



## Remarks by Rural Development Under Secretary Dallas Tonsager for the G&T Managers Meeting

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### Greetings

Good Morning! Thank you for inviting me to be here with you all today in Austin.

On behalf of President Obama and Agriculture Secretary Vilsack, we want to emphasize our appreciation for our continued partnership with G&T Managers. Across the federal government, we have a deep commitment towards the rural cooperative model that has been working to build rural America for over 75 years.

Today, I want to tell you about what we at USDA Rural Development have been up to and where we're going, but then I'd like to hear from all of you about how we can move towards a rural energy future together.

Back in February, the President challenged Americans during his State of the Union address to "win the future" by out-innovating, out-educating and out-building the rest of the world. **Everyone in this room helps us work towards that goal every day.**

As you all know, the Obama Administration is committed to continued investments in our country's critical infrastructure – from electric infrastructure to our nation's roads and highways to broadband networks. Not only is this infrastructure key to our national security, but these investments create jobs and economic opportunities in rural America.

We at USDA Rural Development continue our mission to rebuild and revitalize rural America, and we are fortunate to have the full support of the Administration in our efforts. In June, the President created the first ever White House Rural Council – a Federal collaboration with the core objective of



stimulating job creation and economic growth in rural America.

All of you continue to play a critical role in these efforts to grow jobs in rural America. I want to thank you for the important work that you do every day to power the nation and facilitate rural economic growth.

### **Electric Program Accomplishments**

The Rural Utilities Service has had an extraordinary couple of years. Last year, they pushed out an historic \$7 billion in electric infrastructure funding, which is no small feat. They've done a great job.

This year, the program saw continued strong support – with \$7.1 billion in lending authority. The RUS Electric Program has seen great success over the last several years, with negative subsidy costs at a time when most government programs cost the taxpayers money. We've also experienced extraordinary program levels in recent years to meet the capital needs of the rural electric industry.

As of September 8<sup>th</sup>, we've approved 80 loans, consisting of 70 distribution loans for \$1.3 billion and 10 power supply loans for \$1.5 billion. These loans also include a renewable energy loan for \$204 million and a total of \$89 million in smart grid investments.

By September 30<sup>th</sup>, we anticipate approving 127 loans for \$5.3 billion – **leaving approximately \$1.3 billion of our FY11 funding unused**. We're making every effort to approve any complete application we receive in time for this fiscal year.

The President has recognized the rural cooperative's need for capital and requested an FY12 program level of \$6.1 billion. We encourage you to utilize this opportunity to meet your capital needs as further justification of this valuable support.

Historically, the G&T borrowers have used a greater share of the FFB funds. So far this year, the program has been split pretty evenly with distribution loans comprising about 47% of our FFB



program and G&T loans at 53%.

So far this fiscal year, we've approved \$956 million for new distribution facilities; \$347 million for transmission facilities, \$1 billion for generation system improvements, including \$241 million for environmental improvements, and \$204 million for renewable energy projects.

Currently, our long-term FFB rate is approximately **2.87%**, and our shorter term rates range from **less than 1%** for a 3-year period to **1.98%** for a 10-year period. If you've recently paid off your RUS loan and are interested in coming back to the RUS, or if you want to understand how to take advantage of these rates, please contact one of our field staff. I'm sure they will be more than happy to discuss it with you.

With CFC's participation in the bond guarantee program and the associated fees, an additional \$44 million to date has been made available for **the Rural Economic Development Loan and Grant (REDLG) program.**

REDLG offers a great opportunity for coops to spur economic development in their communities, and I want to see more of them take advantage of that opportunity.

But I can't talk about economic development without talking about the Administration's recently announced jobs plan. Last week, the President unveiled the **American Jobs Act** to fast-track the creation of jobs and to provide much needed relief to America's working families. If passed, it would include tax cuts for small businesses, and it'd eliminate payroll taxes for firms that hire new workers or give their workers a raise. It would provide assistance to the long-term unemployed and put them on track by offering training opportunities.

The American Jobs Act would provide for badly needed upgrades and repairs to our Nation's transportation and utility networks, which we all know would create much needed jobs for underemployed construction workers across the country.



You all have done so much for your communities over the past 75 years, and if the American Jobs Act is passed, there will be enormous opportunities for you to do even more, leveraging our current program offerings.

I know that the current climate on the Hill may present you with some challenges and a lack of certainty as to where we are headed. Believe me, we understand that over at Rural Development, as well. We understand that improvements to your facilities to keep pace with regulations are costly, and we encourage you to take advantage of the great rates RUS offers.

