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House Agriculture
Committee

Rural Development
Statement of Dallas Tonsager, Under Secretary for Rural Development
United States Department of Agriculture

Before the House Agriculture Subcommittee on Rural Development,
Research, Biotechnology and Foreign Agriculture

Chairman Johnson, Ranking Member Costa, and members of the Subcommittee, I am pleased to have this opportunity to discuss the important role USDA Rural Development plays in the economic development of our Nation's rural communities.

I am proud to represent agencies that are working tirelessly to realize the President's vision for America: "a country that leads the world in educating its people; an America that attracts a new generation of high-tech manufacturing and high-paying jobs; a future where we're in control of our own energy; and our security and prosperity aren't tied to unstable parts of the world. An economy built to last, where hard work pays off and responsibility is rewarded." Undoubtedly, USDA Rural Development (RD) has a key role to play in this effort, for the continued revitalization of our American economy will depend upon a prosperous rural America.

Through the Consolidated Farm and Rural Development Act of 1972 (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.” Today, Rural Development is responsible for implementing a suite of programs with the sole mission of improving the quality of life and economic condition of rural communities.

Secretary Vilsack and I care deeply about rural communities. Over the last three years, thanks to resources made available in the 2008 Farm Bill and the 2009 American Recovery and Reinvestment Act, we’ve made historic investments in rural America designed to drive job growth and form the foundation of a rural economy that is built to last. We want to build a better future for the men and women who live, work and raise their families in rural communities - and to extend the promise of middle class jobs where hard work pays off and responsibility is rewarded.

And 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 their local needs. Delivering effective programs to rural America, which comprises over 75 percent of the total land mass of the United States, is a continual challenge.

As the only Federal Department with the primary responsibility of serving rural areas, the presence of USDA field offices in every state helps us serve the specific needs of local rural communities. Our direct personal contact with these communities creates efficiencies in program delivery in that one phone call to USDA Rural Development allows local elected

officials to identify resources for a wide range of community and economic development activities. Our partnerships with public and private institutions allow us to fund local and regional business development, expand infrastructure and provide access to affordable, long-term credit in rural areas. The employees who deliver Rural Development's suite of programs work alongside farmers, ranchers, homeowners, schools, businesses, nonprofits, cooperatives, tribes and local governments to strengthen local economies. They are members of the communities they serve and possess expert knowledge of the economic challenges and opportunities that exist in their particular regions.

In 2011 alone, Rural Development allocated almost \$29 billion nationwide to upgrade community facilities like schools and hospitals, boost the reliability of the electric grid, fund renewable energy projects, provide affordable and reliable Internet access and create homeownership opportunities for more than 140,000 families. Since 2009, Rural Development has provided homeownership opportunities to more than 435,000 families. Sixty-three percent of 2011 funding supported loan guarantees that enabled private lenders to safely increase the pool of capital available in rural areas for credit-worthy businesses, communities, and homebuyers. About 34 percent of our investments were secure, affordable direct loans that will be paid back with interest.

Rural Development appreciates the ongoing efforts of the U.S. Government Accountability Office (GAO) to identify potential overlap in Federal programs, and we take pride in our uniquely rural focus and our local program delivery model which serves to differentiate Rural Development from other Federal agencies. Our direct personal contact

between Agency personnel, lenders, borrowers, communities, families and individuals is invaluable and provides in-person technical assistance that would otherwise be unavailable.

Rural Development's utility programs enable communities to maintain and upgrade critical rural infrastructure which often carries a very high price tag. Our Electric and Telecommunications programs are the only Federal programs that finance the construction of electric and telecom networks from beginning to end. Our Water and Environmental program is the only Federal program that directly lends and provides grants to communities, particularly very small communities. In order to obtain financing from us, water and sewer authorities must demonstrate they have been unsuccessful in obtaining financing elsewhere.

In GAO-10-126, GAO examined numerous Federal programs, including USDA Rural Development, the Environmental Protection Agency (EPA), the Department of Housing and Urban Development (HUD), and the Economic Development Administration (EDA), that provide assistance to rural communities along the U.S.-Mexico border, or Colonias, for drinking water and wastewater projects. In that report, GAO suggested that "Congress consider requiring Federal agencies to develop a coordinated plan to improve the effectiveness of drinking water and wastewater programs in the border region and recommends that the agencies take steps to comply with statutory and regulatory requirements."

USDA Rural Development is committed to coordinating with other funding agencies at the Federal, state, and local level where possible to meet the needs of rural communities across the country, particularly the high-need colonias areas along the U.S.-Mexico border. In addition,

Rural Development disagreed with GAO's assertion that we did not comply with the existing statute related to Colonias water and wastewater funding. We are pleased to report that on Friday, March 9, 2012, Rural Development released a proposed modification to our Colonias regulation which allows for additional priority points to colonias areas that are un-served and that are facing significant health risks. Rural Development will continue our work to improve our program delivery to ensure that our country's neediest areas receive funding.

