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**Statement by
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Chairman Moran, Ranking Member Merkley and members of the committee, thank you for the opportunity to discuss the programs, successes and challenges of the Department of Agriculture's Rural Development mission area. I am accompanied this morning/afternoon by Mr. Brandon McBride, Mr. Sam Rikkers, and Mr. Tony Hernandez, Administrators for Rural Development's Utilities, Business and Cooperatives and Housing and Community Facilities Programs, respectively.

I am pleased to represent an agency with the primary responsibility of creating opportunities and improving the quality of life in rural areas. The investments we make in rural America contribute to rural growth, which is essential to national economic growth. Approximately 15 percent of the population of the United States is considered rural, while nearly 72 percent of our land mass is rural. Rural Development works on a daily basis to support the needs of that 15 percent—the 46 million American citizens that provide the food, fiber and fuel that the rest of the nation—and the world—depend upon.

USDA Rural Development has a loan portfolio of more than \$210 billion. In fiscal year 2015 our staff made loans, loan guarantees and grants of more than \$27.7 billion in rural areas throughout the United States and its territories. Because Congress has supported our field based delivery structure, Rural Development has staff in every state to make the loans and grants that help our rural communities become stronger and more vibrant.

Rural Development assistance includes direct and guaranteed loans, grants, and technical assistance. Rural Development's work is designed to maximize taxpayer dollars. Often our support is leveraged with private sector financing or is provided as a guarantee to private banks. Recipients contribute their own resources or obtain third-party financing, expanding the level of support we provide to rural communities. During this past year, the total Rural Development

leverage—our use of non-federal funds—was \$7.67 billion, or 118 percent of our \$6.5 billion goal. Through Rural Development efforts in engaging third party investments in Rural Development projects, the structure of our portfolio is well balanced and gives our team a range of financing options to meet a range of project needs.

Rural Development is the catalyst for rural renewal: the projects we support create jobs, attract private investment and stimulate entrepreneurship. Our investments build communities, offer new economic opportunities, and connect rural areas to the world. They ensure that our rural Main Streets matter and our rural small businesses matter.

On my first trip to Kansas, I had the opportunity to visit Emporia, and along with Senator Jerry Moran, recognize USDA Rural Business Development Grant recipients. These grants will help recipients like Kansas Main Street Inc. with small business development in the downtown area of communities. The work of Rural Development supports a shared American conviction that locally-grown businesses are important to rural economies and enhance the quality-of-life for rural residents.

In Kansas I was also impressed to hear about the Kansas Fiber Network, a network of rural telephone companies—all borrowers from our Rural Utilities Service Telecommunications program—which provides advanced broadband and telecommunications services—essential to business growth and stronger rural economies. This telephone company's network, which is dedicated to community outreach and business development, might not have been possible but for the types of low-interest loans USDA provides to rural telecommunications service providers. Rural Development's affordable loan terms make financing possible for much-needed community investments.

Every day, 4,600 Rural Development professionals work to help rural business, provide affordable rural housing, and maintain and upgrade infrastructure investments. This work is so important to the modernization of rural America; it connects citizens to broadband; it builds a cleaner future through renewable power and energy efficiency; it reduces child poverty by investing in businesses; it helps manage the growing healthcare needs of an aging population; and makes rural communities places where young people will want to stay, start families, build businesses and create futures.

When I was in North Dakota, Sen. Hoeven and I discussed how critical affordable, reliable infrastructure is to rural America. Economic development investments in infrastructure,

business and housing are an important part of building strong, sustainable communities. Often these investments are simply not affordable. Loans and loan guarantees from Rural Development make these projects—which are so vital to rural growth—affordable to these communities.

Recovery Act funding delivered an unprecedented investment in rural areas. Broadband and water and waste infrastructure will continue to improve the quality of life in rural areas for generations to come. Our successful Recovery Act broadband projects mean that Reservation Telephone Cooperative in North Dakota can improve efficiency and security of oil production and pumping through electronic monitoring. Baca Valley Telephone Company in New Mexico can now provide broadband across its 2,600 square mile service territory, serving some of the most remote farms and ranches in the U.S.

As a result of \$3 billion water and wastewater Recovery Act investments, 820 projects are providing cleaner, safer water to 2,883,673 rural residents. This funding provided awardees like Grady County Rural Water in Oklahoma, a new source of water to serve their community. Previously, the water used to serve the district was sourced through Ft. Cobb Lake and often suffered from high iron and manganese content. In addition, several of the district's customers did not have access to a public source of water, hauling water to their homes or businesses or relying on private wells. As a result of Recovery Act funding and RUS' water and wastewater programs, Grady County now has a new water supply to provide clean, affordable water to their customers. All funds needed for these projects were disbursed by the September 30, 2015 deadline.

