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Chairman Graves, Ranking Member Velazquez, and members of the committee, I am pleased to have this opportunity to discuss USDA Rural Development's role in supporting and encouraging economic development of our Nation's rural communities.

Since 2009, President Obama's plan for rural America has brought about historic investment in rural communities that has made them stronger and more vibrant. USDA Rural Development alone, has directly invested or guaranteed more than $131 billion over the last four years in broadband, businesses, housing, safe water, community facilities and more that have benefited not only the communities our agency serves, but also the overall economy.

We view our programs as building blocks for a successful rural community. Quality infrastructure encourages business and economic growth which in turn encourages housing development to serve the influx of new employees, and leads to additional necessities such as schools, hospitals, and emergency resources. USDA Rural Development programs address all of these community needs through grants, direct loans or guaranteed loans.

In the Consolidated Farm and Rural Development Act (Con Act), Congress charged USDA with leading the Federal Government's efforts to ensure a prosperous rural America and declared this task "so essential to the peace, prosperity, and welfare of all our citizens that the highest priority must be given to the revitalization and development of rural areas." Four decades later, the agency that I represent today, is responsible for implementing a suite of programs with the sole mission to increase economic opportunity and improve the quality of life for all rural Americans.

Building on this history, President Obama in June of 2010 created the White House Rural Council to improve coordination among Federal agencies and create more economic opportunity

in rural America. Coordination between the Department of Agriculture and other government agencies to facilitate program delivery continues to strengthen. The comprehensive rural strategy is encouraging rural economic growth that is outpacing urban areas. President Obama and Secretary Vilsack have long believed that "strong rural communities are key to a stronger America."

The economic literature confirms the importance of vibrant rural economies to the Nation's economy. For example, the Organization for Economic Cooperation and Development (OECD) recently released a report, *Promoting Growth in All Regions*, which says investments in rural places are vital for aggregate national economic growth and in many cases such investments have found that rural regions have, on average, enjoyed faster growth than urban regions.

We believe, particularly at such a tenuous point for our Nation's economy, that we cannot leave significant growth opportunities in rural regions untapped. This study provides vigorous research and an explanation for why regional rural economies are so important to a Nation's overall economic health. This isn't the first report to make such a conclusion, nor is it news to those of us who work and live or represent rural America, but it is notable for its comprehensive analysis and recommendations that are important for rural economies. They include: investing in less-developed regions makes good economic sense; a pro-growth strategy on the assets of the region is the most beneficial and sustainable approach; policies that support education and training for low-skilled workers are critical; infrastructure development has the greatest impact when coordinated with other development policies; and formal and informal institutions that facilitate communication and collaboration in the region are vital. USDA and its partner agencies were already working on a number of these strategies.

As you know, rural America has unique challenges and assets. Rural communities are characterized by their isolation from population centers and product markets and benefit most from initiatives that integrate local institutions and businesses with State and Federal agencies that have intimate knowledge of local needs. To address these unique challenges, Congress has provided USDA with a variety of programs that comprehensively attend to the rural dynamic.

As the only Federal Department with the primary responsibility of serving rural areas, the presence of USDA field offices in every state helps us to serve the specific needs of local communities. USDA Rural Development employees are able to identify a wide range of community and economic development resources for locally elected officials, business owners, families, farmers and ranchers, schools, nonprofits, cooperatives and tribes. USDA Rural Development staffs are located throughout the nation and are members of the communities they serve and possess expert knowledge of the economic challenges and opportunities that exist in their particular region.

Through USDA Rural Development's infrastructure development programs, we make investments in rural utility systems that helped improve and expand the rural electrical grid, provide clean drinking water to rural communities, and deliver faster Internet service to rural families and to businesses, allowing them to compete in the global economy. In 2012, we provided nearly 64,000 rural households, businesses and community institutions with new or better access to broadband Internet service, provided more than 8 million consumers with new or improved electric service, and provided 2.5 million of our borrower's customers with new or improved water or wastewater service.

Through USDA Rural Development's business and cooperative loan, grant, and technical assistance programs, the agency helped over 9,500 rural small business owners and agricultural producers improve their enterprises, including those related to renewable energy. Beyond direct assistance to these business owners and producers, financial support from USDA also creates lasting economic development opportunities in the rural communities where the projects are located. Business and cooperative funding created or saved an estimated 52,000 rural jobs in 2012.

