

RURAL DEVELOPMENT

Statement of Doug O'Brien, Deputy Under Secretary for Rural Development
Before the United States Senate Committee on Indian Affairs

Oversight Hearing on "Deficit Reduction and Job Creation: Regulatory Reform in Indian Country" December 1, 2011

Chairman Akaka, Vice Chairman Barrasso and Members of the Committee, it is my pleasure to join you today to discuss USDA's role in supporting economic development on tribal lands. USDA Programs span a wide range of areas, including international trade, food safety, housing, business development, telecommunications, water systems, crop insurance, school lunches and more. I encourage tribal leaders to be innovative in thinking about how to best utilize USDA's diverse resources to better serve their communities.

Secretary Vilsack is committed to a Department of Agriculture (USDA) that faithfully serves Tribal organizations and individual American Indians and Alaska Natives. The Office of Tribal Relations (OTR), located within the Office of the Secretary, works to ensure that relevant programs and policies are efficient, easy to understand, accessible, and developed in consultation with the American Indian and Alaskan Native constituents they impact.

OTR is the primary point of contact for Tribal issues within USDA, and is responsible for:

- Government-to-government relations between USDA and tribal governments;
- Advising Secretary Vilsack on Tribal issues and concerns;
- Tribal Consultation;
- Alaska Native Claims Settlement Act (ANCSA);
- Issues impacting Tribal members; and
- Working cooperatively and collaboratively across USDA to build an integrated approach to issues, programs, and services addressing the needs of American Indians and Alaskan Natives.

We believe that the efforts and commitment of OTR is guiding the Department towards a more flexible approach in addressing the needs on Tribal lands.

Since President Obama's 2009 Memorandum on Consultation, a dedicated team from across USDA has been working to re-examine existing departmental policies and regulations regarding collaboration and consultation. We have held a series of joint consultation events where we heard from tribal representatives about program rules and challenges to utilizing USDA programs in Indian Country to better understand the specific needs of Tribes across the country. Staff continues to communicate with tribal leaders, members and organizations on a daily basis.

In addition, on June 9th, President Obama signed an Executive Order establishing the first White House Rural Council.

The White House Rural Council will coordinate programs across government to encourage public-private partnerships to promote further economic prosperity and quality of life in rural communities nationwide.

Chaired by Secretary of Agriculture Tom Vilsack, the Council is responsible for providing recommendations for investment in rural areas and will coordinate Federal engagement with a variety of rural stakeholders, including tribal governments. The Council will break down silos and find areas for better collaboration and improved flexibility in government programs and will work closely with state, local and tribal governments, non-profits, private companies, and to leverage federal support.

In furtherance of this objective, in August the Rural Council convened the White House Native American Business Leaders Roundtable with tribal representatives, economic development experts, and Federal policymakers. At this listening session, participants discussed challenges tribal businesses face, including access to capital, job skills and training shortfalls, and limited broadband deployment and adoption in tribal communities.

The feedback and insight gained by my colleagues are being incorporated into our ongoing efforts to address economic growth in Indian Country, and USDA looks forward to all we can achieve with our partners in the Federal government and in Indian Country to create more opportunity in Native American communities.

USDA is also addressing civil rights complaints that go back decades to pave the way for new and stronger relationships with the farming and ranching community. In October of 2010, Secretary Vilsack announced the Keepseagle settlement with Native American farmers. The OTR reminded Native American farmers and ranchers in July that those who believe they are entitled to funds under the Keepseagle settlement must file a claim no later than December 27, 2011. Up to \$760 million will be made available in monetary relief, debt relief, and tax relief to successful claimants.

Furthermore, USDA continues to be an active participant on the Infrastructure Task Force to address the ongoing need for safe drinking water and basic sanitation in Indian Country. The combined funding from the Task Force Agencies – USDA, Environmental Protection Agency, Indian Health Service and the Department of Housing and Urban Development – between 2003 and 2009 provided 80,941 tribal homes access to safe drinking water and 43,562 tribal homes access to basic sanitation. These numbers demonstrate significant progress made by the Task Force agencies, but we recognize that more work is needed. To this end, the Task Force is refocusing the access goal around the principle that “access to safe drinking water and basic sanitation shall be provided through entities that are sustainable and implemented through integrated agency planning that links the development goals of the tribe with the need for such services and infrastructure.” This refocused principle fits well with USDA Rural Development programs that are committed to improving the economy and quality of life in rural areas.

