



## Remarks by Rural Development Acting Under Secretary Doug O'Brien for NRECA

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Thank you for the warm welcome. I always enjoy travel to Nashville, and it is an honor to be invited to NRECA's annual meeting. Thanks to NRECA CEO Jo Ann Emerson for inviting me to speak to you today.

I would like to recognize [VIPs, USDA staff]

I bring greetings from Agriculture Secretary Tom Vilsack and want to acknowledge our RUS Administrator John Padalino, our Acting Assistant Administrator Jim Elliott, along with our Electric Program staff, some of whom are here today.

As a kid from Fillmore, Iowa, I want to thank you. Fillmore is a church, a bar and a neighborhood of rolling Mississippi valley farmland, served by Maquoketa Valley Electric. I never realized it then, but the work that NRECA and rural electric cooperatives do in rural communities has everything to do with quality of life – providing affordable, reliable electric power that most of us today take for granted. Rural was the land of opportunity then, and rural is still that place today. In fact, and I will talk about this a little later, the culture of rural is leadership, innovation and empowerment.

NRECA helps make rural areas a great place to grow up. And at the end of the day, that is how we see our mission at Rural Development – to make rural America a place where young families want to live and work. Our role is to help provide economic opportunity—new markets—and improve the quality of life.

At USDA, we do this with a focus on production agriculture, food systems, a bio-based economy and natural resources. And USDA's Rural Development programs – infrastructure, housing,



small business, and community facilities—help develop stronger communities and sustainable economies. We want rural places to continue to have access to reliable, affordable utilities services and funding to build homes, businesses and community facilities.

In many ways, it all starts with a rural electric co-op. For nearly eight decades, USDA has been funding and you have been providing electric power to keep rural communities strong and healthy. Co-ops' concern for community has made you a valuable part of the rural economy.

The economic stability of rural America continues to rely on the availability of affordable and reliable electricity to serve families, businesses, and attract new opportunities to these areas. Rural-based industries that produce food, energy, technology, manufactured goods and other services consumed across the country rely on basic infrastructure services, often provided by USDA borrowers, to remain globally competitive.

USDA Rural Development investments encourage economic growth and sustainability. In addition to putting food on the table of American families at affordable prices and providing raw material for a range of vital purposes, the broader U.S. agricultural sector also supports one out of every twelve jobs in our economy, and is a key economic driver in many rural communities.

You understand the challenges of building and maintaining infrastructure in rural areas—many with low income residents. You see the opportunities. You have first-hand knowledge that what you do helps drive the rural economy and makes your community a great place to live, work and raise a family.

You have been a big part of some great things that are happening today.



## Great Things are happening in the U.S. and in rural America

As the President outlined in the State of the Union:

- The lowest unemployment rate in over five years.
- The housing market is rebounding.
- The nation's manufacturing sector that's adding jobs for the first time since the 1990s.
- More oil produced at home than we buy from the rest of the world – the first time that's happened in nearly twenty years.
- The President said our deficit has been cut in half, but the CBO reported last week that the revised deficit has been cut to ONE THIRD of what it was the year this Administration took office in the depths of the recession.
- We've gone from recession to recovery with an economy that has grown at an average rate of 3.7 percent over the last two quarters.

### **Rural America sees historic opportunities. Four pillars. Reasons rural is the place to live and work in the 21<sup>st</sup> century.**

We have historic opportunities to in the areas of the economy that are vital to rural America. Secretary Tom Vilsack talks about four cornerstones for a revitalized rural economy – untapped opportunities waiting for rural Americans to seize:

**The bioeconomy.** This emerging industry merges cutting edge science with the ability to make things – plastics, chemicals, STUFF, from crops farmers grow. I have been to Blair, Nebraska – a town of about 8000 people – to visit the Novozyme plant. This plant produces enzymes that make it possible to create biofuels with much less energy. I have talked to people in Ohio that are able to take hog manure (we called it something different in Fillmore), and turn it into Asphalt (that's almost as good as turning water into wine). And there are more than 3000 companies creating advanced biobased products today. The Dept. of Energy estimated that by 2030,



over 1 billion dry tons of biomass could be available for energy and manufacturing. This amount would produce 70 billion gallons of transportation fuel OR enough energy for 80 million homes.

