Statement of
Dallas Tonsager
USDA Under Secretary for Rural Development

Subcommittee on Rural Development, Biotechnology,
Specialty Crops, and Foreign Agriculture
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Chairman McIntyre, Ranking Member Conaway, and Members of the Committee, thank you for this opportunity to discuss implementation of Title VI of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). I would like at the outset to acknowledge and express my appreciation for the close working relationship we have enjoyed with you, Mr. Chairman, and the subcommittee over the past year and a half. We share a deep commitment to rural America. We understand, as do you, the unique challenges faced by rural communities. We recognize the remarkable new opportunities for rural America now on the horizon, and we look forward to a continued partnership with you to bring those opportunities to fruition.

Rural America is the backbone of our great nation. It comprises three quarters of the nation's land area and is home to more than 50 million people. Rural America is our farms and forests; our mountains, deserts, and plains; our small towns and smaller cities. Agriculture has historically been the iconic industry, but today more than 95 percent of rural income is earned off the farm, with manufacturing, mining, forestry, tourism, and services sustaining employment and driving growth in most rural counties.

USDA Rural Development is committed to the future of these rural communities. Rural America includes some of the nation's most dynamic, rapidly growing areas. But the aggregate statistics tell another story. On average, rural America is older, less educated, and lower income than the nation as a whole, with an average per capital income approximately $11,000 below the urban and suburban average. Average unemployment and poverty rates are higher. Nine out of ten of the nation's persistent poverty counties are rural.

Three generations after the mechanization of agriculture and the onset of mass farm consolidation, too many rural communities have yet to find the diversified economic base to replace the jobs that have been lost. The consequence continues to be the loss of population due to outmigration as young people question the prospects for finding employment and raising families in rural areas. Far too many rural communities remain unable to offer economic opportunity to their young people, especially highly educated young people. The young, educated, and upwardly mobile leave rural areas in disproportionate numbers, and the cycle of decline continues. Reversing that dynamic and transforming rural America for the next Century is our mission.

USDA's Strategic Plan published earlier this summer by Secretary Vilsack focuses squarely on this challenge. The Secretary has identified five pillars to support a new foundation for growth and opportunity in rural communities in a rapidly changing 21st century economy:

- Develop new markets to provide additional income opportunities for farmers and ranchers by promoting exports abroad and supporting domestic local and regional food systems that keep wealth in rural communities;

- Provide new opportunities for prosperity and small business growth by investing in rural broadband access;
- Create green jobs that can't be exported by promoting the production of renewable energy in communities across the country;
- Stimulate rural economies by promoting outdoor recreation like hunting, fishing and other activities that create jobs as well as conserving the natural resources we cherish; and
- Create new income opportunities for rural landowners by facilitating the creation of ecosystems markets that reward them for taking care of the environment.

This is a challenging agenda. It is also a necessary one. USDA Rural Development is at the heart of it, and I welcome this opportunity to discuss implementation of the Title VI provisions of the 2008 Farm Bill, and the impact of the American Recovery and Reinvestment Act (ARRA) on these programs as we look ahead to the 2012 Farm Bill.

The implementation of the last Farm Bill has coincided with the most severe economic crisis since the 1930's. In response, the Congress provided an additional $4.36 billion in ARRA budget authority to support an estimated $22 billion in investments in broadband, single family housing, community facilities, water and waste services, and business development. As of July 9, 2010, Rural Development has committed over $18 billion of this total, which includes:

- Business and Industry Guaranteed Loan Program (B&I): As of July 9, 2010, the B&I program has approved 485 loan guarantees to rural businesses in 49 States. One hundred percent of recipients have been small businesses, and these investments have created or saved an estimated 29,469 jobs. As of July 9, 2010, the B&I program had obligated 92.3 percent of its projected $1.572 billion in ARRA program level funding.

- Rural Business Enterprise Grant Program (RBEG): The RBEG program assists rural businesses in creating or retaining rural jobs. A total of 189 projects, have been approved including at least one in every State. About $19.25 (99.2 percent) million of the available ARRA funding has been obligated as of July 9, 2010.