As the Deputy Under Secretary of Rural Development, I’d like to spend the balance of my time this morning specifically talking about this mission area and its associated programs.

Rural Development is a collaborative agency with programs that build upon one another ultimately creating efficiencies for the taxpayers and the communities that we serve. Rural Development provides financial programs to support essential public facilities and services such

as water and sewer systems, housing, health clinics, emergency service facilities, electric, telephone and broadband services. Rural Development promotes economic development in rural areas by providing loans, loan guarantees, grants, and other assistance to applicants, including tribes, tribal members, individuals and families, banks, and community-managed lending pools. To better serve tribes and to ensure Rural Development investments flow onto tribal lands, it is both pragmatic and necessary to work in cooperation with tribal councils, adhere to tribal ordinances and laws, and partner with other federal agencies such as the Indian Health Service, the Bureau of Indian Affairs and the Department of Housing and Urban Development.

Rural Development has exceptional staff in our network of 47 state-level field offices and 500 area offices across the rural landscape working closely with tribes and dedicated partners in the for-profit and non-profit sectors. Rural Development staff in the local offices delivers programs for all three agencies in the Rural Development mission area – Rural Business and Cooperative Services, Rural Housing Service and Rural Utilities Services. By being located in rural communities, we are able to cultivate important relationships with tribal leaders, tribal professional staff, lenders, realtors, community-based organizations, redevelopment authorities, leadership groups, and others. Each state-level Rural Development office maintains a Native American Tribal Coordinator to assist tribes with their development interests by providing technical assistance and programmatic knowledge throughout the application process.

Rural Development has a long history of investing in tribal economies. From 2001 to 2010, Rural Development assistance benefiting tribes totaled more than \$2.7 billion.

To understand what these programs mean to the communities they serve, it might be helpful to frame the situation in terms of the more familiar urban landscape most Americans inhabit. When an urban area loses an employer, the fallout, while potentially very significant, is seldom crippling for the local economy. City leaders assemble a team and redouble ongoing efforts to woo other corporations with promises of infrastructure improvements and tax credits, promotional materials that highlight transportation efficiencies, and an abundant and educated labor supply. They point to quality housing stock, good schools, and strong vibrant communities that are supportive of long-term investment.

This response is almost without corollary in vast areas of rural America – including Indian Country. The municipal resources needed to market a rural area to compete for businesses often don't exist. The available labor supply generally doesn't have the depth of educational achievement or skills of its urban or suburban counterpart. The infrastructure, transportation, housing and schools are typically challenged, and the distances to customers or markets are often greater.

Rural Development programs are designed to address these challenges. Using program resources to encourage healthier, more efficient credit markets, Rural Development field offices develop innovative to meet the unique needs of tribal and rural communities.

To support rural regional and tribal economic prosperity, Rural Development provides job training and business development opportunities for rural residents, including cooperative business development, community economic development and strategic community planning and

self-help initiatives. Funding for most of these efforts is administered by Rural Business Programs.

Rural Development also offers programs to provide the educational opportunities, training, technical support, and tools for rural residents to start small businesses and to access jobs in agricultural markets, the green economy, and other existing markets, as well as acquire training in vocational and entrepreneurship skills they can use in the marketplace and business sector.

USDA, in cooperation with our public and private partners, is connecting tribes, tribal members and rural residents to the global economy by:

1. Increasing access to broadband and continuous business creation;
2. Facilitating sustainable renewable energy development;
3. Developing regional food systems; and
4. Generating and retaining jobs through recreation and natural resource restoration, conservation, and management.

Such investments support our long-term national prosperity by ensuring that rural communities are self-sustaining, repopulating, and thriving economically.

For example, in 2011, Rural Development invested in businesses in Indian County through multiple programs. These investments included \$7.6 million through the Business and Industry (or B&I) Loan Guarantee program and another \$4.2 million in grants through the Rural Business Enterprise and Rural Business Opportunity Grant Programs (RBEG and RBOG programs) to support tribal economic development and job creation opportunities for tribal members. RBEG and RBOG programs are among the few Rural Development programs where Congress legislatively mandates that some funds be reserved exclusively for the benefit of Federally Recognized Tribes.