In November 2013, USDA celebrated a historic energy landmark in southern Virginia: the startup of a new 49.9 megawatt renewable energy plant. USDA, in partnership with the Manassas-based Northern Virginia Electric Cooperative (NOVEC) and NOVI Energy, helped to finance this first such large-scale endeavor in the State to produce electricity using biomass.

This new plant is located on a 104-acre site in the Halifax County Industrial Park in southern Virginia and will produce electricity using waste wood fuel that is renewable. "Reclaimed water" from the local water authority will be used to cool the plant. The power produced at the new plant is expected to meet approximately six percent of NOVEC's future wholesale power needs from 2014 through 2030. By using wood chips as fuel, the plant will provide enough electricity to power about 16,000 area homes. The new plant will also provide a renewable energy source for its consumers, and supports the State's cooperative efforts to meet the Virginia renewable energy goal of 15 percent by 2025. The new facility, along with the timber reclamation work to furnish waste wood for the plant, is providing new full time jobs in an economically distressed part of the state.

**Rural areas are increasingly serving as amenity-based destinations, providing tourist and retiree services.** Recreation in our forests, wildlands and the countryside inject billions into the rural economy. Hunting, fishing, hiking and many other outdoor recreation activities generate more than \$600 billion in economic benefits every year. Small towns benefit from outdoor tourism, and outfitters in our cities benefit from folks getting outside. Bicycling across the state...fishing a trout stream in the mountains...enjoying the views from the comfort of a porch rocking chair...sleeping under the stars...hiking the foothills of a mountain chain...or hunting elk. Can't do many of these in Washington DC. There is only one place where this will happen,



and it is in rural America. More and more, young people want to spend their discretionary income in on recreation in rural places.

**Local and regional food is a growing industry.** The public’s interest in where the food comes from and who produced it continues to rise. People want access to locally-raised produce. This sector is changing fast—it’s the fastest growing sector in agriculture—and there is a lot of room for small entrepreneurs. It’s relatively low capital, so the entry is not that hard. And you get to work outside. I was at Farm Fresh Rhode Island, a food hub in Providence that is creating the infrastructure to connect farmers in that region to the restaurants, grocery stores, schools and hospitals. This is logistics. This is community revitalization. This is today’s rural economy.

**Feeding the world is using more technology and innovation.** How about using global positioning technology to increase the yield of your crop, while reducing inputs? Agricultural exports have broken previous records for the past 5 years, increasing by over 46 billion additional dollars, or 4 million more tons to feed the world. For every dollar we invest in trade promotion, we see \$35 of trade activity.

There are opportunities in using technology to run a small business to feed your community or help feed the world. Production agriculture and an innovated manufacturing sector is changing the way we feed our communities, energize our economy and build stuff. And it is providing job opportunities for our rural veterans.

**Rural matters.** There is strong economic evidence, such as a recent report by the Organization for Economic Cooperation and Development that indicates investments in rural regions can be a powerful tool for economic growth. Among the key findings of this study is that rural and lagging regions actually grow faster, on average, than urban and mature regions – because of the untapped potential. Further, to unlock that potential, investment in infrastructure that is part of a larger economic development policy is key. And I want to emphasize the second part of that



statement: the infrastructure investment needs to be connected to a larger economic development policy, otherwise there is a risk that the infrastructure will not be cost effective.

Energy efficiency is a strong example of connecting investment to a larger economic development policy. Energy efficiency is about co-ops' concern for community. Energy efficiency is about member engagement to support sustainable development. That's the seventh cooperative principle – concern for community.

Energy efficiency—improving quality of life while strengthening economies.

Energy efficiency benefits your individual members. Imagine investing in and improving the housing stock in your service territory on a large scale. Kids would no longer have to go to sleep in cold, damp, musty homes when their homes have better insulation, ventilation, heating and cooling systems. They would no longer have to suffer from respiratory illnesses, asthma, and allergies with improved housing conditions.

