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Chairman Ernst, Ranking Member Heitkamp and members of the subcommittee, thank you for the opportunity to be here to discuss how the Department of Agriculture's Rural Development (RD) Programs contribute to economic growth in America.

Rural Development's fundamental mission is to increase economic opportunity and improve the quality of life for all rural citizens. There are 46 million people living in rural America who provide the food, fiber, fuel, and durable goods the rest of the nation, and the world, depend upon. Consequently, the economic well-being of all Americans is indelibly tied to rural growth. Rural Development investments nurture that growth to fuel the national economy.

Each day I am determined to fully utilize the enormous potential and opportunity Rural Development funds provide to that economic growth. My prior experience at Citibank, the Ford Foundation, and the Aspen Institute taught me how to analyze the strength of a commercial venture and how to invest in public/private partnerships to reach people in need. These lessons guide my current approach to dedicate our primary focus on our core programs. Our efforts to support rural utilities infrastructure, expand business opportunities, and create prosperous, sustainable communities are all directed to building an improved quality of life and a brighter future for rural Americans.

I know that in rural America, there is a vital need for development capital and for strong federal, state, local, and private sector partnerships. Together capital and the right partnerships can drive opportunities for economic success and growth in rural America's communities. Today's agriculture producers and rural business owners are entrepreneurs and innovators of new cutting edge products. Our dedicated field staff in nearly 400 offices live in the areas they serve closely collaborating with those communities to engage directly with local lenders and

partners to solve problems and explore options for sustainable economic development. Our work is designed to maximize taxpayer dollars, leverage private sector financing or provide a guarantee to private banks.

During my time at Rural Development we have focused on our core mission and use all our resources wisely in the hard to reach areas with the most need. I am grateful to Congress for giving us the ability to conduct this important work strengthening rural America. Your work through the 2014 Farm Bill renewed our authority to strengthen our efforts on our core programs for rural America. Through the energy titles in particular, this legislation expands our ability to spur growth and cultivate new innovations that rural America is at the forefront of, in the renewable and alternative energy sector. I want to thank the Members of the Subcommittee for your continued commitment to the well-being of rural America and for your support of Rural Development investments in towns and communities across the country.

The Rural Utilities Service (RUS) has an 80-year history of funding basic infrastructure, providing the critical financial support for electric infrastructure, clean, safe water and wastewater services, and finally, bridge the digital divide with broadband service to help healthy rural communities grow and prosper. Since FY 2009, Rural Development has invested a total of \$13.3 billion in new or improved infrastructure in rural areas through over 10,600 water projects. These improvements helped nearly 18 million rural residents gain access to clean drinking water and better waste-water disposal. As a subset of that, Rural Development staff provided grants and loans for water and waste-water projects that specifically helped to safeguard the health of approximately 15.7 million rural residents.

For example, Rural Development provided \$500,000 to the community of Rock Rapids, Iowa for an emergency community water assistance grant. The Rock Rapids Municipal Utilities (RRMU) has seen a steady decline in the reliability of its water source and recent droughts have led to declining groundwater levels. The RD funds will assist in the completion of a six mile proposed pipeline project that will connect the Rock Rapids Municipal water treatment plant to the Lyon and Sioux Rural Water Systems elevated tank.

During 2015, RUS provided over 5.5 million rural consumers with improved electric service and funded over 180,000 miles of electric lines. Last year, I traveled to North Dakota in announcing the Central Power Cooperative would receive a nearly \$47 million Electric Guaranteed Loan to build or improve additional miles of line and make other system improvements. The loan also included \$171,000 for smart grid projects.

Since 2009, Rural Development has awarded \$6.7 billion for nearly 550 projects to improve telecommunications infrastructure in rural communities — including broadband delivery, distance learning and telemedicine systems, and expansion of rural 911 systems — 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.

In Minnesota's "Iron Range" region USDA RD provided \$43.5 million through the Recovery Act to the Northeast Service Cooperative (NESC) for a high-speed, multi-use broadband network. The Iron Range is a geographically and economically diverse eight county territory covering almost 24,000 square miles. Even though building the network was challenging, strong partnerships helped make it happen. National and local contractors installed the fiber optics, creating hundreds of season construction jobs for local residents. Local utilities contracted to expand last-mile connectivity for their members. Today, middle-mile connections are providing broadband access to about 320 critical services sites, including Minnesota Tribal Nations, colleges and universities, K-12 schools systems, healthcare facilities, community libraries, and other public local, county, and State facilities.

Overcoming geographic and demographic challenges to offer access to robust broadband service is difficult and among the reasons that less than 40 percent of those living in rural communities have high speed internet service. In September 2015 the White House released a report submitted by USDA and the Department of Commerce on ways to continue to bring broadband to unserved areas. Work continues on those next steps of getting robust broadband service available to all who live in rural areas. I'm proud that as part of those efforts, many RD programs can be an important resource in this effort.

