

Testimony of Thomas J. Vilsack
Secretary of Agriculture
Before the House Committee on the Budget
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Mr. Chairman and Members of the Committee, thank you for the opportunity to appear here today before the House Committee on the Budget to provide an update and highlight the many successes of the American Recovery and Reinvestment Act of 2009 (Recovery Act) for the United States Department of Agriculture (USDA). I am pleased to be here, along with Secretary LaHood and Secretary Salazar, to report that the Recovery Act is working. The achievements of the legislation show the Recovery Act is transitioning America from bad times to better times and getting the work accomplished around the Nation that Americans want to see completed. The investments we are making are not only creating jobs and economic stability, but also funding the technology and infrastructure that will lay the groundwork for future economic growth.

The Recovery Act in Historic Context

Some critics argue the Recovery Act was unnecessary or is not working. Some argue that because unemployment is rising, the legislation has failed. It is important to remember the Recovery Act was intended to slow the economy's downward spiral. Without this legislation, economists have argued that conditions would be much worse. The Recovery Act is working to slow the economic decline and stabilize our economy.

When President Obama took office, the United States was facing the worst economic crisis in at least two decades and the economy was in the worst recession experienced in modern times. The American economy was losing, on average, 700,000 jobs per month and shrinking at a rate of 6.3 percent. The

worst level the United States had seen since 1982. Foreclosures were at record levels and the rate Americans were investing in housing had fallen by more than 40 percent in eighteen months. Major financial institutions, both private and government-chartered, were failing because of this crisis. There was a near halt at every level of the financial system from the commercial paper market to consumer credit. Millions of folks with retirement investments lost nearly \$10 trillion in wealth in the stock market, which was on a steady downward spiral. Americans' saving rate went from 8 percent of income to almost zero and many were running up debts as they tried to make ends meet.

Clearly, doing nothing in this economic crisis was not an option. Less than eight decades ago, we experienced the dramatic negative implications for inaction. We have seen the people hit hardest are ordinary Americans who struggle to put food on the table, clothe their children and maintain housing. We also know that every day we fail to act, the long term implications and the road toward financial stability is pushed further away – if not years into the future.

Thankfully, many of the folks who lived through the Great Depression are still among us. It would have been an affront to their experiences if we didn't do better this time and take action to save our children from some of the suffering and hardship they endured in their formative years. Unlike the case of an emerging natural disaster which does not always provide the luxury of time to take mitigation measures, the unraveling economy did offer a chance for us to be both responsive and proactive. Through the foresight and wisdom of Congress, and the Administration, swift action was taken to slow the economic tsunami. On February 17, 2009 President Obama signed the American Recovery and Reinvestment Act into law. Fortunately, we will never know the full scope and duration of the pain America would have endured had the Nation not been mobilized into action.

In less than 150 days, the Recovery Act has worked to stabilize economic conditions and helped those harmed by the economic crisis. The problems that led the Nation to the brink were created over several years and cannot be instantly solved. While the Nation may not be in full-scale recovery yet, we have created the stability needed to get us there and made strides in helping those negatively affected by the downturn. From the perspective of the United States Department of Agriculture, we are reaching out to every American everyday in every way through the far reach of our mission and authorities to improve lives and prepare for future economic prosperity.

United States Department of Agriculture Achievements in Recovery Act Implementation

USDA's goal is to quickly respond to current economic conditions by preserving and creating high quality jobs, spurring rural economic activity, and contributing to the Nation's overall financial health. USDA will be open and transparent and responsive and accountable to the American people as we deliver Recovery Act funding.

