



Remarks by Rural Development Under Secretary Dallas Tonsager for the 2011 Reservation Economic Summit

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3:00 p.m.

Good Afternoon. I would like to thank the National Center for inviting me to speak at RES 2011 this afternoon. Congratulations on celebrating your 25th annual Reservation Economic Summit. It's always a pleasure getting out and speaking to folks working and living in rural America.

Today I will share a little bit about the work we are doing at USDA Rural Development to improve the economic circumstances across rural America, including our work to support tribal economic development.

Rural Development administers and manages more than 40 housing, business and community infrastructure and facility programs. These programs are designed to improve the economic stability of rural communities, businesses, residents, farmers and ranchers, and improve the quality of life in rural America. Rural Development has an existing portfolio of more than \$148 billion in loans and loan guarantees, and these resources are paired with some grant programs made available through our mission area to pursue seven strategies for economic development.

1. **Strategic Partners:** The ole adage that there is strength in numbers especially holds true when you build strong and strategic alliances.
2. **Capital Markets:** Stimulating local economies requires the infusion of new investment opportunities.
3. **Regional Food Systems:** Building markets for local and regionally grown agricultural products makes great economic sense.

4. **Regional Collaboration:** Smaller, more remote rural communities don't have to be stand-alone economic engines in an oasis, each looking only from within for sustainability.
5. **Community Building:** Creating great places to live, raise families, provide recreational opportunities, and infrastructure for high paying jobs is very important to our efforts at USDA.
6. **Alternative Energy:** America's development and use of alternative energies is good for our country and good for our environment.
7. **Broadband and Continuous Business Creation:** Expanding access to high-speed broadband is one of our greatest challenges and our highest priority.

President Obama's goals for winning the future and Secretary Vilsack's plan for rural America directly touch on the issues facing tribal communities and tribal businesses in our country. I believe we can out-innovate, out-educate, and out-build our global competition if we find ways to bring resources to the table and find ways to connect more tribes and tribal members to the resources that can bring economic development opportunities to you and your businesses.

This is a priority for the Department of Agriculture and Rural Development.

Although we will continue to maximize the impact our investments have in rural America, the current budget environment demands that the federal government use its resources wisely, efficiently and effectively. That is why it is imperative that our programs find ways to leverage public sector commitments with private sector dollars to encourage rural economic development. USDA Rural American Recovery and Reinvestment Act well, and has disbursed the funds to projects in areas of the greatest need. As our economy continues to recover, our agency must build on these successes of the past two years in a more austere fiscal environment, and Rural Development is well positioned to do so.



Broadband

One way we are attempting to foster greater business growth and to nurture economic development in Indian Country is through the Broadband Initiatives Program. Tribal businesses that lack access to fast and reliable internet are not competing on a level playing field with their competitors on a regional basis, let alone a global basis.

USDA Rural Development has sought to improve access to high speed internet for Tribal businesses through funding a rural Utility Service over the past two years will bring broadband to approximately 2.8 million households and 364,000 businesses that overlap with 31 tribal lands and 125 persistent poverty counties. Estimated to create more than 25,000 immediate and direct jobs, these projects are also expected to contribute to the long-term economic development opportunities in each rural community where a broadband project is launched. These connections will help existing business owners tighten their distribution channels, increase efficiencies, and expand their market reach, enabling a new generation of entrepreneurs to thrive in rural areas.

For instance, nearby in Arizona the Tohono O’odham Utility Authority (TOUA) has received a Broadband Initiative Program award that will enable high-speed DSL service throughout the entire Tohono O’odham Reservation, with FTTP and fixed wireless broadband in certain areas. The network will make service available to 2,307 households and 480 businesses. Entrepreneurs that are touched by the broadband investments in southern Arizona will soon be in a better position to capitalize on the telecommunication tools that allow entrepreneurs to transform business ideas into business realities. Connections like these – which foster economic activity and allow communities to capitalize on their strengths – are the seed of economic development that we seek to sow at Rural Development.

Many initial investments have been laid down on tribal lands, and USDA Rural Development field offices throughout the country will continue to attend to the successful implementation of Broadband Initiative Program awards by pursuing a “Build Out and Build On” multi-faceted approach. This approach attempts to build out to gaps in rural broadband coverage and build rural



businesses on new and existing networks.