Efforts such as the Community Connect grant program provide broadband grants to better target last-mile funds to rural communities that are least likely to have broadband infrastructure needed for economic development. Rural Development also invests in Distance Learning and Telemedicine Programs (DLT) to provide innovative breakthroughs and increased medical care access for rural citizens.

The Rural Energy for America Program (REAP) has significantly contributed to doubling the number of farms using renewable energy production in the last five years. Since 2009, the Rural Business-Cooperative Service (RBS) renewable energy programs have made 11,649 awards to provide over \$720 million in funding to agricultural producers and rural small businesses to strengthen rural economies. REAP is bringing down energy costs for rural small businesses and agriculture producers and making them more competitive in the global marketplace.

In 2015, RBS awarded a nearly \$16,000 REAP grant to the Reinhart family who operate small-town grocery stores in three Iowa towns. The grant will help pay for the upgrades to include 31 doors of refrigerator and frozen food and beverages. The new coolers are well insulated and use high-efficiency LED lighting and cooling fans.

RBS continues to bring investments and jobs to rural areas that improve lives of rural Americans. Since 2009, RBS has helped over 112,000 rural businesses start or expand operations with nearly \$11 billion in investments and an estimated 450,000 jobs created or saved.

The Rural Economic Development Loan and Grant Program has made over 600 awards totaling over \$365 million assisting nearly 1,100 businesses and helping create or save an estimated 31,000 jobs since 2009. In FY 2015, RBS made under this program 38 loans, totaling \$38.6 million, and 33 grants, totaling approximately \$9.2 million. One example is a \$2 million loan to East Mississippi Electric Power Association to provide a loan to Winston Plywood & Veneer, LLC to purchase machinery and equipment needed for an \$85 million plywood and veneer manufacturing facility to be located in Winston County, Mississippi, a consistent poverty/StrikeForce county. The project is expected to create 300 new jobs.

Today, we are using lessons learned from our lengthy experience in rural America to help communities capitalize on emerging opportunities in the 21st Century economy. Consider our work in the rapidly expanding the area of local and regional food systems. In FY 2015, RBS provided \$88 million to assist over 1,400 producers and businesses for local and regional food systems. Last year, I visited a food hub serving thousands of customers throughout Appalachian Ohio and West Virginia. At the Chesterhill Produce Auction, hundreds of growers use the auction to sell locally-grown produce at wholesale to other businesses in the region including pop-up markets in rural areas with limited fresh food access. These local and regional food systems are vital links for farmers to increase their revenues by allowing them to access bigger markets for their crops.

A special point of pride for Rural Development is our housing programs. The Rural Housing Service and Community Facilities (RHS and CF) make critical loans and grants to support rural residents and the communities in which they live. Congress has defined for us a tremendous set of housing and community development programs to ensure that rural families have access to safe, affordable homes and thriving communities.

Since 2009, Rural Development has helped more than 1.1 million rural families buy, refinance and maintain homes with \$137.5 billion in RHS investments. During FY 2015, our Rural Development housing programs provided \$19.5 billion to help more than 141,300 families with modest incomes buy, finance, or repair their homes. These programs mean that low and moderate income borrowers are now on the journey to homeownership, which will help build wealth and security for rural families. We offer one of the best home mortgages in the United States and boast a low default rate. Additionally, we left no dollar unused in our 502 direct mortgage program and we plan to do this again in 2016. We understand how vital this core program is to rural America.

Another significant part of our housing program provides rental assistance to low-income people who live in USDA-financed multi-family housing. During FY 2015, RHS helped 10,840 families by building and renovating about 450 multi-family housing rural apartment complexes through \$277.2 million in funding. We have worked hard to address recent

challenges of providing sustainable rental assistance to those who rely on this program, and I am optimistic that these efforts and the FY 2017 investment build a stronger program to better serve rural residents.

RHS continues to make tremendous gains to its systems and processes. As of this spring, our guaranteed Single Family Housing loan program is now paperless. Not only are we saving 37,500 reams of paper every year, we've lowered postage costs, saved printer ink, and are moving loan guarantees out the door more efficiently, making our programs easier for our customers to use.

USDA Rural Development, through its expanded Community Facilities programs, has taken a leadership role in facilitating and strengthening public private partnerships to ensure that rural residents have the opportunity for a brighter future with good schools, quality health care and other critical community infrastructure needs. Since 2009, this program has improved the quality of life for rural residents by investing \$9.6 billion in more than 9,000 community infrastructure projects.

Last summer, I traveled to Richardton, North Dakota to see the construction of the future Richardton Health Center, a new nursing home and clinic. This facility will have 19,000 square feet dedicated to a 24-bed skilled nursing home and an additional 3,000 square feet for use as a clinic with three exam rooms and one procedure room. A \$5.5 million community facilities loan is supporting the estimated \$6.2 million project cost. This facility replaces an existing nursing home and clinic that was inadequate for the changing needs of the community and provides a cost saving and convenient way to provide care to the nursing home residents.

