

RURAL DEVELOPMENT
Statement of Jonathan Adelstein, Administrator, Rural Utilities Service
United States Department of Agriculture
Before the Subcommittee on Agriculture, Rural Development, Food and Drug
Administration, and Related Agencies

Thank you Chairman Kingston, Ranking Member Farr, and Members of the House Agriculture Appropriations Subcommittee, I appreciate this opportunity to discuss the 2013 Budget for the Rural Utilities Service (RUS) and how this Committee's investment in infrastructure plays a role in building a stronger America. RUS programs have a long history of helping to improve the quality of life in rural communities and to create jobs and economic opportunities throughout the diverse utilities supply chain. Continued investment in rural utilities systems will benefit not only rural businesses and residents, but will help create jobs nationwide for years to come.

Overview

RUS has generations of expertise in rural infrastructure investment. RUS and its predecessor agency, the Rural Electrification Administration (REA), helped finance many of the vital electric, telecommunications and water, and wastewater systems that were developed over the course of the last century. Many are still operating today.

RUS infrastructure investments have a track record of facilitating rural economic development, which is essential to building a strong U.S. economy. By financing reliable and

affordable utility systems, RUS investments help create jobs, increase prosperity and strengthen rural economies for future generations.

RUS remains uniquely positioned to play a strong role in our Nation's efforts to create an economy that is built to last. Our mission to provide sustainable, long-term investment through loans and grants for rural infrastructure projects has helped modernize our electric system, expand broadband access and improve the quality and safety of water and wastewater systems, as well as the surrounding environment, for thousands of rural areas across America.

We can witness the success of these investments through the significant improvements made to the capabilities of our utilities systems. These infrastructure investments produce jobs: jobs to manufacture equipment for projects; jobs to build projects; jobs to operate the systems that are built; and perhaps most importantly, jobs that emerge as the systems generate new economic opportunities.

Investment in infrastructure drives economic growth. For example, RUS programs are designed to help rural utilities provide the services needed to build sustainable economies. Smart grid technology and energy efficiency programs can expand the capability of electric systems to reduce wasted electricity and extend the life of existing plants. And increased production of renewable energy diversifies our Nation's energy portfolio.

Since 2009, the RUS Electric Program has funded 100,000 miles of line to upgrade the electric grid. These energy project investments will deliver 435 Megawatts of new electric

generation capacity, and another \$1.6 billion in investments will fund environmental improvements, increasing the quality of life in rural communities. In the last year alone, RUS invested over \$150 million in smart grid technology to help consumers lower their bills and improve system efficiencies.

Broadband investment expands access to high-bandwidth capabilities that help business and residents compete in the marketplace. Among its many benefits, broadband improves access to health care, expands educational opportunities, and generates new business—businesses in communities that can market their products and ideas from every corner in America to anywhere in the world.

RUS Telecommunications Programs' investments made since 2009 will help deliver broadband service to over 1.57 million subscribers in rural areas nationwide. Our Distance Learning and Telemedicine program has also played a role in delivering improved access to healthcare and education, funding over 3,000 educational and nearly 2,000 medical facilities to benefit rural communities during the last three years.

Clean, safe water is the most fundamental building block of community development. Water and waste systems nationwide are aging and face capacity constraints. New residents and business cannot locate in areas without an adequate water supply. Access to reliable sources of clean drinking water is a critical factor for the health and safety of residents, as it is for businesses, manufacturers and producers making relocation and expansion decisions. RUS Water and Environmental programs invest in building and repairing these critical systems. Since

2009, RUS water and wastewater projects have provided service to over 16 million rural residents.

Rural Development's focus on regional collaboration is expected to improve the reliability and affordability of electric, telecommunications and water and waste service to rural areas. These regional programs can leverage economies of scale so that we can continue to deliver projects that provide the greatest benefits at the lowest cost. Utilities systems historically cross state boundaries to provide service to rural areas and offer a blueprint for sustainable regional economic development efforts. During the past year, RUS has increased collaboration with state and regional partners and other Federal agencies, helping identify and reach rural areas that are still in need of our programs.