One of the most important elements in creating thriving rural communities is housing. Rural Development is dedicated to ensuring that rural Americans have access to safe, affordable, quality housing. And rural electric cooperatives are making an enormous contribution to this effort as well, by enabling rural electric customers to make their homes more energy efficient.

Right now, we're working on the **Rural Economic Development Energy Efficiency Effort**, also known as Recovery through Retrofit. This is a partnership between USDA and DOE that taps resources from Rural Development's Utilities, Housing and Business programs. We currently have four rural pilot projects in South Carolina, Indiana, Texas and Virginia.

We hope to expand the scope to include all homeowners and small businesses served by rural electric cooperatives across the country. I encourage all of you to talk with your Electric Program field representative about opportunities to finance energy efficiency projects in your service areas.

Loans and loan guarantees are available through the REDLG program and also through the RUS Electric Program. These loans are offered at rates from zero to 2% for 10 years. As I mentioned before, with rates this low and the potential tax incentives from the American Jobs Act, this would be a tremendous opportunity for you to engage in this effort.



Beyond retrofitting rural homes and businesses, we continue to work with cooperatives to modernize the electric grid and integrate **smart grid technology**. We're thrilled that some of our electric coops are leading the way in this effort, which will alleviate grid congestion and empower rural consumers. Earlier this year, Secretary Vilsack set a goal of \$250 million in smart grid investments in 2012, and I have no doubt we can exceed that goal.

In addition to our energy efficiency efforts, USDA is leading the national effort to create and expand **renewable energy** in rural areas. We can't talk about renewable energy without talking about the issue of transmission. So, going forward we need to think about transmission together.

Since the enactment of the 2008 Farm Bill, the renewable energy programs authorized under the Energy Title have invested over \$460 million in biorefineries, renewable energy and energy efficiency systems through mandatory funding for grants, loan guarantees, and assistance payments.

Rural America contains immeasurable sources of renewable energy. Take, for example, the biofuels industry – where we could essentially grow renewable fuel sources in America's rural backyard. Recently, the DOE released the [2011 U.S. Billion-Ton Update](#) – detailing U.S. biomass feedstock potential nationwide. The study speaks to the Food vs Fuel debate and suggests that we could, in fact, produce a billion tons of biomass for energy, without impacting our food, feed and fiber crops.

By building a national biofuels industry, we're creating construction jobs, refinery jobs and rural economic opportunity. And every gallon of biofuel produced here in rural America represents another gallon of fuel that we don't purchase from the Middle East.

### **Ag & Export Industry**

And before I close, I want to share some good news and issue a challenge.



Despite the state of our economy, U.S. farm exports and farm incomes are at a record high. Recently, the Farm Income report showed that net cash incomes and net farm incomes are at their highest levels since the early 1970s. This is a great success story for our American farmers, ranchers and producers, and it's a testament to their hard work and innovation.

In addition, products that are "Grown in America" remain in high demand around the world. The current US Export forecast for 2011 is \$137 billion -- \$22 billion higher than the previous record set in 2008. Exports for 2012 are expected to remain strong and to support over one million American jobs. These strong exports enabled a trade surplus that is projected to be at a record \$42.5 billion this year.

USDA will continue to maintain this level of productivity to build a rural economy that continues to grow and out-compete the rest of the world.

In spite of that good news, rural America still faces significant challenges with regard to **capital access**. Now, I think we can all agree that the potential exists for tremendous wealth-creation in rural America. But this potential is rarely captured and brought to fruition. The long-term vision of our Capital Markets project will be a critical component in capturing wealth in rural America.

While many forces have converged to create these new opportunities—such as technology, the global market, the new energy economy, and local and regional demands - one critical component needs to be considered: wealth creation depends on the long-term capital financing needed to build the infrastructure that would support new or expanded rural ventures.

The Obama administration has invested unprecedented resources in rural America in areas such as broadband, business ventures, renewable energy, and community water and wastewater infrastructure.



While this public investment has been unprecedented, the future driver for debt and equity financing will be the private sector.

As leaders in your communities, you're uniquely positioned to contribute further to this effort:

- You are trusted,
- You know your community's economic needs, and
- You have a network to bring partners together.

I'm proud that G&T managers are industry and community leaders, but we need to do more. Today, you are called upon to lift our nation out of the greatest recession since the REA was created. I challenge each of you to be catalysts for new growth and vitality in your communities. Thank you for all that you do, and now I'd like to open it up for questions and comments.