In less than 150 days, USDA has announced the availability of \$27.4 billion of the \$28 billion of funds provided through the Recovery Act. In terms of obligations, USDA has obligated approximately \$4.1 billion of the \$28 billion in budget authority provided to our Department. In considering this, it is important to remember that USDA's ARRA funds include almost \$20 billion in enhanced SNAP benefits to be distributed over a five year window. We have provided more than 45,636 loans to Americans who were deeply impacted by the economic crisis and begun implementation of more than 1,000 Recovery Act projects. In fact, just this week, I announced more than \$274 million in American Recovery and Reinvestment Act (ARRA) funds for 191 forest facilities, trails and related ecosystems projects.

Several of the facilities projects include new energy efficient technologies. In fact, the solar panels proposed for the Forest Service's San Dimas Technology and Development Center in southern California will produce enough electricity to meet all of the center's needs, thus making it a "zero-net-energy" facility. These projects exemplify President Obama's commitment to sustainability, reducing our environmental footprint and increasing energy efficiency, which will benefit the 178 million people who visit the National Forests each year, generate additional tourism activity and stimulate local economies.

Under the Recovery Act, we have taken the opportunity provided to reach those Americans who have been underserved and need assistance most. USDA has distributed 2,636 Farm Operating Direct Loans to assist eligible family farmers and ranchers in building and sustaining successful farm operations. Of these 2,636 recipients, 1,081 are beginning farmers and 600 are socially disadvantaged farmers. This is a statistic that we are proud of and one on which we will continue to focus on throughout Recovery Act implementation.

The additional funding provided by the Recovery Act has made it possible to reach more farmers and ranchers where no lender is available or able to provide credit. For farmers, the ability to absorb input costs up front such as fertilizer and seed purchases, equipment rental and labor costs is essential to ensuring a viable harvest. In cases such as this, our Direct Farm Operating Loans have meant the difference between agriculture producers growing a crop and perhaps a profit this year, or simply closing down the operation. A lost farm has serious negative ramifications to the surrounding community. The local feed store, the farm equipment dealership, and the food supply chain are all part of an interwoven connection across rural America.

USDA has provided additional resources through five major nutrition assistance programs, as a result of Recovery Act funding. Over 33 million Americans received a 13.6 percent increase in benefits under the Supplemental Nutrition

Assistance Program (SNAP, formerly named Food Stamps). For most families of four, this is an extra eighty dollars per month at the grocery store, totaling \$800 million a month in direct stimulus to the economy. Our estimates show that money spent on SNAP may have even larger effects on economic activity than other types of government spending. And further, our data indicates that 97 percent of funding received through this program is spent within 30 days of receipt. Not only does this assistance allow families to provide more nutritious and abundant meals for families, it also a direct form of stimulus to our economy and goes to people who are already certified as being in need.

Some of our other Recovery Act accomplishments within the first 150 days include:

- **Over 43,000 Single Family Housing Loans** to purchase, construct, or rehabilitate a home in a rural area. With these loans, families can have a home, and contribute to a community.
- **323 Water and Waste Disposal** loans and grants to construct or improve facilities that will provide communities safe drinking water and safe, sanitary waste disposal. Many of the benefiting communities are small towns that either have no existing water infrastructure or substandard or even unsafe facilities currently in place. These projects not only improve public health and safety, but also offer environmental improvements. And in some cases these projects provide the necessary infrastructure to attract businesses and industry to the area.
- **600 Community Facilities** projects, including public safety vehicles, libraries, and health care centers. These are wealth creation projects that provide long-term economic and social improvements to communities.

An excellent example of this kind of work is the Darlington County Society Hill Library. This county received a Community Facility Loan in the amount of \$787,000 to construct a new 4,200 square foot library building to replace an existing 850 square foot building located in the in the town of Society Hill in South Carolina. The new library will provide informational, educational, and recreational needs for the 4,000 residents who live in the greater Society Hill area of Darlington County.

The need for a larger library to serve the needs of the community has become more and more apparent. This community is isolated from the larger more complete libraries in Darlington and Hartsville by nearly seventeen miles in either direction. Junior high and high school students depend on the library for research materials and computer access. The local textile plant has laid-off the remainder of its employees. These and other adults come to the library for help in locating jobs, instructions in completing a resume, and using computers to submit their resumes electronically.