Under Secretary Vilsack's leadership, there has been a push to transform rural America from a primarily agri-based economy to one that makes, creates and innovates. A focus on taking advantage of the emerging bio-economy, including bio-manufacturing and advanced biofuels, local and regional food systems, broadband, and telemedicine has not only supported the most productive agricultural sector in the world, but also assisted rural communities to be places where all businesses have prospered and created jobs. I am committed to continue this

work of providing increased opportunities to allow everyone to share in the prosperity of the growing economy.

Rural Development plays a key role in USDA's place-based efforts making sure that the programs that help alleviate the impact of poverty are available and accessible even in the poorest and persistently poor rural communities. Over the course of the last several years, we have been proactive in identifying and assisting areas of greatest need in rural America. I visited Mississippi on the first trip I made in this position. During my visit, I participated in Partners Roundtable that included individuals from the Delta Regional Authority, Planning and Development Districts, Local Elected Officials, State Universities, Hospital Associations, Rural Water Associations and Credit Foundations to coordinate and collaborate on our efforts to leverage Rural Development funding. What was true in Mississippi, and is thankfully true throughout rural America, is that Rural Development and its grounded staff are a key source of key funding and partnerships.

Earlier this year, the StrikeForce Initiative added four additional states to include a total of 970 counties, parishes, boroughs, and census areas in 25 states and Puerto Rico. We know that place-based efforts work and we have seen StrikeForce bring economic opportunity directly to rural Americans where they live and help rural communities leverage their assets. In 2015, in StrikeForce target areas, USDA partnered with more than 1,000 organizations to support 56,600 investments that directed more than \$7.5 billion to create jobs, build homes, feed kids, assist farmers and conserve natural resources in some of the nation's most economically challenged areas. Since the initiative was launched in 2010, USDA has invested more than \$23 billion in high-poverty areas, providing a pathway to success and expanding the middle class.

Across the country poverty rates are in decline. Yet tragically, still, in 2014, roughly 2.5 million children in rural areas were poor and approximately 1.2 million children lived in rural families with cash incomes below half of the poverty line. Rural and tribal communities face distinct challenges to combating rural poverty, including limited access to critical services, fewer job prospects, and in some places, relative lack of institutional capacity. The budget

requests \$20 million in grants to rural communities to implement two-generation strategies that seek to intentionally align high-quality workforce development programs with high-quality child-focused programs. In addition, the budget requests \$5 million to support data systems alignment across several USDA and HHS programs to gain efficiencies and maximize impact of existing programs.

Throughout my travels to rural communities, it is clear that addressing the challenge of outmigration and giving our next generation of rural Americans opportunities to stay and use their skills to earn a living in their communities was extremely important to local community leaders, family members and businesses. I know this can be done.

All that Rural Development does is possible because of the people who do this work. Every day, 5,000 Rural Development professionals work to help rural business, provide affordable rural housing, and maintain and upgrade infrastructure investments. Because Congress has supported our field based delivery structure, Rural Development has staff in every state to make and service the loans and grants that help our rural communities become stronger and more vibrant.

Over the course of my career, I have had the opportunity to work with great people. Since becoming Undersecretary, I have visited many projects to see how rural America benefits from our investments. I have also met many of our dedicated field staff who engage directly with local lenders and community partners to solve problems and explore options for economic development. I could not be more impressed with the men and women of USDA Rural Development. They are smart, dedicated and resourceful. Fewer personnel have done more work. Our field based staff works, lives and raises their families in the communities they serve. They deserve our praise and support for the work they do.

RD works to modernize rural America; we connect citizens to broadband; we build a cleaner future through renewable power and energy efficiency; we reduce child poverty by investing in businesses; we help manage the growing healthcare needs of an aging population; we build rural places where young people want to stay, start families, build businesses and create futures.

I will focus on increasing investments in our people to continue to provide quality service in both our national office and in the field, where staff are part of our rural communities. There is a need for new employees to fill mission-critical skill shortages, particularly important since Rural Development's loan portfolio has grown to more than \$212 billion.

Congress has provided significant resources to make a real impact in rural places. Yet the opportunities and the challenges of rural America make it clear to all of us that taxpayer dollars will continue to deliver stronger economies in rural communities. There is something extraordinary about rural America's ability to survive and thrive. It is a place where values count and where stewardship is a meaningful obligation.

Thank you for your continued interest and support of Rural Development programs. Together, we can coordinate and leverage our resources to invest in our country's future and turn Rural Development's transactional work into transformational work.

I appreciate the opportunity to testify before you today. At this time, I am happy to answer your questions. Thank you.