Moving forward, Rural Development has ongoing broadband loan and grant programs which provide funding for rural communities. Many tribes have benefitted from these programs. We recently announced that we are now accepting applications for three key programs: the Distance Learning and Telemedicine Grant Program, which funds end user equipment to provide healthcare and educational services in rural areas; the Community Connect Grant Program, which provides grants for very rural, low-income communities with no broadband access whatsoever; and the Rural Broadband Access Loan Program, which provides loans for broadband infrastructure in rural communities. The Distance Learning and Telemedicine Grant Program application window closes April 25th and the Community Connect Grant Program window closes May 3rd. I hope that we will see many great applications from tribal communities and tribally owned enterprises. Our Broadband Loan Program accepts applications year round. I'm pleased to announce that an Interim Rule and a Notice Soliciting Applications were published in the Federal Register this Monday. I'm also glad to point out that the new interim rule for the Broadband Program includes a section on the Substantially Underserved Trust Areas - or SUTA provision - of the 2008 Farm Bill. This is the first reference to SUTA in Rural Development's rules and comes on the heels of a substantive tribal consultation process that we initiated a year ago at this very conference! If you are interested, I encourage you to contact our staff about how to get started on a broadband loan application. We know that there is a tremendous need for broadband infrastructure in Indian country, and these programs are available to help.

Business and Cooperative Programs

Another way USDA Rural Development is looking to help tribal communities create new and grow existing businesses is through the employment of our Business and Cooperative Programs.

One important program that has been utilized by many rural Native American communities is the Rural Business Opportunity Grant Program. These USDA Rural Development grants are available to promote sustainable economic development in rural communities with exceptional



need, and this program is designed in a way to specifically offer its benefits to native applicants. Projects funded by the grants improve the quality - as well as the quantity of - economic development activity and act as a catalyst by providing critical assistance, be it technical expertise or business development planning. This includes identifying and analyzing business opportunities including: export markets, completing feasibility and business plan studies, conducting training and technical assistance for rural managers and entrepreneurs, establishing business support centers, conducting economic development planning, and providing leadership training. Business Opportunity Grants – much like this conference – connect nascent and established businesses with the development assistance that allows them to grow. Be reminded that the Business Opportunity Grants can be awarded to tribes and non- profits, but grant funds in this program cannot flow directly to for-profit businesses.

My background in rural development and my experiences developing biofuels projects in South Dakota have taught me that a business plan provides the foundation needed for any complicated project. This USDA program, which helps support organizations in securing funding for things like feasibility studies and technical assessments, has allowed enterprises in tribal areas to get off the ground and helped to ensure their sustainability.

The Santee Sioux Tribe of Nebraska used a Business Opportunity Grant for a marketing study of an industrial tract located on the Santee Reservation. The Tribe recognized an opportunity in the community for development, and used the RBOG program to learn more about the possibilities for their idea. Similarly, the Spokane Tribe of Wellpinit, Washington secured a \$49,804 grant to provide technical assistance to investigate the feasibility of a business incubator and then, if feasible, to help develop business plans for members of the Spokane Tribe of Indians.

Another important Rural Development program that has been an excellent resource for tribal communities is the Rural Business Enterprise Grant program. This program is a broad based initiative that reaches to the core of rural development in a number of ways. These funds can be used for things like building construction, plant renovation, or machinery and equipment



conversion. Additionally, this program can be used to capitalize revolving loan funds that can make loans for start-ups and working capital. Each project funded under the RBEG program must benefit small and emerging private businesses in rural areas, allowing USDA resources to reach places where private capital may not flow as freely as in higher population density areas. Small and emerging businesses are those that will employ 50 or fewer new employees and have less than \$1 million in projected gross revenues. Historically, as a part of this program, a portion of the funds are made available to projects that benefit Indian Tribes and tribal members in a rural area.

Additionally, our Rural Microentrepreneur Assistance Program provides a valuable resource to tribal businesses or tribal entrepreneurs, encouraging economic activity in Indian Country. The RMAP program supports the development and ongoing success of rural microentrepreneurs and microenterprises. Direct loans and grants are made to selected Microenterprise Development Organizations. Non-profit entities, Indian tribes, and public institutions of higher education are eligible to apply.

One great success story for this program has occurred in my home state of South Dakota. The Lakota Funds based in Kyle was selected to receive a \$500,000 loan and \$105,000 grant to provide financial and technical assistance and training to rural microentrepreneurs and microenterprises. This Micro Development Organization will serve Shannon County in western South Dakota. Their mission is to establish reservation wide credit that will provide members with enhanced and more accessible financial services and improve the quality of life by giving tribal members more understanding of their finances, their options for saving and asset growth.

Although we have had great successes with many of our programs in Indian Country, there is still much work to be done. Through improved outreach and training, enterprises throughout Indian country will be better able to secure loans, loan guarantees, and to a lesser extent grants to help their businesses grow. That is why I am happy to see that the RES Summit is host to a number of workshops on the resources that are available to tribal businesses from USDA and across the



federal government. I encourage you all to follow up with your local Rural Development office if you have any questions about the USDA programs that are discussed in the workshops.