- Broadband: The Rural Development Broadband Initiatives Program (BIP) authorized by ARRA provides both loan and grant assistance. Since the Farm Bill Broadband Loan program does not include a grant component, BIP required the development of a new program, and initial awards were not made until December 2009. As of July 9, 2010, the BIP program has awarded $1.413 billion to construct 102 broadband projects in 37 states and one territory. These projects will serve approximately 600,000 rural households, 102,000 businesses, and nearly 5,000 anchor institutions (hospitals, schools, community centers, and libraries). The $1.458 billion awarded to date is 43.5 percent of the total projected program level of $3.35 billion.

- Water/Wastewater Infrastructure: As of July 9, 2010, the Rural Development Water and Waste Disposal Loan and Grant program has obligated 726 loans and grants totaling $2.62 billion to rural communities in 52 States and Territories, many of which had long been backlogged for this perennially oversubscribed program. The $2.62 billion obligated to date represents 80.3 percent of the available funding. An additional $245 million in Water program funding has been announced but not yet obligated, which brings the total funding commitment to date to 88 percent of the available funds.

- Community Facilities: As of July 9, 2010, the Rural Development Community Facilities program has obligated over $891 million in ARRA funding to recipients in 48 States. Including projects announced but not yet obligated, the Community Facilities program has provided ARRA funding totaling just over $1 billion to 1,282 rural communities for libraries, emergency services facilities, critical access hospitals, courthouses, and other essential community services. This represents 81.1 percent of the total funds available.

- Single-Family Housing (SFH): As of July 9, 2010, the Rural Development Single Family program has assisted more than 90,000 families in purchasing or refinancing their homes. The SFH-Guaranteed program has obligated 99.6 percent of the available $10.1 billion in ARRA funds. The SFH-Direct program has obligated 69.4 percent of the $1.562 billion available.

Although authorized by the Recovery Act, these investments flowed through our regular Title VI programs, with a number of additional ARRA requirements. These included prevailing wage and Buy American provisions as well as rigorous recipient reporting requirements to increase transparency and accountability. Including our regularly appropriated, non-Recovery Act dollars, our total investment in rural America in Fiscal Year 2009 exceeded $31.4 billion. We are on track to have obligated all of our Recovery Act funding by September 30, 2010. I cannot express highly enough my appreciation for the tireless work of our staff in managing a workload that was literally doubled overnight with the passage of ARRA.

At the same time our dedicated staff worked to implement ARRA, they faced the challenge of implementing a number of new provisions in non-ARRA programs mandated by the Farm Bill. In the interests of time, I will limit my comments today to the Title VI programs that are either new, that have been significantly changed, or that have been the object of particular interest by this Subcommittee.

- **Broadband Loan Program:** The Recovery Act provided an opportunity to make significant investments to bring broadband to rural communities and has drawn new interest from across the country. We have studied the applications and awards under BIP in order to improve the pending new regulations for the Farm Bill program. The two programs are not directly comparable: the Farm Bill program is loan-only, while BIP provides the flexibility to provide a competitively awarded mix of loans and grants. Nonetheless, we believe that there will be valuable insights to incorporate into the final Broadband Loan Program rule, which we now anticipate publishing by the end of this calendar year.

- **Rural Microentrepreneur Assistance Program (RMAP):** The RMAP program is one of the most exciting new initiatives from the 2008 Farm Bill. It provides funding through community based intermediary institutions to make small loans and technical assistance to microentrepreneurs. This holds great promise for targeting assistance to startup and home based ventures, which are often particularly important in rural communities. I would also note that there is a clear synergy between RMAP and the rural broadband program, which will give even the smallest rural entrepreneur access to regional, national, and even global markets.

The Interim Rule to implement RMAP was published in the Federal Register on May 28, 2010. A Notice of Funding Availability (NOFA) was published on June 3. A total of $45.1 million is available in FY 2010 for loans, grants, and technical assistance. The initial application window closed July 16, and we are beginning to evaluate the responses. We anticipate announcing initial awards by late summer.