Under the Rural Business Opportunity Grant Programs funding this year, in Oklahoma, the Indian Country Agriculture Resource Development Corporation was selected to receive a grant to provide business training to two dozen Native American agricultural entrepreneurs who are working to supply meat and vegetable products to southwestern buyers. The funding will be used for training that includes general business planning and feasibility assessment, risk assessment, marketing techniques and financial planning. The Nez Perce Tribe in rural Idaho also received a Rural Business Opportunity Grant this year to establish a Business Information Research Library and a Chamber of Commerce with a Leadership Development Program.

Likewise, under the Rural Business Enterprise Grant Program the Montana Indian Business Alliance in Great Falls, Mont., was selected to receive a grant to provide businesses training technical assistance to members of Indian Tribes of Montana. The funding will create an estimated 14 jobs. In Ukiah, Calif., Resource for Native Development was selected to receive a technical assistance grant to provide Tribal members with business and entrepreneurial training — including training that focuses on developing biomass-centered businesses and local food hubs. This project is expected to create 30 jobs.

The Wind River Development Fund in Wyoming received an RBEG grant to conduct a feasibility study for the development of a joint venture construction project to build a new health clinic in Fort Washakie, Wyoming to serve residents of the Wind River Indian Reservation. The Wind River Development Fund is a tribally chartered, non-profit corporation assisting Native peoples develop small and emerging businesses.

USDA also received Recovery Act funds to expand broadband access, and through those funds provided grants and loans totaling over \$400 million to expand broadband access in tribal communities through the Broadband Initiatives Program. This included \$182 million to ten infrastructure investments directly to tribes and tribally-owned businesses and eleven technical assistance awards to tribes to assist with regional broadband plans to promote economic development. Similarly, Rural Development made \$216.3 million in Recovery Act investments benefiting American Indian and Alaska Native populations, including \$36.3 million for community water and wastewater infrastructure, \$97.5 million for community facilities, and \$81.1 million for single family housing. The Obama Administration continues its commitment to the success of rural areas by providing tribal communities and rural areas with resources to expand economic opportunities.

In 2010 and 2011 Rural Development engaged in unprecedented tribal consultation and outreach activities. Rural Development conducted twenty direct government-to-government Substantially Underserved Trust Areas (or SUTA) consultations, seven regional consultation, one listening session, and three internet and toll free teleconference webinars. Feedback from these efforts helped the Rural Utilities Service with the implementation of the SUTA provision of the 2008 Farm Bill – for which we just published a proposed rule in the Federal Register on October 14th. The SUTA provision, once fully implemented will allow Rural Development to provide much greater flexibility and more favorable term loans to create much needed utilities infrastructure.

This past year, based on tribal feedback, we also expanded the definition of small businesses in the Rural Energy for America Program to explicitly include Tribal Section 17 Corporations and other similar Tribal Corporations as eligible applicants. This may seem like a minor change, but it provides a clear path toward eligibility so that tribal corporations can access both grants and loan guarantees to help finance renewable energy and energy efficiency projects.

Through consultation with tribes and tribal leaders, communicating with staff and analyzing our programs, it also became apparent that significant challenges exist when tribal entities attempt to access the Value-Added Agricultural Product Market Development grants or VAPG program. The program is designed to help eligible producers of agricultural commodities enter into or expand value-added activities including the development of feasibility studies, business plans, and marketing strategies. The program will also provide working capital for expenses such as implementing an existing viable marketing strategy.

Eligible applicants for the VAPG program are independent producers, farmer and rancher cooperatives, agricultural producer groups, and majority-controlled producer-based business ventures. The unique cultural and governmental structures of tribes are diverse, but in general the tribal nature of these communities does not encourage further grouping of shared interests (e.g. cooperatives, producer groups, majority controlled producer-based business ventures). The

VAPG program requirements coupled with the typical governmental structures of tribal entities may have discouraged some tribal organizations from applying for VAPG funds.

Due to the unique nature of the relationship between USDA and Federally Recognized Indian Tribes and changes in the 2008 Farm Bill that provide priorities for beginning farmers or ranchers, socially disadvantaged farmers or ranchers, and operators of small- and medium-sized family farms, Rural Development is encouraging the field staff to use maximum flexibility when determining whether or not applications from tribal entities are eligible for assistance under the VAPG program.