RUS has also identified methods to increase the efficiency of program delivery and will continue to work to streamline funding, coordinate regulatory requirements and protect the taxpayers' investment in rural infrastructure projects. The Administration has proposed a budget that will allow RUS to invest wisely and effectively to meet USDA Secretary Vilsack's goal of rebuilding and revitalizing rural America. The President's budget emphasizes the need to continue investing in economic development and infrastructure. The proposed budget for the Rural Utilities Service in 2013 requests an investment of \$8.3 billion with \$543 million of budget authority to support program spending for electric, telecommunications and water and wastewater programs in rural areas. By stretching each tax payer dollar into over \$15 dollars of investment, this proposed budget recognizes the need to maximize limited budgetary resources for maximum impact. The term "investment" recognizes that capital provided for loans, for the

most part, is repaid. The Rural Utilities Service portfolio is over \$59 billion, yet our delinquency rates are extremely low.

Electric Funding

The President's budget requests \$6.1 billion in loans for rural electric projects. No budget authority is necessary to create this loan level because presently, the electric program has a "negative subsidy" rate. This investment funds the distribution, transmission and generation of projects. The budget also provides for the construction, acquisition, or improvement of renewable energy plants and fossil fueled plants with carbon capture sequestration systems. Generation facilities financed can include fossil fuel technology that operates in conjunction with intermittent sources of renewable energy. The budget will also finance environmental upgrades, energy efficiency, smart grid, and demand management.

The demand for electricity in rural areas is growing at 2 percent annually. Prior to the recession, demand was growing at 4 percent annually. We anticipate growth in demand with economic recovery. Funding projects to expand electric generation and distribution projects is capital intensive and may take a decade from concept to completion. RUS will continue to work to ensure that our projects are environmentally sound, economically feasible, and affordable for rural electric consumers.

Telecommunications Funding

The budget supports \$690 million in loans for the Telecommunications Infrastructure Loan Program, sufficient to meet rural telecommunications demands. This USDA program is one of the only longstanding Federal programs that offers telecommunications loans to rural areas.

The President's budget includes approximately \$94 million in loans for the broadband program created under the 2002 Farm Bill and revised by the 2008 Farm Bill. This program has delivered broadband services to rural areas for a decade. With the publication of new regulations last year, RUS is now accepting applications for new broadband projects.

RUS continues to oversee Broadband Initiatives Program (BIP) awards, made under the American Recovery and Reinvestment Act of 2009 (ARRA). Over 90 percent of these active projects are under construction. It is essential that RUS's full request for the administrative costs be provided in order to ensure proper oversight of new investments. This budget includes \$25 million for the Distance Learning and Telemedicine Grant Program and \$13.4 million for Community Connect Grant Program to fund projects in rural communities without broadband service.

The agency is carefully studying changes in Universal Service Fund payments and Inter-carrier Compensation rates recently ordered by the Federal Communications Commission (FCC). We have asked applicants to re-estimate their revenues based on the FCC order and are being vigilant with our existing portfolio.

Water and Wastewater Funding

The budget requests over \$496 million in budget authority for the Water and Environmental Programs to support approximately \$1.4 billion in loans and grants to address the critical water and waste disposal needs in rural America. These funds will build upon the prior investments rural communities have made to extend service to areas without access to public water and waste service, replace aging infrastructure, and make necessary repairs. Through ARRA funding and annual appropriations over the last three years, USDA has invested in 5,100 water and waste water community infrastructure projects to help safeguard the health of 16 million rural residents. These investments have helped revive local economies, and improved the quality of life for those who call rural America home, and are expected to continue to do that with the funding requested in 2013.

Conclusion

RUS has been a reliable source of infrastructure investment, and will continue to fund electric, telecommunications and water and wastewater projects to help meet the needs of rural America. The RUS loan portfolio remains very strong. As our low delinquency rate illustrates, the RUS has been a prudent steward of taxpayer dollars. Making loans and managing grant programs does involve risk. We are lending into rapidly changing markets but meeting a consistent rural need for affordable access to capital. We make long term investments in infrastructure that is built to last.

In closing, I would like to thank the subcommittee for the opportunity to appear before you today. I look forward to your questions.