Access to safe, clean drinking water is essential at any time, but especially during drought. Rural Development (RD) is actively working to assist eligible communities facing severe drought conditions. In the past two years, Rural Development has awarded 48 Emergency Community Water Assistance Grants (ECWAG) totaling \$18.6 million in California to assist rural communities suffering drought impacts. In FY 14, RD awarded 25 ECWAG grants totaling \$9,730,570 million to rural California communities. The Agency also provided assistance to the City of San Joaquin to upgrade their systems in response to the drought. In FY 15, Rural Development awarded 23 ECWAG grants totaling \$8,870,944 for projects in the state. In addition the Agency awarded four Household Water Well Grants totaling \$730,461 to three California non-profits to provide low interest loans to rural residents for individual water wells, particularly in drought-impacted areas.

Rural Development also finances large, long-term loans to develop communities and grow businesses. We invest in smaller, specific projects targeted at the smallest producers. We provide financial support for underlying utility, housing and community facility needs of rural communities. These investments are the building blocks for economic development that is so critical to the future of rural areas.

Our Rural Business and Cooperatives Service (RBS), in partnership with other public and private sector stakeholders, promotes rural business and employment opportunities and supports key energy investments that grow rural Americans' ability to compete in the global economy.

One of the foundations of our work here in Rural Development is the close partnership we've developed with private sector entities like community and economic development organizations. Big Sandy, Montana is a salt-of-the-earth agricultural community, and also happens to be the home town of Senator Tester. Senator Tester and I visited several Rural Development projects, including Big Sandy Activities—a center that helps developmentally disabled people build skills to allow them to live and work in the community. I saw firsthand how our Business and Industry Guaranteed Loan program was used to purchase and restore the Grand Union Hotel in Fort Benton. This loan helped restore the Hotel, built in 1882, strengthening the tax base and bringing jobs to Fort Benton. Rural Development support has an enormous impact in this tiny rural town.

The same Rural Development B&I program provided DeVilbiss Healthcare, LLC with a loan to purchase equipment and machinery and to transfer manufacturing operations from China back to the United States. DeVilbiss manufactures and distributes respiratory medical devices and products such as nebulizers, oxygen concentrators, and continuous positive airway pressure equipment. The financial assistance preserves 92 jobs and creates 20 new jobs in rural Pennsylvania. These projects not only help rural businesses grow, but help reverse recent rural outmigration trends.

Loans and grants from our Rural Housing Service and Community Facilities Programs (RHS and CF) support rural residents and the communities in which they live. Congress has defined for us a powerful set of housing and community development programs to ensure that rural families can live in safe, affordable homes and thriving communities.

Rural housing programs anchor communities and play a key role in creating and sustaining wealth through home ownership. When a mobile home park in Shelburne, Vermont went up for sale, community leaders came together to ensure affordable housing would still exist downtown. Thanks to a \$1 million RHS loan, the Shelburne Vermont community now has the Wright House –one of five apartment buildings in Harrington Village, an affordable housing community that is home to over 36 senior citizens and persons with disabilities

These are just a few of the many projects in which Rural Development is proud to invest. Our fundamental mission is to support thriving, self-sustaining and prosperous rural communities. We're doing so through the authorities provided to USDA by Congress and through the added resources afforded in the annual appropriations legislation and the 2014 Farm Bill. The Farm Bill renewed our authority to deepen our work on our core programs for rural America. For that, I am deeply appreciative.

Some of our most successful programs are the result of addressing challenges facing those who live and work in rural America. Rural communities are often characterized by their isolation from population centers and product markets. At the same time, these same communities have an enormous amount of importance to the health and well-being of our entire Nation. They benefit from the support of State and Federal agencies that have intimate knowledge of local needs, institutions and businesses.

Our tribal investments support a wide range of needs in Native American areas. At the beginning of October, I was in North Dakota on the Spirit Lake Reservation to announce Rural Business Development Grants to create a business incubator in a renovated mall that would provide jobs and entrepreneurial opportunities. Rural Alaskan Village Grants are building water and waste systems, making communities safer and increasing the quality of life in remote Alaskan communities. High Energy Cost Grants deliver cleaner and more cost effective energy sources across the country. Projects announced in September will benefit a number of Alaskan Natives and Native American areas, such as the project to install wind turbines in the St. Francis community of the Rosebud Sioux in South Dakota.