The unique cultural and governmental structures of tribes does not typically encourage grouping of shared interests into cooperatives, producer groups, or majority controlled producer-based business ventures. In many instances, tribal organizations forming shared interest organizations would be duplicative and unnecessary. In lieu of these organizational structures in Indian Country, tribal entities engaged in value added activities might be considered independent producers or agriculture producer groups. Examples of tribal entities that may be eligible include: tribally owned for profit corporations, tribally owned farms, tribal Section 17 Corporations, for profit and not for profit corporations created under the laws of a federally recognized tribe, cooperatives formed under the laws of a federally recognized tribe, and tribal governments (including sub-divisions thereof).

On another note - Rural Development is in the process of releasing an administrative notice to clarify the eligibility of AMERIND Risk Management Corporation as an insurer for Single Family Housing Direct Loan programs. Historically, insurance and insurance-like products have been unavailable, difficult to access, or expensive on trust lands owned by tribes and tribal members. In some instances this lack of insurance may have been an impediment to utilizing Rural Development financing for projects on tribal lands. In practice, Rural Development requires Federal and applicable state laws and regulations to be followed when insuring Rural Development financed projects, but barring those limitations there is no legal or programmatic reason to deny the use of an appropriate AMERIND product on any project financed through Rural Development's Single Family Housing Direct Loan programs. Our efforts in working with AMERIND to bring them into the insurer pool for RD projects will make access to our housing funding products more amenable in Indian Country.

Rural Development will continue to build upon this Administration's strong commitment to Indian Country by working to find areas for better collaboration and improved flexibility in government programs.

An example of collaboration with Rural Development is demonstrated by the Bois Forte Tribe in northeastern Minnesota. As recently as 10 years ago, there were areas of the Bois Forte community that did not have safe and sanitary drinking water. Building safe and affordable housing for tribal members also was an issue, along with other infrastructure and facility needs.

Tribal leaders took a proactive approach and formed a valuable partnership with USDA Rural Development. The partnership has resulted in modern infrastructure, updated facilities, and more affordable housing being built in the community. Though the work at Bois Forte is not done, the

tribe is now recognized for its dedication toward economic development and improving the quality of life for tribal members.

According to the USDA Rural Development State Director in Minnesota, Colleen Landkamer, “It’s amazing to see the dedication and passion that Bois Forte puts into improving its community. Bois Forte understands how housing, infrastructure and essential community facilities intertwine to create sustainable and livable communities.”

Since 1994, Rural Development has invested over \$13.5 million throughout the Bois Forte community. Projects include funding to deliver safe drinking water to new affordable housing developments, equipment for a tribal fitness center, utility vehicles and equipment, and gap financing for tribal businesses.

Kevin Leecy, Bois Forte Tribal Chair recently stated, “Through our partnership with the USDA, we’ve been able to build the infrastructure necessary to develop residential neighborhoods and complete other projects. The partnership is a win-win for our people and the economic growth of the broader community.”

Rural Development also awarded a \$100,000 loan and grant to finance the purchase of a new snow plow for the reservation. A \$2.5 million loan and grant also helped deliver water and sewer services to over 100 new homes in the Lake Vermillion portion of the Bois Forte community.

Rural Development’s programs are a critical component to supporting, growing and ultimately sustaining rural communities. According to the 2010 decennial census, 42.6 percent of all Native Americans live in rural areas. Unfortunately, some reservations face unemployment rates of up to 80 percent. While Rural Development program funding for fiscal year 2012 is limited, we recognize the importance of our programs. Tribal communities can benefit from the resources, knowledge and experience of Rural Development staff in addressing the challenges unique to rural areas. Rural Development can be an even more involved partner with Indian Country as we move forward. We have been actively engaging tribal leaders in consultation and intend to continue on this path. We know Rural Development has a portfolio that more tribal governments can use to build vibrant rural economies.

While we know that there are real challenges in Indian Country, we also recognize the opportunity. We stand ready to support Tribes and Tribal members in their efforts to improve their quality of life and create economic opportunities. We are committed to continually improving our service to Native Americans, with particular focus on nation to nation consultation and recognition of the special trust relationship we have with Tribal Communities.

I again encourage tribal leaders to reach out to the Rural Development Native American Coordinators. A list of those coordinators is respectfully submitted to the Committee with a copy of my testimony.

Thank you for the opportunity to be here today, Mr. Chairman. I appreciate the opportunity to talk about Rural Development programs and our commitment to job creation in Indian Country. I look forward to addressing any questions you and other members of the Committee might have.