Energy efficiency benefits your members because it helps alleviate poverty. That's your concern for community. Cooperatives are not corporations, they are not nameless, faceless, entities that just provide electricity. They are member-owned to benefit their members. With reduced monthly electricity bills, your members, the owners can free up the family budget to fill that prescription they've been putting off or take care of some other pressing need.

Energy efficiency benefits the housing sector, the manufacturing, industrial, and agriculture sector, and it benefits the utility sector. With improved single and multi-family housing in your service territories, the value of these assets will increase. Families will have increased wealth from the investment in their property and landlords will have lower operating costs. Rural businesses and farms will have lower operating costs as well helping them to continue competing in an increasingly competitive global marketplace. The electric utility – the cooperative – will



benefit because it will be better equipped to plan for increased load in the future and will have the tools in place to avoid buying power at peak prices.

Every community should have energy efficiency as a part of its economic development plan and co-ops should lead the way - it's your calling – it's your concern for community.

USDA in December announced new steps to help consumers save money on their energy bills in partnership with rural electric cooperatives. The Energy Efficiency and Loan Conservation Program is an excellent opportunity that co-ops can use to take their energy efficiency programs to the next level.

North Carolina's Brunswick Electric Membership Corporation Co-ops started its Weatherization Loan—energy efficiency—program in the late 1980s, with funding offered by one of the REA's loan programs. The co-op has also used REDLG funding to accommodate member requests for services.

Since 1989, BEMC has loaned more than \$11 million to its members to help make their homes and businesses more energy efficient. The program not only benefits business and residential members who make energy efficiency improvements, but the businesses providing these services, like the North Carolina Heating and Cooling Supply, which sees a steady stream of energy improvement projects that keep employees busy year round.

We know that some great things are happening in the U.S. and rural America, and we know that rural America is essential to the fabric of this Country and for the Nation's economy. But we have to look at some other indicators that require us to ask some tough questions about how we need to do things differently in rural America.



**Yet as rural leaders, we need to be honest and note that there are some deeply troubling trends.**

- Rural America’s population is aging and declining.
- A recent USDA study found that the recent recession hit rural economies especially hard, significantly impacting job growth.
- 85 percent of America’s persistent poverty counties are located in rural areas. All but one of the 25 counties with the highest poverty rates are rural.
- While employment fell by about 5 percent in both rural and urban areas during the first two years of the recession, since 2011 urban jobs have grown at a 1.4 percent rate, while rural net job growth has stagnated.
- High poverty rates among rural counties are persistent and more widespread than among urban areas—most rural high poverty counties are in the South and Southwest, in or near Native American reservations, or areas with high concentrations of African American or Hispanic people.
- For the first time in our history, the population of rural America declined by about 44,000 people.
- In 2012 27 percent of rural children are living in poverty households, compared with 21 percent of urban children. In 2001, the rate was about 20 percent in rural – meaning that the childhood poverty rate increased by nearly one third from 2001 to 2012. Further, 33 percent of rural counties now have poverty rates of over 30 percent, whereas urban the number is 13 percent.





- These numbers are deeply troubling. They represent the people that we are sworn to serve. This decline has implications not just for rural America, but for our economy nationwide. We depend on the capacity of rural America to be successful.

USDA Rural Development has worked hard to address these concerns, but there is a sense of urgency that we have far more to do. I don't think I need to spell out what will happen if these trends continue.

We know that Rural holds historic opportunities. We know we face deep challenges. So what do we do? Before answering that question, let's first talk a bit about what we have done.

**USDA has worked to ensure that rural can capture opportunities and meet the challenges.**

- We are proud of our investments in rural telecommunications because this provides the connectivity we need for economic growth. Since USDA first began funding rural telecommunications service in 1947 we have invested \$22 billion in rural telecommunications projects.
- USDA leads the build out of a historic investment in rural broadband. Since 2009, we completed 176 broadband projects providing new or improved service to 104,471 subscribers, including 5,858 businesses and 647 critical community facilities.
- This funding keeps rural communities safe and connected, through the expansion of 911 access. As the nation begins to construct a nation-wide public safety broadband emergency communications network, rural carriers will play a critical role through the use of RUS funding to build out public safety broadband network facilities.