USDA Rural Development is the only agency in government – thanks in part to the Farm Bill – that can build a community from the ground up, including basic utility infrastructure and residential, farm and business needs. Without RD funding, many rural communities could not make the investments to help them grow and prosper in the years ahead. Without these programs,

rural communities would lack access to basic housing, safe water, broadband, and support for rural small business. Yet we know we have more to do.

We are committed to working with partners to best serve rural areas. We understand that solid public-private partnerships and well-placed intentional investments can – quite literally – mean life or death for some communities. Because of the funding you provide to us—\$38.3 billion in 2015—people who live in rural places today see historic opportunities in sectors such as local and regional food systems, emerging markets, the bio-economy, and manufacturing.

The President’s 2016 budget, which requests \$38.9 billion for Rural Development—proposes to continue that work by giving priority to investment in rural businesses that want to take advantage of emerging markets as well as focus resources in areas of greatest need.

Rural Business and Cooperative Services—A Force for Rural Jobs and Revitalization

USDA’s Rural Business and Cooperative Programs continue to bring investments and jobs to rural areas. The 2016 budget of just over \$1 billion will help continue this rural renewal—benefitting not just our rural communities, but growing a stronger economy for the entire country through investment in rural business, energy, and entrepreneurial support.

The 2016 budget requests \$75.7 million to provide loans and \$5 million in grants to rural small businesses, farmers and ranchers to purchase renewable energy systems and increase energy efficiency through the Rural Energy for America program. Expanding investment in renewable energy projects improves the environment and helps create jobs, ultimately offering opportunities to enhance prosperity in rural areas.

Today, we are using lessons learned from our lengthy experience in rural America to help communities capitalize on emerging opportunities in the 21st Century economy. Consider our work in the rapidly expanding area of local and regional food systems. USDA’s “Know Your Farmer, Know Your Food” initiative provides tools and resources to farm and food businesses, including those run by women, people of color, and veterans as they tap into the growing market for local food. Rural Development is helping connect these rural businesses to new market opportunities with business planning assistance, infrastructure development and our boots on the ground to leverage resources and get the deals done for these businesses. In the last three years alone, we have supported over 600 local food businesses as they diversify and reach new markets.

For example, a Poplarville, Mississippi resident and veteran of the wars in Iraq and Afghanistan, launched a hydroponic agriculture operation. Funded in part by USDA Rural Development, an “Armed to Farm” workshop helped this new farmer better manage the business side of his operation. After shadowing other agribusinesses, he says he now feels more confident about the future of his company, SmithPonics.

This 2016 budget offers funding to spur development of products and opportunities for rural business innovation with the Value Added Producer Grant Program, the Business and Industry loan program and the Rural Business Development Grant Program .

Throughout my travels to rural communities, it was clear that addressing the challenge of outmigration and giving our rural children opportunities to stay and use their skills to earn a living in their communities was extremely important to local community leaders, family members and businesses. I know this can be done. Imperial Stock Ranch in Wasco County, Oregon is a family-owned and operated business that supplied wool for Ralph Lauren-designed sweaters worn by United States athletes at the Sochi Winter Olympics. They also launched a “ranch-to-runway” line of clothing with award-winning fashion designer Anna Cohen. They did all of this nearly three thousand miles removed from the frenetic pace of New York City’s fashion district. The Carvers have benefitted from USDA’s Value-Added Producer Grant (VAPG) program since 2008, using funds for planning and capital assistance. Our VAPG program – one of nearly 50 programs and services administered by Rural Development – is breathing life back into the textile industry and creating jobs here in the United States.

Rural Housing Services—Anchoring Communities with Homes and Essential Facilities

A special point of pride for Rural Development is our housing programs. Since 2009, Rural Development has helped more than 900,000 rural families buy, repair or refinance a home and provided funding for 3,000 multi-family housing developments. Access to safe, modest, affordable housing is vitally important to the health and growth of rural areas. Helping to make the American Dream a reality is a tremendous responsibility. I am delighted that through our work Rural Development housing programs are often stepping stones on the journey to homeownership which will help build wealth and security for rural families. We offer one of the best home mortgages in the United States and boast a low default rate.

The 2016 Rural Housing budget of \$28.6 billion will continue to help people in rural America, particularly those in greatest need, put a roof over their heads. The bulk of this

budget—\$24 billion-- supports private sector lenders in rural America by guaranteeing the mortgages they make to help moderate income rural Americans become homeowners. Another vital part of our housing program provides rental assistance to low-income people who live in USDA-financed multi-family housing. In 2016, Rental Assistance of nearly \$1.2 billion will help create a sustainable program to offer rural residents—most of whom are seniors with fixed incomes—the security and peace of mind of a safe and affordable place to live. We have worked hard to address challenges of providing sustainable rental assistance to those who rely on this program, and I am optimistic that continued efforts and investment will lead to a stronger program to better serve rural residents.