The community and mayor support the library project and the County Council donated one and one-half acres of land for the library. The state senator secured \$250,000 in state funds for the project and several local corporations have donated \$30,000. A local Friends Library Group has raised approximately \$10,000. This property is located in the heart of the town at a convenient location.

- **80 Watershed and Flood Prevention Operations** projects providing flood prevention and mitigation for communities, improved rural water supply, environmental mitigation measures and formation of wetlands and wildlife habitat, and even increased water supplies for rural firefighting.

- **26 Watershed Rehabilitation** projects to make needed repairs and updates to bring aging watershed dams up to current safety standards and/or provide environmental mitigation as well. This program provides, where appropriate, the decommissioning of dams. Not only are the projects popular among rural communities, they also make needed infrastructure improvements that will endure for generations.
- **288 Floodplain Easements.** This program takes frequently flooded areas and places that acreage under a permanent conservation easement. The program is completely voluntary and may avoid emergency funding in the future and may eliminate future crop disaster payments on these lands. The projects also provide flood resilience and added ecosystem and wildlife habitat restoration benefits.
- **169 Wildland Fire Management** projects including hazardous fuels reduction covering 25,000 acres of forested lands and wood-to-energy grants to promote increased utilization of biomass on Federal, State, and private lands. These projects will enhance economic activity in rural communities near National Forests and may also save money and resources that otherwise could be needed in future wildland fires and other natural disasters.
- **Capital Improvement and Maintenance** projects include decommissioning roads, remediating abandoned mine sites, and remodeling Forest Service buildings for energy efficiency. USDA has announced \$585 million for specific projects to date. Of the projects that FS has completed, FS decommissioned over 20 miles of road to date, and repaired or maintained 275 miles of road. These projects have expanded youth job training, reduced operating costs, improved watersheds, and improved safety for visitors and employees.

Future Economic Growth

We are proud of the work we have accomplished so far, but realize there is a lot more work to be done. Through our work in the Recovery Act, we have taken action that is long overdue and are funding essential programs that benefit all of America. Clearly, these programs and services are doing more than providing dollars into rural communities. These projects represent the hopes and needs of people across the Nation. In many cases, local communities have been waiting for decades for these projects to be accomplished and the services to be made available. Completing them sets the stage for additional economic activity in the future. The Recovery Act has created the opportunity and provided the resources to get the job done. An even more expansive table illustrating the programs, services, and funding made available through USDA Recovery Act programs is attached for the record as Appendix A.

We are particularly enthusiastic about the Rural Broadband initiatives funded under the Recovery Act. The Recovery Act provides USDA with \$2.5 billion to provide broadband services to rural and underserved communities. In addition, the Recovery Act provides the Department of Commerce with \$4.7 billion to support grants to provide broadband service to unserved and underserved areas. Many individuals, schools, libraries, and healthcare facilities will obtain broadband capabilities for the first time. The legislation provided clear direction and a unique and historic opportunity to provide broadband into rural areas that otherwise would not have the resources to install broadband. Rural and poor areas are most often the ones that are not considered good investments by companies installing broadband. We also have an opportunity to give communities that might otherwise would be overlooked a chance to be positioned for the next generation of technology and the next phase of U.S. economic growth.

Rural Broadband means better and quicker access to information and the infrastructure to operate and compete in a 21st century economy. Access to rural high speed broadband will open up these areas to global markets and global economic opportunities. The future business development and the impact that broadband development can have on rural America can only be compared with our efforts to provide electrification and telecommunications to rural America in the 1930's and 1940's. In those days, having a viable farm meant having access to electricity for power for future equipment upgrades, refrigeration, and product enhancement. So to, the provision of rural broadband will prepare a generation of rural Americans for the 21st century economy by providing access to high speed internet access that is necessary to open up rural areas to global markets and global economic opportunities.

