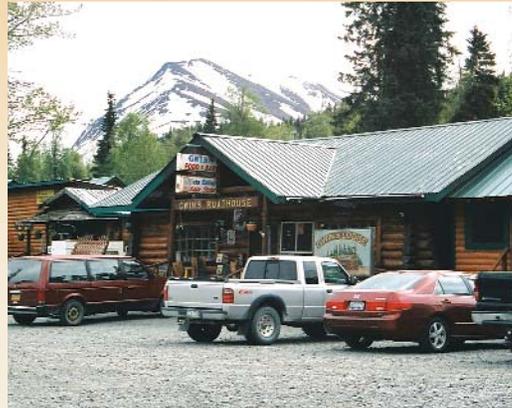
Dean Stewart, Director of Business Programs, presents Christi Bell and Andrew Crow of the University of Alaska-Anchorage's Center for Economic Development (CED) RBEG funds to support CED's efforts in cooperative development.

# Community Outreach

## B&I Guarantee Program supports Alaska business development

USDA Rural Development's Business and Industry Loan Guarantee program acts as a catalyst for business development and expansion in Alaska. Prime examples include two loans made by Wells Fargo Bank. The bank provided a loan to Parker Guide Services, Inc., of Sitka who used the funds to remodel the MV Alaskan Harvest. The beautifully upgraded vessel is now available for guided hunting and fishing charters and eco-tourism excursions. Wells Fargo also refinanced historic Gwin's Lodge in the Kenai Peninsula community of Cooper Landing. First established in 1952, the lodge was purchased 13 years ago by George and Vicki Siter. Dean Stewart, Director of Business Programs, noted that in both cases the loans, guaranteed by USDA Rural Development, assisted long-standing Alaskan businesses.

Stewart said that guarantee funds are available for businesses of any size in any part of the state. For example, USDA Rural Development guaranteed a loan provided by Alaska Growth Capital to Kateel Trucking of Nome, owned by Rob and Peggy Luce. Rob Luce is his firm's only employee. The loan guarantee assisted the lender in financing the purchase of heavy equipment that will allow Luce to expand the services he offers. "This exemplifies the kind of small business development we can do to assist in rural Alaska," Stewart said. "From repairing equipment to excavations to moving loads, Mr. Luce does everything. He's a true Alaskan, independent and self-reliant. We were pleased to assist in this business expansion effort."



Renovation of the historic Cooper Landing restaurant Gwin's Lodge was financed with a USDA Rural Development loan guarantee through Wells Fargo Bank.



Nome businessman Rob Luce and USDA Rural Development Alaska Director of Business Programs Dean Stewart stand in front of equipment owned and operated by Luce. Expansion of Luce's business was supported with a B&I loan guarantee by USDA Rural Development.

USDA Rural Development staff is active in Alaska's rural communities. Whether it involves assisting church groups, participating in blood drives, food drives, charitable fundraisers or recycling efforts, the 40 members of USDA Rural Development in Alaska believe in being good neighbors.

Staff members also provided literature and assisted applicants for program funds across Alaska. Fairbanks personnel not only staffed the annual Tanana Valley State Fair, they initiated regular office hours in Delta Junction. State office staff attended energy events in communities including Chena, Nenana and Girdwood.

Students from the faith-based group "World Changers" went to Settlers Bay near Wasilla in the summer of 2008 to assist families building their own homes through Rural Development's Self Help program. Hundreds of students from Alaska and the lower 48 states work on housing projects each year in Alaska. Funds for materials are provided by agencies including USDA Rural Development.



Palmer Housing Specialist Cathy Milazzo and Bethel Loan Technician Jovan Dull dished out ice cream and cake to "World Changers" students during a noon lunch break at the USDA funded Self Help housing site at Settlers Bay.

## Financials (rounded to nearest thousand)

### Rural Housing Programs

Guaranteed 502 Loans	\$ 34,364,000
Direct 502 Low Income Loans	6,353,000
Direct 502 Very Low Income Loans	7,824,000
504 Home Improvement Loans	117,000
504 Home Improvement Grants	211,000
Multi-Family Rental Assistance	3,689,000
Assumptions and Credit Sales	433,000

### Community Facilities Programs

Direct Loans	3,700,000
Guaranteed Loans	500,000
Grants	182,000
Economic Impact Grants	477,000
Empowerment Zone/Enterprise Community Grants	123,000

### Business and Cooperative Programs:

Guaranteed Business Loans	27,114,000
Rural Business Enterprise Grants	365,000

### Rural Utilities Programs

Water and Environmental Program Grants	4,098,000
Water/Waste Direct Loans	348,000
Rural Alaska Village Grants	6,441,000
Remote Maintenance Worker Program	430,000
Solid Waste Management Grants	415,000
Technical Assistance and Training Grants	475,000
Solid Waste Management Grants (Denali Commission)	434,000

### Energy and Telecommunications

High Energy Cost Grants	11,200,000
High Energy Cost Grants (Denali Commission)	10,000,000
Community Connect Broadband Grant	1,000,000
Distance Learning and Telemedicine Grants	1,721,000
Distance Learning and Telemedicine Loans	\$ 10,000,000



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