Rural Alternative and Renewable Energy

Another important way that Rural Development seeks to support economic activity in rural areas is by encouraging energy production and energy conservation. Supporting rural companies that contribute to our energy production in the United States creates high paying jobs in and around Indian Country. Supporting energy conservation allows rural American Indians and Native Alaskans to save money, giving businesses advantages against their competition and families extra dollars in their pocketbooks.

The Renewable Energy for America Program – often referred to as the REAP program - provides grants for energy audits and renewable energy development assistance. It also provides funds to agricultural producers and rural small businesses to purchase and install renewable energy systems and make energy efficiency improvements. The program is designed to assist farmers, ranchers and rural small businesses that are able to demonstrate financial need. Tribally owned and tribal member owned businesses that demonstrate a clear separation from governmental control may also be eligible.

There is some great work being done on renewable energy development on Reservations around the country. I understand that later this afternoon, the National Center for American Indian Enterprise Development will be presenting an award to its American Indian Business Owner of the Year: *David Melton of Sacred Power*. Sacred Power is a phenomenal successes story in the Navajo Nation. USDA Rural Development seeks to encourage this type of leadership through its energy programs. Recently, Sacred Power used a USDA Rural Development High Energy Cost Grant to support a project with the Tonolea Chapter House on the Navajo Reservation in Arizona to install solar photovoltaic (PV) hybrid power stations at off-grid homes. In addition to the Sacred Power grant, this program has active projects in a number of Native American and Alaska Native communities which are often remote and underserved and have limited financial resources.



Additionally, last year the Rural Utilities Service issued an Electric loan guarantee of \$103 million to the Navajo Tribal Utility Authority (NTUA) in Fort Defiance, Arizona. The rural electric utility provides service to approximately 38,500 residential and commercial customers in six counties through nearly 8,000 miles of distribution line and 530 miles of transmission line.

This historic investment, catalyzed through a Rural Development loan guarantee, will be used to serve 4,982 new and existing consumers, build 600 miles of new distribution lines and 37 lines, and make other system improvements, including advanced metering infrastructure projects and an additional photovoltaic system to help harvest some of the solar energy shining down on Navajo lands.

Rural Housing Programs

Housing is an important part of rural economic development because activity in this industry spurs broad economic activity throughout a community. By connecting a project with resources to build or rehabilitate a house, a multi-family housing facility, or a community facility – local businesses in the area of the project receive some of the spillover economic benefits that comes with money exchanging hands and people being put to work.

Given the current fiscal environment, the Obama administration has proposed a reorientation of the USDA Rural Housing Service programs to allow our mission area to stretch our dollars as far as possible to serve as many rural Americans as possible. This has meant that some programs will receive less budget authority, and other programs will receive more. The Single Family Loan Guarantee program – which allows private lenders to secure the loans they offer to awardees with the full faith and credit of the federal government – has been markedly expanded to a proposed program level of \$24 billion in FY 2012. This frees up more capital for housing investments in rural America by providing a safer, more predictable investment opportunity to lenders. Through sensible investments like the expansion of the SFH Guaranteed Program, Rural Development can improve upon an already impressive track record in tribal housing. For instance, in the past decade the Single Family Housing guaranteed program has helped over 3,700 American Indian



and Alaska Native families become homeowners and our Home Repair program has funded home repairs for over 3,000 native families, including 950 on tribal lands. Housing investments like these constitute the building blocks for thriving rural communities, making them attractive places to start a business and raise a family.

Rural Development is committed to improving our housing programs for tribal borrowers and this will require a continued effort to market our programs to Indian Country and train tribal lenders, non-tribal lenders and our Rural Development field staff to recognize the unique aspects of Native American borrowing given the complexity of land tenure on reservations. These particular aspects of life on trust land need not be a barrier to participate in housing and lending programs with Rural Development, and we will continue to work to improve our delivery of services to accommodate these unique factors.

Conclusion

In closing, I want to add that at 4:30 this afternoon, immediately following this session, myself and colleagues from SBA and the CDFI Fund will be hosting a lender's roundtable discussion to dive a little deeper into how our loan guarantee and complementary programs work. We also want to discuss what we can do to ensure they are better used throughout Indian Country. We'll be meeting in conference rooms 9&10. I strongly encourage lenders and other interested stakeholders present today to join us in that discussion. I also invite you to stop by our USDA booth during the Trade Fair to talk to my staff about your current projects and priorities and to start the discussion on how our programs might be able to assist.

Thank you again for giving me the opportunity to speak with you here today.