In this, the 50th year of Rural Development's Mutual Self-Help Housing Program, we also completed 50,000 homes through partnerships and sweat equity. In fact, several Members of Congress and congressional staff participated in self-help builds this year to help us mark this important milestone.

Rural Development is committed to continually testing new ways to address housing needs in rural America. The USDA Energy Efficiency Manufactured Home Pilot Program was introduced this summer in New Hampshire and Vermont. A low-income home buyer interested in purchasing a high-performance modular home and placing it in a mobile home park would be eligible for a 30-year mortgage at a 3.25 percent interest rate. Very low-income home buyers may be eligible for an interest subsidy down to 1 percent. The mortgage is the first of its kind for residents of mobile home parks, where home buyers face high interest rates, short loan terms and high energy costs.

The Rural Housing Service (RHS) continues to make tremendous gains to its systems and processes—and recently took on a decade of needed upgrades. As of this spring, our guaranteed Single Family Housing loan program is now paperless. Not only are we saving 37,500 reams of paper every year, we've lowered postage costs, saved printer ink, and are moving loan guarantees out the door much more quickly and making our programs easier for our customers to use

We are also in the process of modernizing the delivery of the Single Family Housing direct loan program through automation. Beginning fiscal year 2016, RHS will implement an automated underwriting system nationwide, permit third parties to submit applications electronically, and move from paper-based to electronic customer files. These improvements

will provide underwriting consistency nationwide, additional security features, and the ability to seamlessly transfer work when states experience increases in applications.

The men and women of USDA take seriously the responsibility of supporting those who live and work in small towns and rural communities. They have worked hard to reduce backlogs, increase efficiencies and reduce program costs. These successes include the Single Family Housing Guaranteed Loan Program, which significantly decreased the amount of time staff spends processing a guaranteed loan request and save millions of dollars in cumulative operational and administrative cost each year. These time and cost-saving processes make it possible for government programs to continue manage a growing portfolio and meet mission goals with smaller operating budgets and reduced workforce.

From fiscal year 2012 to fiscal year 2014, Rural Development invested in 335 Public Private Partnership community infrastructure projects across rural America in 49 states. RHS leveraged over \$3.5 billion in community facilities direct loan funds from 2012 to 2014, with \$1.2 billion from institutional investors and the capital credit markets to strengthen investment in critical infrastructure projects, spurring economic growth and job creation, and increasing access to health care, education and other critical services. The 2016 budget proposal of \$2.3 billion for the Community Facilities (CF) program will enable 13.7 million residents to benefit from improved health, safety and educational facilities. Services such as those provided by Pikeville Medical Center in Kentucky, which offers health care to patients from persistently poor areas, can grow. Pikeville Medical Center used the CF program to construct a new medical office building containing research facilities, outpatient surgery suites, endoscopy facilities, physical exam space, labs and lecture halls.

Building on this success, and working with others to understanding the needs of the region, Rural Development partnered with the University of Pikeville (UPIKE, the Appalachian Regional Commission, and the U.S. Economic Development Administration by providing a \$40 million Community Facilities loan for the construction of a health professions education building to provide instruction and demonstration for the new College of Optometry, School of Nursing, and other student support services. This funding enabled USDA to establish a Public-Private partnership for the new facility. This partnership resulted in a facility that added 75 jobs to the local economy and created a distributed community-based clinic model that added an additional

25 to 30 jobs in local clinics. In addition, the facility brought new services to the region, as previously there was no College of Optometry serving that state or many of its neighbors.

In communities like Pikeville, public private partnerships have brought together critical resources, innovative capacity, financial expertise, project development skills and technical assistance, to large complex community infrastructure projects at a time when RHS staff resources have been reduced. They have strengthened underwriting with another set of eyes, reducing RHS credit risk and providing a long-term partnership for servicing loans and communication with the borrower. Most importantly, these partnerships allow USDA to assist more rural communities, invest in more vital community facilities and help more rural residents.

In other rural areas, we are supporting organizations that are addressing more basic needs and on the front lines of the fight to alleviate poverty. Second Harvest of South Georgia is a non-profit that feeds hungry people in 30 Georgia counties and is the largest in Georgia outside of the Atlanta metro area. USDA provided funding through a \$5.2 million Community Facilities loan to build a distribution facility in Thomasville. Its commercial kitchen can produce up to 10,000 meals a day for South Georgia residents in need.