Not only have we supported small businesses, but we also support the social infrastructure that makes rural communities attractive to small business owners and their employees. USDA Rural Development's Community Facilities loan and grant program provided assistance to construct or

improve 215 educational facilities, and supported 168 health care projects – part of more than 1,400 Community Facilities projects nationwide in 2012. Other key projects included support for local, rural emergency responders.

The USDA Rural Development housing program ensures that rural families have access to safe well-built, affordable homes. In 2012, more than 153,000 families with limited to moderate incomes purchased homes utilizing our housing programs. We also helped about 7,000 rural individuals or families repair their existing homes under our home repair loan and grant program. More than 400,000 low and very-low income people were able to live in USDA-financed multi-family housing thanks to rental assistance.

While USDA Rural Development's programs provide the critical tools for rural America's success, perhaps the most important element is how we use those tools: by having over 400 offices in rural communities across the country that provide us the ability to deal directly with the businesses, individuals and communities that many times do not have the capacity to otherwise access Federal programs.

Congress had the forethought to strategically place comprehensive programs for rural America in one agency: Rural Development. To make sure that the community economic development mission is met, we always look for opportunities to collaborate with other agencies to get the best results in rural communities. We appreciate the ongoing efforts of the U.S. Government Accountability Office (GAO) to look at ways that the Federal government can collaborate more effectively.

In the August 2012 report, *Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management*, GAO recommended that the Secretaries of Agriculture, Commerce, and Housing and Urban Development and the Administrator of the Small Business Administration (SBA) conduct more program evaluations to better understand why programs have not met performance goals and their overall effectiveness. In response, USDA Rural Development's Rural Business-Cooperative Service is developing a

strategic plan that includes an initiative to improve the quality of performance measurement within the next two years. GAO also recommended that the Secretaries of Agriculture, Commerce, and Housing and Urban Development, and the Administrator of SBA work together to identify opportunities to enhance collaboration among programs, both within and across agencies. The Obama Administration has initiated steps that provide agencies with a mechanism to work together to identify opportunities to enhance collaboration among programs. For example, in the Administration's fiscal year 2013 budget submission, a cross-agency priority goal was introduced to increase services to entrepreneurs and small businesses. One of the objectives under this goal is to utilize programs and resources across the federal government to improve and expand the reach of training, counseling, and mentoring services to entrepreneurs and small business owners. Furthermore, the Administration established an interagency group – including Commerce, SBA and USDA – that aims to streamline existing programs, improve cooperation among and within agencies, ease entrepreneurs' access to the programs that are right for them, and increase data-based evaluation of program performance.

In 2012 USDA Rural Development provided five webinar training sessions for Rural Business employees in the field and national offices who track performance data in the agency's Guaranteed Loan System (GLS) to improve the collection and maintenance of data related to program performance measures and to improve data quality. We restructured the field office GLS support team by designating a lead and backup for each region. These individuals received additional GLS training, including recording and tracking performance measures. We also conducted bi-annual surveys to assess the level of collaboration between SBA and USDA Rural Development and to identify best practices for increased collaboration. These actions, in conjunction with customer service scores, are helping us evaluate customer satisfaction.

The memorandum of understanding (MOU) USDA signed with the SBA in 2010 helped lay the foundation for enhanced inter-agency collaboration on economic development and improve service delivery to small businesses in underserved rural areas. Over the course of the past year, USDA and SBA held a series of joint roundtables across the country focused on increasing investment in rural communities. I attended several of these roundtables and found the

discussions to be terrifically valuable. The meetings have presented opportunities to hear from stakeholders of both agencies about the challenges – and benefits – of investing in rural America.

In response to the roundtable discussions, USDA Rural Development leaders from our Rural Business team have been meeting with SBA to explore possibilities to increase micro lending availability to rural constituents.

We determined that there are substantial amounts of resources in revolving funds created through several of our programs that are available for increasing investment in rural communities. We are actively pursuing the relending of these funds by meeting with our partners during the first quarter of this calendar year. Participants in these roundtables include our revolving loan fund partners, SBA, SBA Certified Development Companies, Small Business Development Centers, commercial lenders and other community and economic development stakeholders.

Indeed, one suggestion we received was the need to create consistent and streamlined application processes. We are researching options with SBA to make improvements and standardize the process so it is less burdensome on applicants while also ensuring proper due diligence to protect the taxpayer from unnecessary defaults.

