

RURAL DEVELOPMENT

Statement of Lisa Mensah, Under Secretary for Rural Development Before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies

Chairman Aderholt, Ranking Member Farr and members of the Subcommittee, thank you for the opportunity to present the President's 2016 Budget for the Department of Agriculture's (USDA) Rural Development mission area. I am accompanied this morning by Lillian Salerno, Tony Hernandez and Jasper Schneider, Administrators for Rural Development's Business and Cooperative Service, Housing Service, and Utilities Service, respectively. I respectfully ask that their statements be included in the record. Also here with me today is USDA's Budget Officer, Michael Young.

I am humbled to join you this morning for my first appropriations hearing as Under Secretary of a mission area that is necessary to help rural communities strengthen their economies and create sustainable growth for generations to come.

Through my work at Citibank, the Ford Foundation, the Aspen Institute, and now at USDA, I learned the craft of credit and how to analyze the strength of a commercial venture, directing investments in rural community development loan funds, small business incubators, and development banks. I have pored over financial statements of lenders trying to make a difference, sat at workplaces of small businesses trying to find new markets and create jobs, and seen the struggle to bring development to areas that traditional markets often neglect. I saw then what remains true today – that in rural America, there is a vital need for access to capital and for strong federal, state, local, and private sector partnerships, and that there continue to be abundant opportunities for economic success and growth in rural communities.

I believe that the budget I present today will enable our mission area to continue to support strong investments in rural communities through our business, housing, and utilities programs.

We are an agency that continues to create job opportunities in rural America through investments in rural businesses. At the same time, we provide loans, grants and loan guarantees to support reliable and necessary services such as water, housing, broadband, schools and hospitals. Collectively, these investments support families that call America's rural areas home. We are focused on leveraging the strengths of rural areas, building new markets to increase regional competitiveness, and continuing to expand investment opportunities that create prosperous, sustainable communities.

Before I get into any details, I want to thank the Members of the Subcommittee for your continued commitment to the well-being of rural America. The investments that Rural Development makes in towns and communities across the country contribute to an improved quality of life, access to economic opportunity, and the promise of a brighter future for rural Americans.

Since 2009, Rural Development has provided grants and loans to help approximately 85,000 rural small businesses grow, creating or saving more than 200,000 jobs; invested in more than 6,600 critical community projects including hospitals, libraries, schools, and public safety facilities; helped more than 900,000 rural families buy, repair or refinance a home, and provided funding for more than 3,000 multi-family housing developments; invested in new and improved broadband service to nearly 1.5 million rural residents, which expands access to state-of-the-art health care, educational and cultural resources, and provides the opportunity for local businesses to compete in the global economy; helped modernize rural electric infrastructure for about 8.5 million rural residents and businesses; and provided grants and loans for water and waste-water projects to help safeguard the health of approximately 15.7 million rural residents.

Rural Development also is aggressively implementing the provisions of the 2014 Farm Bill. In fact, the Farm Bill is already making a difference for families and businesses in rural areas. For example, an additional \$150 million in grant funding was provided through the 2014 Farm Bill and USDA moved quickly to implement the funding. As a result, the Farm Bill grant support was combined with \$237 million in USDA FY 2014 water and waste loans and grants to fund 116 projects in 40 States and Puerto Rico. The nearly \$387 million was USDA's largest Earth Day

investment in rural water and waste-water system and was completed 72 days from enactment of the Farm Bill.

Rural Development supported 50 Emergency Community Water Assistance Grants (ECWAG) that were used to address drought conditions and other natural disasters. A total of \$14.7 million in ECWAG grants were awarded to assist rural communities without sufficient quantities of water. Rural California communities received 25 grants. Many of these communities are also agricultural communities with significant farm worker populations and high poverty rates.

To support rural counties suffering from poverty on a persistent basis, USDA established the StrikeForce for Rural Growth and Opportunity Initiative (StrikeForce) to better coordinate efforts and promote economic development in these areas. It has now expanded to 770 counties and targeted areas in 20 States. Since StrikeForce began in 2010, USDA has partnered with more than 500 organizations on 109,000 projects ranging from farm and home loans to hoop houses and summer feeding programs that have ushered \$13.7 billion in investments for the poorest places in rural America. In 2014 alone, more than 3,000 jobs were created, saved, or retained through USDA's Rural Development's efforts in StrikeForce areas. These investments are a key catalyst in helping rural communities unlock their economic potential and gain a foothold in the middle class.