- **Value-Added Producer Grant Program (VAPG):** The VAPG program is a tool for enhancing producers' incomes and encouraging wealth creation in rural America. The 2008 Farm Bill made significant changes related to minority and socially disadvantaged producers and mid-tier value chains. These issues are complex and, in response to comments from stakeholders and our own internal analysis, the initial FY 2009 NOFA implementing this program was withdrawn. A revised NOFA for Fiscal Year 2009 was published on September 1, 2009, with the application window closing on November 30. Rural Development received 550 applications in response to the FY 2009 NOFA and, on June 3, 2010, we announced approximately $22.5 million in funding for 195 projects.

  To implement new permanent regulations for the VAPG program, USDA published a proposed rule on May 28, 2010. The public comment period closed on June 28, 2010. We anticipate publication of an interim final rule in the Fall and publication of the FY 2010 NOFA shortly thereafter.

- **SEARCH Grants (Special Evaluation Assistance for Rural Communities and Households Program):** The SEARCH Grant program is an important enhancement to the Rural Development Water and Wastewater Program. It will provide predevelopment planning grants for feasibility studies, design assistance, and technical assistance to financially distressed rural communities of 2,500 or fewer inhabitants for water and waste disposal projects. This will remove a significant barrier to many of our neediest communities as they seek to provide essential community services to their residents. A Final Rule for the SEARCH Grant Program was published on June 24, 2010, although no funds are available in the current Fiscal Year. SEARCH Grants will be available in FY 2011 if Congress provides funding.

Our topic today is Title VI, but in closing I wish to acknowledge as well the dedication and effort of our Business Programs and Energy Division staff in implementing the important new energy initiatives created or expanded in Title IX of the Farm Bill. We have testified on that subject separately, and I know that we will have many opportunities to revisit Title IX with you. Renewable energy is one of Secretary Vilsack's five pillars for rural development, and for good reason: It provides an extraordinary opportunity for rural producers, landowners, businesses, investors, and utilities as we build the production capacity and smart grid necessary to transition America to a new, cleaner energy system in the decades ahead.

As we look ahead, we also look forward to your continued counsel as we seek to apply the lessons learned in ARRA to the administration of our "baseline" non-ARRA programs. In particular, ARRA has afforded us an opportunity to observe the impact of a loan component in the rural broadband program. I anticipate this will be an ongoing topic of discussion in the months ahead.

The ability under ARRA to provide a flexible mix of loans and grants to broadband applicants is worthy of study and discussion. The existing Farm Bill loan program does not have this flexibility. This was an issue that was discussed at length during consideration of the last Farm Bill, and it is a question that may be revisited as we consider the next one.

Looking ahead, we would also be eager to discuss with you options for streamlining and rationalizing program delivery. Rural Development administers over 40 programs. Many of them are small and overlapping. We understand that Members often have very targeted objectives in mind in crafting program authorities, but there may well be significant administrative efficiencies to be gained through consolidation. We would of course wish to ensure that any reorganization preserves and enhances our outreach and service to rural communities.

Another important initiative for the Obama Administration is looking at how communities can work together in regions. We are encouraged that the 2011 budget proposed to explore smart regional approaches within the current Farm Bill programs, and we look forward to continuing this discussion as we move towards the 2012 Farm Bill. Broadband, renewable energy, the smart grid, transportation, water and wastewater services, and many essential community services such as hospitals and emergency services are inherently regional in character. It is clear that a holistic multi-community and multi-county approach leverages resources and rationalizes planning, and we look forward to working with you to find ways to move rural communities in this direction.

Finally, I expect that the definition of rural will be as contentious in the next Farm Bill as it was in the last. We have in draft a report to the Congress on this question and will submit it to you in the coming months. It is easy to describe the difficulties with the existing definitions of rural; the challenge is to identify a definitional scheme that does not create as many problems as it solves. This is a difficult question, as this subcommittee fully appreciates, and I know that we will have extended discussions with you as we move forward.

These are sensitive questions on which we want to work collaboratively with stakeholders and the Congress before proposing significant changes. I am glad that the Subcommittee is beginning this discussion now, in order to provide time for thoughtful consideration. I know that you share our commitment to improving our service to rural America, and I welcome your thoughts, comments, and questions as we begin this discussion. Thank you.