The Rural Utilities Service—Investing in Infrastructure for a Modern Rural America

For over 80 years USDA has funded basic infrastructure services, which make a significant difference in the quality of life in rural America. Rural Utilities Service (RUS) investments keep electricity reliable and affordable and deliver faster internet service to rural families and to businesses, allowing them to compete in the global economy. Our water and wastewater programs provide clean, safe water to help healthy rural communities grow and prosper.

We are proud of the work of RUS to deliver much needed broadband infrastructure in the past five years. Because of USDA's Recovery Act Broadband Improvement Program, RUS was able to successfully invest nearly \$3 billion in 254 projects in 45 states and territories to deliver high speed internet to rural areas unable to draw competitive for private service. As companies build out these services 260,000 rural households, 17,500 businesses and 1,900 schools, libraries and health care facilities have new service with potential for exponential growth in the future. Loans under this program have been extremely successful.

We know we still have work to do. Overcoming geographic and demographic challenges to offer access to robust broadband service is difficult and among the reasons that just 50 percent of those living in rural communities have high speed internet service. The FY 16 budget for the new Farm Bill broadband program proposes \$44 million to fund broadband infrastructure in rural areas. RUS received 15 requests for \$118 million in funding, demonstrating the need to bring high-speed internet to rural areas. Total broadband funding available for FY 15 is \$55 million.

The White House in September released a report submitted by USDA and the Department of Commerce on ways to continue to bring broadband to unserved areas. We are beginning work on those important next steps of getting robust broadband service available to all who live in rural areas, not just the 50 percent who currently benefit from access to high-speed internet.

We believe that all RUS programs that fund broadband will be an important resource in this effort, which is why the 2016 budget is requesting \$65 million, an increase of \$30.2 million over FY 2015, for broadband access in rural communities that are least likely to have broadband infrastructure needed for economic development.

The 2016 budget for the RUS electric programs is requesting \$6 billion to continue to provide reliable electric service to rural consumers.

Investing in the People and Core Services that Make Rural Development Investments Possible

All of the good work of Rural Development is only possible because of the people who do this work. After years of retrenchment we are carefully rebuilding our staff and making sure they have the right tools to be strong partners in rural America. The President's 2016 budget requests \$686 million for the salaries and expenses of USDA Rural Development to support the delivery of the direct and guaranteed loans and grants, technical assistance and economic development strategies outlined above. In addition, this investment in our people will help us continue to provide quality service not just in our national office, but in the field, where staff know rural communities because they are part of those communities. New employee hires will fill mission-critical skill shortages resulting from a two-year hiring freeze. This is particularly important since Rural Development's loan portfolio has grown to more than \$210 billion and continues to grow each month, while staffing levels to manage this growth have not recovered from declines of the past few years. This level of funding also includes information technology

investments to the Comprehensive Loan Program, which safeguards the portfolio from cyber threats and improves management capabilities.

Over the course of the last several years, we have chosen to be proactive in identifying and assisting areas of greatest need in rural America, rather than waiting for those places to find us. StrikeForce, Promise Zones, Stronger Economies Together and other initiatives are just a few of the many reasons that I am so fiercely proud of the 4,600 Rural Development professionals nationwide. Our Agency and its partners are willing to help us move assistance to the places that need it most.

Congress has provided significant resources to make a real impact in rural places. Yet the opportunities and the challenges of rural America make it clear to all of us that more needs to be done. I am deeply moved by seeing taxpayer dollars at work in rural communities. There is something extraordinary about rural America's ability to survive and thrive. It is a place where values count and where stewardship is a meaningful obligation. Working to address rural challenges is an amazing privilege.

In the time that I've been with USDA, I've witnessed rural resiliency on a very personal level. I watched the town of Floresville, Texas turn out in force to launch their improved water treatment system. I visited the Peoples Rural Telephone Cooperative in Jackson County, Kentucky which built a state-of-the-art, fiber-to-the-premise network that offers isolated rural residents the same economic, educational and social opportunities available to residents in urban areas. I toured a condiment manufacturer in Brundidge, Alabama that is expanding its business and market share with support from Rural Development. Each of these investments made in rural communities is an investment in our country's future.

I appreciate your continued interest and support of Rural Development programs. When countries cannot make rural infrastructure work, it impedes not only their rural places and people; it holds back the growth of the entire Nation. USDA Rural Development and our partners address the unique needs of communities often lacking large populations or other support mechanisms. Together, we can coordinate and leverage our resources to turn Rural Development's transactional work into transformational work.

I appreciate the opportunity to testify before the Senate Agriculture Appropriations Committee. At this time, I am happy to answer your questions.