Throughout the United States and its territories, there are hundreds of examples of Rural Development investments making a difference in rural communities.

In Alabama, Rural Development awarded a grant and loan guarantee to Southern Wholesale Fibers and Recycling of Bryant to buy and install energy efficiency equipment at its plant. The improvement helps the company save 335,000 kilowatt hours each year, a 22-percent energy reduction, and save 13 jobs.

Meanwhile, 2,000 miles away, the small California community of Cameron Creek Colony was struggling due to severe drought. About 10 percent of its residents had no access to water because their wells had run dry. Others had only intermittent access. Farmersville, Calif.,

received a \$500,000 Emergency Community Water Assistance Grant to construct pipelines connecting Cameron Creek Colony to the Farmersville water main and linking residents to the water system. The completed project provides much-needed relief throughout the community. Since the start of the Obama Administration, Rural Development has helped more than 410,000 Californians receive improved water or wastewater services.

The President's Budget builds on our successes and continues this Administration's commitment to the health of rural economies by further modernizing our programs and processes – helping us to continue to create sustainable growth in rural areas for generations to come.

In addition to the programs that Rural Development administers and the financial assistance the agency offers, Rural Development's comparative advantage and most precious resource is its people. Through a network of approximately 400 field offices located throughout the Nation and in some territories too, Rural Development has the knowledge base and the people to provide small towns and cash-strapped communities with more than just financial support. The President's Budget continues the commitment to serving rural America in-person with a proposed Salaries and Expenses request that would support current staffing levels and continued investment in technology for a faster, stronger, more modern Rural Development.

More specifically, Rural Development's administrative budget fully funds the last elements of the mission area's major data modernization initiative, the Comprehensive Loan Program (CLP). Once complete, CLP will streamline common processes, standardize systems used to support loan and grant obligations, and strengthen controls. The technology enhancements will make it easier for customers to buy and pay for a home and to communicate with USDA if questions arise about a loan. CLP will enable legacy systems to retire. And CLP helps secure taxpayer resources and improve program integrity.

Rural Development is focused on process improvements across the organization that makes use of modern technology to the benefit of customers, lenders, and our staff. For example, in December a new set of rules governing the Single Family Housing Guaranteed program took effect that, along with IT investments, enable loan applications to be processed and reviewed

electronically. Lenders have indicated this will save approximately 20 minutes and approximately \$25 per loan in bank and courier fees. This is just one example that illustrates how Rural Development is focused on strategic investments in technology that will create a stronger, more efficient, and user-friendly organization for rural Americans across the country.

The Budget includes a \$900 million loan level for the Single-Family Direct loan program, and a \$24 billion loan level for the Rural Housing Single-Family Guaranteed loan program. Both programs will enable us to continue to offer homeownership opportunities to low- and moderate-income families in rural America.

For those families who want or need to rent, the budget seeks to preserve the current supply of rental housing. The Budget proposal requests: enough Rental Assistance to keep pace with inflation and costs; modest increases in Direct Rural Rental Housing loans and Guaranteed Multi-Family Housing Loans to keep up with attrition, and \$15 million for preservation activities in StrikeForce and Promise Zones areas and to address the coming increase in owners who must leave the program due to a maturing mortgage.

Funding alone cannot ensure long-term viability and flexibility for the Rental Assistance Program. The President's Budget proposes administrative tools that would provide management flexibility to the program. These include; legislation to eliminate automatic renewals in the rental assistance program; seeks authority to selectively renew RA agreements; authority to access IRS and HHS income verification databases, and authority to require a minimum rent of up to \$50.

The President's Budget recognizes that robust funding of the Community Facilities program will help develop infrastructure projects – like hospitals, public safety and emergency services – necessary for an economically thriving rural community. In our community facilities grant program, we propose an increase of \$32 million, which will allow the agency to continue meeting the critical needs in the most rural and economically stressed communities. The proposed direct loan level for community facilities is \$2.2 billion. Although the proposal calls for the elimination of the guaranteed loan program, the direct and guaranteed loan programs

serve the same organizations and purposes. With the robust program level in the direct program, communities will still have access to funding for eligible facilities.