- Northeast Oklahoma Electric was awarded a broadband loan that will deliver fiber to their members. This technology provides distance learning in schools, telemedicine in rural hospitals. It connects those who live and work in rural Oklahoma with business services and makes Friday night at the movies reality. And you make all of this possible. Without a robust infrastructure, none of this works.
- Since 2009, Rural Development supported improvements to 276 hospital and medical clinics, 166 schools and 401 libraries in rural America; the agency has awarded 15,727 grants and loans to aid 65,636 businesses expand opportunity and create jobs.
- We've taken steps to help nearly 750 thousand families purchase a home.
- We have increased the number of farmers markets by 67 percent since 2008 and there are now more than 7,800 listed in USDA's National Farmers Market Directory. Food hubs are popping up around the county to connect local farms and ranches with larger-volume buyers. There are now more than 220 food hubs in operation nationwide, up by 68 percent since 2008.
- That increase is notable an economic boon to rural America because local and regional markets often provide farmers with a higher share of the food dollar, and money spent at a local business often continues to circulate within community, creating a multiplier effect and providing greater economic benefits to the area.
- In Alaska, the first member-owned community grocery store is open for business thanks to Golden Valley Electric Association, an REA borrower since 1949. Golden Valley made the project possible with a USDA REDLG loan, which helped fund the Fairbanks Community Cooperative Market. The store has already provided more than 20 new local jobs for residents and strengthens connection between farmers and consumers and supporting local and regional food systems.



- Since 2009, Rural Development has invested more than \$2.3 billion to benefit American Indians and Alaskan Natives. These investments finance essential infrastructure improvements from water programs to housing, making tangible improvements for those who live and work in these areas.
- Since 2009, Rural Development programs have financed 3,898 rural water and wastewater projects, putting people to work and providing clean water for nearly 14 million rural Americans.
- Since 2009, Rural Development has invested nearly \$165 billion into rural electric infrastructure to provide safe, affordable and reliable power. NRECA and rural electric co-ops are partners in infrastructure investment. They are also partners in community investment.
- The Southeast Colorado Power Association works hard to keep electric rates affordable. Southeast serves a high concentration of irrigation systems in one of the poorest areas in Colorado. Their territories includes members with low and fixed incomes, suffering from severe drought conditions prevalent across the southwest part of the country. Southeast also operates a fiber optics telecommunications plant to deliver broadband service to their members. And, Southeast used REDLG funding so that the 400 residents of Willey Colorado could buy and continue to operate the town's only supermarket after the previous owner announced its closure. This would have meant residents had to drive 45 minutes to the nearest grocery store.
- Southeast, like many co-ops across the country, are among the heroes of rural America.

WE HAVE NOT ONLY MADE INVESTMENTS, WE HAVE WORKED WITH YOU TO ENSURE THAT FEDERAL POLICY ENCOURAGES GROWTH IN RURAL PLACES



Secretary Vilsack, Administrator Padalino and I understand the challenges you face delivering affordable, reliable electric power to rural consumers.

We understand the need for partnering with other federal agencies, state and local governments and a variety of stakeholders to ensure everyone who lives and works in rural areas knows that when they need electricity, it's there.

**But we are not there yet. We need to do more, and we need to do things differently.**

- The Work We Must Do.
- This Administration has worked diligently to stretch Rural Development's program dollars and authorities to help strengthen and diversify rural economies by investing in broadband, the bio-economy, regional foods, conservation and recreation, production and agricultural imports.
- Being more mindful and strategic of the work that we do by encouraging and supporting regional economic development that is based on the assets of that region.
- White House Rural Council. In 2010, President Obama created the first ever White House Rural Council, with the goal of ensuring that federal agencies work together more effectively and that we do a better job of hearing from rural stakeholders. Since that time, we have completed over 20 interagency initiatives.
- Promise Zones. We are already engaging in poverty targeting to meet the necessities of the neediest communities. This is in conjunction with the President's ladders of opportunity initiative that supports those willing to work hard and play by the rules reach the middle class. These Promise Zones partner with selected communities hit hardest by



the recession and poverty and targets resources at creating jobs, public safety, education, and housing.