Building on these successes, in 2012, USDA signed a MOU with the American Association of Community Colleges to strengthen rural economies throughout the Nation. National, State and local staffs around the Nation are diligently and creatively working to find ways to coordinate with stakeholders and colleagues in other Federal agencies to leverage resources and create jobs by supporting businesses. For example, USDA Rural Development in California has recently joined into a MOU with the California Community Colleges Chancellor's Office. In conjunction with this effort, the two agencies are partnering with local community colleges and Small Business Development Centers – financed through SBA --- to present capital readiness events throughout the State. The events provide information and resources for small businesses seeking financing.

USDA Rural Development obviously takes pride in our uniquely rural focus and our local program delivery model which differentiates us from other Federal agencies. The direct personal contact between our agency personnel and lenders, borrowers, communities, families and individuals is invaluable and provides in-person technical assistance that would otherwise be unavailable. This intimate relationship encourages agency personnel to work collectively and creatively to make our programs more complementary to those of other agencies. By doing so, we are able to extend our reach and assist more communities.

Engaging with members and stakeholders on the White House Rural Council has also opened doors to improved collaboration and coordination. Last summer, I participated in the Regional Innovation in Rural America forum to develop strategies for leveraging infrastructure investments in rural communities that help create jobs and boost economic development. Two programs highlighted at this forum were the Rural Jobs and Innovation Accelerator challenge and the Stronger Economies Together (SET) initiative.

The Rural Jobs and Innovation Accelerator Challenge (RJIA) leverages existing financial and technical assistance resources from 13 Federal agencies and bureaus. Grant winners were announced on August 1, 2012. To date, projects across 12 States have received Federal funding to help strengthen regional industry clusters by identifying and maximizing local assets, connecting to regional opportunities, and accelerating economic and job growth across rural regions.

Meanwhile the Stronger Economies Together (SET) initiative enables rural communities and counties to work together to implement multi-county economic blueprints to build on a region's current and emerging strengths. USDA Rural Development launched SET with land-grant university partners and Regional Rural Development Centers two years ago. SET is now active in nearly 40 regions in 19 States.

These are but two examples of USDA's collaborative efforts with other agencies across Federal government to support rural communities that are building durable, multi-county coalitions that

foster economic development on a regional scale. In addition to providing direct economic benefits, regional collaboration allows rural communities to capitalize on economies of scale in infrastructure and public services, to encourage the development of specialization in industrial sectors that would make them more competitive, and to locate facilities and services where they provide the greatest benefit at the lowest cost. Leveraging Federal resources to more effectively support regional economic development efforts continues to be an agency best practice.

USDA Rural Development has a long standing record of consistently implementing new collaborative procedures and meeting increased demand for our services in the face of declining funding levels and enormous staff loses. We've done so through hard work and determination and by implementing Secretary Vilsack's "Blueprint for Stronger Service." Under the blueprint, the Department identified 379 recommendations for improving USDA's office support and operations. To realize further efficiencies, USDA Rural Development consolidated offices that were, in most cases, within 20 miles of other USDA offices. In other cases, technology improvements, advanced service centers, and broadband service have reduced the need for significant numbers of brick and mortar facilities.

Since the beginning of fiscal year 2012, USDA Rural Development has reduced nearly 18 percent of its workforce or 1,053 people. In spite of those reductions, USDA Rural Development has been able to maintain a unique connection to rural America – a connection like no other Federal agency – by aggressively implementing the Secretary's Blueprint and Rural Development's Seven Strategies for Economic Development. We are known as an agency that can build a community from the ground up. Today, we are helping rural America prepare for the global challenges of the 21st century by looking not only within a community for defining strengths and opportunities, but to regions and strategic partners, where one community or program can compliment and draw upon the resources of another to create jobs and strengthen economies.

We remain committed to increasing economic opportunity and improving life for rural Americans. USDA Rural Development is helping rural America resolutely move forward. Our

presence in the rural communities we serve, combined with our local knowledge and uniquely rural focus, continues to set us apart from other Federal programs. We know our investments will pay dividends for years to come.

I appreciate the opportunity to testify before members of the Committee also appear on this panel with my distinguished colleagues at SBA and GAO. As you can see from the testimony above, we work well together and I anticipate that we will continue to do so in the future. I welcome the chance to engage in a dialog on even more ways we can further support American competiveness and growth. Thank you for your support of USDA Rural Development programs. And at this time, I am happy to answer your questions.