Recovery Act Implementation – Not Just Business as Usual

With Recovery Act implementation, time is of the essence. Keeping farmers on the land and ensuring that local rural communities do not permanently cease viability, has required swift action. We are pleased that we are right on schedule with respect to obligating Recovery Act dollars under the timeframe provided in the statute. But more so than acting quickly and with a sense of urgency, we have set a goal throughout the Executive Branch, including USDA, to act effectively and also to seize the opportunity to also do business differently than in the past. Within the Administration, unprecedented standards of efficiency and accountability have been established. Recovery Act dollars are not going toward Congressional earmarks or purposes of political expediency. Government-wide, Recovery Act projects are coming in as much as 10 to 30 percent under budget, which means the ability to fund even more projects across the Nation. We have been pleased at USDA to see that individual projects have not exceeded projected costs to date and program implementation has been effective.

Beyond individual program efficiencies, we have also sought to achieve better leveraging and synergy between programs – both within USDA and also inter-

Departmentally. Within our Department, we have established a Recovery Act implementation team, which looks at cross-cutting implementation issues, identifies barriers, and recommends solutions to levels of higher authority and policy decision-makers. Also, the team functions to identify opportunities for coordination of funding, so communities can get the most out of government programs.

In addition, the Administration has established Rural and Urban coordinators across the Executive Branch to partner with federal Departments and find opportunities to partner up on programs and leverage government funding. For example, will installation of new high speed rail service under consideration by the U.S. Department of Transportation change the community needs for water and waste water service? Will the relocation of a business alter the needs for community facilities? Can investments made in rural broadband connect with potential healthcare facility improvements that may be under consideration through the U.S. Department of Health and Human Services? These are the questions that we are asking, and through better communication and collaboration, we will identify answers that better serve all programs and funding resources.

I am proud that the USDA has served as a central hub for web-based communication for the Federal government about projects supported by the Recovery Act. Our web-based geospatial tool and mapping program has provided a transparent means for the public to track the location, purpose, and funding provided for all of our Recovery Act projects and provide feedback. Thus far, the United States Department of Housing and Urban Development has partnered to include its data on the site, and many additional federal agencies will be coming online soon. The web-based tool provides an easy way to identify and connect common projects and achieve the kinds of synergy and efficiency that we are seeking.

Looking to the Future

Mr. Chairman, considering the state of the economy at the close of 2008, we are in a remarkable position at present. In total, USDA has announced \$27 billion of the \$28 billion of funds provided through the Recovery Act. Including loans, we have announced \$48 billion of the \$52 billion in program level funding, or more than 92 percent of the program level authority provided to us in the statute. Government-wide, about 28 percent of the funds have been put to work in about 24 percent of the days of the Recovery Act.

Soon, the Administration will start awarding over \$15 billion in grant funding for three visionary Recovery Act programs, broadband, high speed rail and a smarter electric grid infrastructure. These activities will not only create jobs now, but will shape America's economy for tomorrow. Our efforts are contributing to stabilizing the economy and we are beginning to see signs of progress.

It is important we stay focused on the mission at hand and we continue our commitment to implement the Recovery Act approach that has been established. The economic challenges we are working to overcome were the result of years of deferred problems and accumulated negative effects. Reversing this course is going to take a strong commitment. It is going to take time. The law was designed for two years of action and it is critically important we see the plan through. It is going to take courage. It will take courage to stand our ground and acknowledge that we do not want to replicate the difficult lessons that our grandparents learned in the past. It will take the courage and commitment of the Nation's leaders to hold their ground and remain committed to the program of recovery for the American people. It is also going to take the commitment of all American's to carry this through and ensure a better tomorrow for our children.

Mr. Chairman, the United States Department of Agriculture is up to this challenge. I am proud to represent the men and women of our Department here

this morning and I will be happy to respond to any questions that Members of the Committee might have.