Rural Development's business and cooperative programs provide valuable assistance to rural small and mid-size businesses and cooperatives. No other Federal program provides funding for similar purposes to cooperatives and majority-controlled producer-based business ventures in rural communities. Our Business and Industry program is the only Federal guaranteed loan program that specifically targets agricultural cooperative businesses and is available to non-profits as well as for-profit entities.

In GAO-11-318SP, GAO examined overlap and fragmentation among Federal economic development programs, including USDA Rural Development's business programs, the Small Business Administration's 8(a) program, and HUD's Hispanic Serving Institutions Assisting Communities program. In its assessment, GAO recommended that the Federal agencies need to pursue enhanced collaboration across the programs. Additionally, GAO requested that the agencies "collect accurate and complete data on program outcomes and use the information to assess each program's effectiveness."

To enhance inter-agency collaboration on economic development, USDA Rural Development signed a memorandum of understanding (MOU) with the Small Business Administration (SBA) in April 2010 to improve service delivery to small businesses in underserved rural areas. Under the MOU, the agencies agreed to advise potential borrowers of the other agency's programs, to make each agency's programs more complementary, and to develop joint training seminars on each agency's programs. More recently, SBA and USDA are holding a series of joint roundtables across the country focused on increasing investment in rural communities. The meetings have presented opportunities to hear from stakeholders of both agencies about the challenges and benefits of investing in rural America. With regard to data collection, Rural Development's Rural Business Service has commenced a series of trainings to improve the collection and maintenance of data related to program performance measures and to improve data integrity. The Agency evaluates program performance based on jobs created/saved; businesses assisted; and kilowatt hours of electricity generated/saved. Additionally, the Agency uses Customer Service Scores to evaluate program effectiveness and satisfaction.

Housing drives rural economies and supports healthy rural communities. Rural Development housing programs ensure low and very-low income families throughout rural America have access to safe, decent and affordable housing. Our direct home loan program is the only means tested mortgage loan program to directly finance the purchase of homes in rural areas. Rural communities interested in building or upgrading essential community facilities, like schools, libraries, hospitals and public safety buildings, can walk into a local RD office to work directly with our knowledgeable employees to apply for funding.

We at Rural Development take our mission of serving rural America very seriously, and we have long recognized the responsibility we share with the rest of the Federal government to reduce the burden on future generations created by recurring budget deficits. In order to continue to serve rural America, we recognize a need to reposition our Agency for the 21st Century. To that end, we have pursued continual process improvements to ensure that our agency operates as a responsible steward of taxpayer dollars. Since 2004, Rural Development's portfolio has doubled, and now stands at \$165 billion. Today, I am pleased to report that the principal dollars delinquent more than 1 year remains at approximately 2 percent of the principal.

Such results are the product of consistent and proactive servicing of the loan portfolio and working with trusted borrowers to restructure their loans and avoid foreclosure. Rural Development also has a longstanding record of streamlining its programs, which has consistently provided the mission area with the ability to successfully implement new programs and to meet increased demand for financing in multiple industry sectors with an unprecedented level of funding, even as staff levels steadily decreased.

Efficiencies

Looking to the future, Rural Development is in step with the Department of Agriculture's broader efforts to improve the reliability and efficiency of the services we provide. In January, Secretary Vilsack unveiled USDA's "Blueprint for Stronger Service". Under this initiative, the Department identified 379 recommendations for improving USDA's office support and operations, which includes ways to streamline the provision of administrative services, such as civil rights, information technology, finance, human resources, homeland security, procurement,

and property management. To realize further efficiencies, USDA has proposed closure of 259 domestic offices, facilities and labs across the country, as well as 7 foreign offices, while ensuring that the vital services they provide are not diminished. Rural Development alone plans to close 43 offices. In some cases, offices are no longer staffed and many are within 20 miles of other USDA offices. In other cases, technology improvements, advanced service centers, and broadband service have reduced some need for brick and mortar facilities.

Rural Development is currently focused on managing these reductions, streamlining our programs wherever possible, and servicing our existing portfolio to maintain its low delinquency rate.

Collaborative Efforts

Rural Development's innovative work with multi-county regions is an important support mechanism for President Obama's "Blueprint for America" and building a prosperous American economy that is "Built to Last." Through a number of efforts, USDA is collaborating with Departments across the 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. We will continue to partner with other Departments to leverage Federal resources to more effectively support regional economic development efforts.

Conclusion

Rural Development is resolutely pursuing President Obama's vision of an America that leads the way in the development of renewable sources of energy, reinvigorates a sustainable manufacturing industry, and promotes the economic well-being of all Americans. Through our network of local economic development experts across rural America, we support innovators and entrepreneurs, individual families and entire communities. Our presence in the rural communities that we serve, combined with our local knowledge and uniquely rural focus, sets us apart from other Federal programs and helps us maintain our low delinquency rate.

We know these investments will pay dividends for years to come.

I appreciate the opportunity to work with members of the Subcommittee to build a foundation for American competitiveness. Thank you for your support of Rural Development programs. At this time, I am happy to answer your questions.