We believe that our strong footprint across rural areas – and our proposed investment in supporting and modernizing that workforce – will help us broaden capital investment, promote community involvement and support and ensure the resilience and sustainability of local economies and housing stock.

In an effort to help rural small businesses thrive – and encourage job growth – the President’s Budget focuses on middle-class economics.

The President’s Budget also reiterates his commitment for energy programs that help create jobs. The budget for the popular and successful Rural Energy for America Program is increased by \$8.7 million.

Proposed budgetary support for the Rural Business Development Grants, the Rural Microenterprise Investment Program, and the Rural Business Investment Program will also assist rural businesses and create or save thousands of jobs in rural areas.

Rural childhood poverty is a persistent issue of grave concern to the future vitality of rural communities. Poverty work is often focused on urban areas, but rural children must not be forgotten; today one in four rural children live in poverty; in Mississippi and New Mexico, it is one in three. To support specific efforts to address childhood poverty in rural places, the budget requests \$20 million for a Rural Child Poverty pilot. We believe USDA Rural Development is well positioned to coordinate and support the work of organizations around the country that are effectively tackling rural poverty in innovative ways. The budget also requests \$12.8 million for the Healthy Foods Financing Initiative. This initiative will increase the availability of affordable, healthy foods in underserved rural communities and create or preserve quality jobs in rural areas through the development of grocery stores and other food retailers.

Innovative technologies and modern infrastructure are also crucial components of job creation, new market development, and the ability to compete in today's economy, while conserving our natural resources and providing a food supply for our Nation and the world. Rural Development programs make significant contributions toward each of these areas to help improve quality of life and increase economic prosperity in rural areas.

The mission area has funded basic infrastructure services for 80 years. Today, we still provide the funding to deliver reliable, affordable electric service to power our homes, farms, ranches and businesses; broadband to offer access to the digital economy; and clean, safe water to help healthy rural communities grow and prosper. Rural has provided the foundation for many of today's successful rural utilities. This budget continues to build on our history of supporting utility needs in rural areas. The Budget requests \$6 billion in electric loans that will help support environmental improvements to existing generation facilities that result in reduced carbon emissions, support development of renewable energy generation, distribution, and transmission activities, and support demand for broader scale energy efficiency activities. For telecommunications loans, our request reflects increases in the Broadband Loan and Grant program and the Distance Learning and Telemedicine Program to continue to support the educational and health care needs of rural America by funding advanced telecommunications technologies to provide learning and healthcare opportunities for rural residents.

The Budget also proposes \$1.2 billion for Direct Water and Waste Disposal loans, and increases funding for Emergency Community Water Assistance Grants (ECWAG) that support additional emergency project needs, which have become greater as many States face persistent and severe drought conditions. The ECWAG program provides monetary assistance to alleviate a significant decline in the quality or quantity of water available for rural residents. The proposed increase is expected to meet demand and ensure funds are available throughout the fiscal year.

When countries cannot make rural infrastructure work, it impedes not only their rural places and people; it holds back growth for the entire Nation. I have seen it in my father's homeland of Ghana. Investments in roads, the electric grid, water systems are what ignite the rural economy. President Obama has offered a responsible budget for rural America that lays out the foundation

for our work on behalf of rural America. It addresses the unique infrastructure needs of communities often lacking population centers or other support mechanisms. We believe that by thinking creatively, utilizing our programs and initiatives to address known needs of these rural areas, and coordinating and leveraging our resources, we can turn Rural Development's transactional work into transformational work.

I take seriously the responsibility to safeguard these rare and precious resources. I am a passionate advocate for tapping the potential of rural areas so that high-poverty areas can become part of America's story of growth and prosperity.

I look forward to working with you over the coming months to ensure continued support for Rural Development's programs and initiatives that build opportunities for rural areas to grow and expand the middle class. I appreciate the opportunity to testify before the Committee this morning and I am happy to answer your questions on the budget proposal at this time. Thank you.