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RURAL DEVELOPMENT

Statement of Doug O'Brien
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Before the Subcommittee on Jobs, Rural Economic Growth and Energy Innovation
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Chairwoman Heitkamp, Ranking Member Johanns, it is a pleasure to join you today to discuss USDA Rural Development's use of regional strategies in economic development.

President Obama believes that strong rural communities are key to a stronger America. As our marketplace becomes more global, it is important that we use every opportunity to expand and strengthen rural economies, so that they remain competitive. We applaud Congress for passage of the 2014 Farm Bill, and this committee for recognizing the importance of regional strategies in promoting economic growth.

Rural communities need to create regional strategies to remain competitive in domestic and international markets. Other nations are adopting this approach, both in rural and urban regions across the industrialized world. Regional strategies use assets more effectively, invest more productively, and grow economies more quickly. If rural America does not adapt, people who live there will be left behind. USDA will continue to support rural communities that are doing this challenging and essential work.

Rural America sees historic opportunities because of its unique assets, but it also faces historic challenges. The potential in rural America is vast. The bioeconomy, renewable energy, rural manufacturing, local and regional food systems, and emerging agricultural products provide new markets and expand the potential for economic growth that will spur the nation's economy. Yet, USDA data indicates that the recent economic recession has resulted in the highest rural poverty rates since the mid-1980s. The USDA's report, *Rural America at a Glance*, points to stalled job growth in non-metro counties, an increase in poverty – particularly among children – and a declining population: the first population loss since the Federal Government began tracking that statistic generations ago. These opportunities and challenges facing rural America today demand new and innovative approaches within rural policy.

USDA Rural Development has done much with the resources and authority Congress has provided. Since 2009, Rural Development has directly invested, or guaranteed, more than $164 billion in broadband, businesses, housing, water, community facilities, and electric infrastructure, that benefit not only rural communities, but our overall economy.

Yet, President Obama and Secretary Vilsack realize that simply providing funding in isolation to entities in a single rural area may not be enough in today's global marketplace. That is why USDA has worked to innovate the way we deliver programs to ensure that taxpayers' dollars make the greatest impact. Rural regions can be important sources of growth; therefore we looked for opportunities to support regional approaches.

Congress recently recognized this when it provided authorities in the 2014 Farm Bill to establish a priority to fund projects that are part of a multi-jurisdictional economic development strategy. Implementation of the Farm Bill's new authority will help USDA continue to better leverage resources and coordinate programs that encourage rural economic growth. By providing a set-aside and preference for projects that are part of a regional approach, USDA will be able to more effectively support rural places that are working collaboratively.

We fully recognize the advantages of targeting resources to strengthen regional economies. We are also aware of the challenges. Our years of expertise in providing funding to improve rural economies and our partnerships with rural stakeholders, state and regional officials, and other federal agencies will have considerable impact on how we implement this new multijurisdictional strategy. In particular, this new authority will allow us to incorporate best practices to fully develop programs to respond to rural needs on a regional basis.

The Organization for Economic Cooperation and Development (OECD) has used extensive analysis across the industrialized world to demonstrate that investments aligned to regional strategies are more likely to yield better results. In 2012, OECD released a ground-breaking report entitled *Promoting Growth in All Regions*, which concluded, among other things, that:

- Investing in less-developed regions makes good economic sense;
- A pro-growth strategy focused on the assets of the region is the most beneficial and sustainable approach;
- Policies that support education and training for low-skilled workers are critical;
- Infrastructure development has the greatest impact when coordinated with other development policies;
- And formal and informal institutions that facilitate communication and collaboration in the region are vital.

Rural places that are looking to create and implement regional strategies can look to a number of best practices, as outlined in the 2014 Farm Bill, including: broad-based collaboration, plans based on the region's assets, leveraged investment, and measurable success. Strategic investment is particularly important in areas of greater need - missed growth opportunities often trigger social problems, including higher unemployment and poverty. This is why our efforts to promote growth in rural communities—especially in persistent poverty areas—is necessary for a stronger economy.

One key way that Rural Development has been better able to support regional strategies is with its involvement with the White House Rural Council. This increased collaboration and coordination with rural stakeholders and other federal agencies has helped develop strategies to create jobs and boost economic development. Proposals that have shown significant potential include the Rural Jobs and Innovation Accelerator challenge (RJIA) and the Stronger Economies Together (SET) initiative.

The RJIA leverages existing financial and technical assistance resources from 13 federal agencies and bureaus. Federal funds will help strengthen regional industry clusters by identifying and maximizing local assets, connecting to regional opportunities, and accelerating economic and job growth across rural regions. For example, in Louisiana, the I-20 Corridor Regional Accelerator will integrate the community capacity building of Winrock's Capacity Assistance for the Regional Economy (CARE) program with business and economic development led by Louisiana Tech University. The project will leverage the ability of both organizations to bring key players to the table to engage small towns and rural communities to stimulate new economic activity and quality job growth in key regional economic clusters through the provision of services, local award packages and/or locally-funded business investment strategies.