- **Strike Force.** We are a leading participant in the USDA’s StrikeForce initiative to increase investment in rural communities through intensive outreach and stronger partnership. USDA partners with rural communities and regions on locally-supported projects to provide technical assistance to help communities use USDA programs.
- **Local leaders.** Rural electric cooperatives, economic development groups and community-based organizations will make the difference between rural communities with sustainable economic growth and those without. Since 2010, USDA has partnered with over four hundred of these organizations – congregations, volunteer organizations, nonprofits and others, to meet the needs of rural areas. Right now, for example, rural electric co-ops across the country are among the leaders currently engaged with USDA, Health and Human Services and the Veterans’ Administration to fund health IT projects for rural hospitals and clinics. This work will improve access to quality health care in rural areas nationwide, which in turn will improve the quality of life in these communities, making them more likely to sustain strong rural economies.
- **Public/private partnerships.**
- **Farm Bill update—**Since I am here to discuss USDA’s perspective on federal policy, I would also like to take this opportunity recognize Congress for passing the Farm Bill.
- You are all aware that this Farm Bill changes USDA programs, including those that fund rural utilities, business and housing projects.
- We will work on these new Farm Bill initiatives and look to you for guidance on some of the ways we can implement provisions that can help fund baseload generation and bring



broadband to unserved rural areas. Our purpose is to continue to help build this much-needed infrastructure and bring services to those who want to live, work and raise their families in strong rural communities.

- USDA and the Obama Administration is doing what it can to innovate program delivery to get better results and to make a difference in the lives of people in rural America. But as the President and the Secretary have said, this is a task that requires an all-hands approach. Rural America needs partners. Partners who care about rural communities and have the tools to make a difference. Rural America needs you.

**Rural America can be, needs to be, a great place to live, work and raise a family. We need leaders like you to up their game, to take risks, to have vision, to collaborate to make this happen.**

Your work in rural communities for nearly 80 years has helped these areas grow and prosper. For those of you who like me are from rural America, you know that your work in rural areas is never easy. I know our work with you will continue. Rural communities nationwide will continue to grow and prosper because of our partnership, and I look forward to continued progress in building livable, thriving, and sustainable communities in rural America.

I mentioned at the beginning of this talk that at the end of the day, I see the mission of Rural Development as helping to make rural communities a place where young people want to stay and where they want to move to.

This is where the rubber hits the road. YOU are the ones that will help determine the future of rural America because your work will help determine who lives in rural America and what they are able to do. Simple as that. USDA's role is to support you in this critical work.

What can you do?

- Look for nontraditional partners to make sure what you are doing is making the biggest impact and for ways to leverage. Local and regional economic development organizations. Rural hospitals and health care clinics. Private sector groups. Federal, state and local governments.
- Be inclusive and diverse. Your organization should look like and include the voices of the people you serve.
- Take calculated risks.
- Be a voice for rural America, and not only with the usual audience. Tell the story. Rural is full of opportunities that will strengthen rural economies and improve the quality of life for those who live and work in rural areas.
- Partner with us on workshops and round tables.

The President's plan builds on the progress we've made over the last five years to expand opportunity for rural Americans and rural communities willing to lift themselves up. But there is no one-size-fits-all solution to the challenges we face. It will take a collaborative effort—between business and federal, state, and local officials; faith-based and non-profit organizations; kids and parents—to ensure that hard work leads to a decent living and a quality of life expected by all Americans.

Let me close today by once again thanking you for the opportunity to join you at the 2014 NRECA Annual Meeting. I appreciate the opportunity to shine a spotlight on the key role that USDA Rural Development plays in partnering with you to build livable, thriving, and sustainable communities in rural America.