Meanwhile, the SET initiative enables rural places to work together to develop and implement economic blueprints for multi-county organization that builds on a region's current and emerging strengths. USDA Rural Development launched SET with Regional Rural Development Centers and land-grant university partners in 2009. As of the end of 2013, SET has served 55 regions in 28 states. The Sandhills "Stronger Economies Together" planning effort in North Carolina triggered the launch of a three-pronged plan to support agriculture and agriculture business in the region. Strategies include training in marketing, business planning, cooperative business models, succession planning, creation of a food hub, and encouraging niche revenue streams and alternative crop production.

Rural Development's history of funding infrastructure has produced an array of benefits for rural areas. In addition to the services they offer, utilities are often leaders in promoting rural economic development needs. Because utility infrastructure projects tend to be regional in nature, electric, telecommunications, and water and waste utilities understand the benefits of using a regional approach to develop services that can bolster economies.

For example, clean water is necessary for the health and vitality of a region and is critical to drawing new business investment. That is why Rural Development funded a regional water system for Arkansas' Ozark Mountain Regional Treatment Plant on Bull Shoals Lake. Construction of this plant was the result of years of work and cooperation between county, state, and federal governments to address insufficient water quantity and poor quality groundwater supplies. Over $62 million in USDA Rural Utilities Service loan and grant funds—combined with nearly $10 million from the Arkansas Natural Resources Commission- built over 120 miles of water pipeline, nine booster pumping stations, and six elevated water tanks to provide safe and dependable water to 18 rural water systems serving over 20,000 residents, including persistent poverty areas.

Similarly, Oregon's Douglas Electric Cooperative has delivered electricity to business and residential customers in Southwest Oregon since 1938. Because of concerns over lost economic development, ten years ago the rural electric cooperative set up a subsidiary—Douglas Fast Net—to deliver broadband service to the region. This cooperative provided many new opportunities to the region: Schools now deliver advanced educational content, telehealth services for specialty medical care are available from the medical center, Internet can be accessed at the library, the community has 911 service, and businesses operate more effectively and efficiently.

Leveraging federal resources to more effectively support regional economic development efforts continues to be an Agency best practice. The Investing in Manufacturing Communities Partnership (IMCP) is an interagency effort focused on helping communities adopt best practices to cultivate ecosystems that develop and coordinate an array of public goods, including specialized work force training, research institutions, and transportation and energy networks. In addition to the Executive Office of the President, the Departments of Agriculture and Commerce, the Environmental Protection Agency, and the National Science Foundation have dedicated resources to the initiative. USDA Rural Development has awarded several planning grants as part of this initiative to assist local governments, nonprofits, and community development agencies in producing comprehensive economic development plans.

The Promise Zones initiative is another example of interagency cooperation. The federal government is investing and partnering with high-poverty urban, rural, and tribal communities to create jobs, increase economic activity, improve educational opportunities, leverage private investment, and reduce violent crime. The first five Promise Zones are in San Antonio, Philadelphia, Los Angeles, Southeastern Kentucky, and the Choctaw Nation of Oklahoma. This designation highlights the federal government's commitment to partnering with local leaders who are addressing multiple community revitalization challenges. We do this by providing on-the-ground technical assistance to navigate federal programs and regulations. This intensive engagement will help communities make the most of funding already available.

Kentucky’s Promise Zone regional effort, for example, has culminated in a strategic plan to prioritize assistance to an eight-county region, including projects to alleviate significant contamination in a major watershed, ensure that portions of the region maintain access to quality health care, and expand a food program to low-income residents in multi-family dwellings.

While poverty is a nationwide challenge, the reality is nearly 85 percent of America's persistent poverty counties are in rural areas. USDA's StrikeForce for Rural Growth and Opportunity Initiative is part of our commitment to increase coordination and leverage partnerships in rural areas with persistent poverty, and helps ensure awareness of and access to USDA programs designed to promote economic development and job creation. In Arkansas, StrikeForce efforts helped “Seeds of Change,” created by Heifer International, set up a local food system, which provides food for the community, education about nutrition, and increased farm income. StrikeForce also funded hoop houses so that small farmers and gardeners can grow produce year round, and purchased processing equipment to expand marketing opportunities. In keeping with regional strategies to improve economies, StrikeForce can shift funding from subsidies to investments that develop an area’s most productive activities.

Initiatives such as these will be useful in developing an array of innovative tools and programs to help all regions become sources of growth. USDA and Rural Development will continue to build on the successes of these efforts and work to assist rural communities in creating sustainable economies that support the growth of emerging markets.

I appreciate the opportunity to testify today before Members of the Subcommittee. Thank you for your support of Rural Development programs. I am happy to answer your questions at this time.