

Lisa Mensah
Under Secretary for Rural Development
Before the House Committee on Agriculture
September 16, 2015

Chairman Conaway, Ranking Member Peterson and members of the committee, thank you for the opportunity to discuss the programs, successes and challenges of the Department of Agriculture's Rural Development mission area. I am accompanied this morning/afternoon by Mr. Brandon McBride, Mr. Sam Ridders, and Mr. Tony Hernandez, Administrators for Rural Development's Utilities, Business and Cooperatives and Housing and Community Facilities Programs, respectively.

The Rural Utilities Service (RUS) has funded basic infrastructure services for 80 years and provides the critical financial support for electric infrastructure, broadband to offer access to the digital economy, and clean, safe water to help healthy rural communities grow and prosper. Our Rural Business and Cooperatives Service (RBS), in partnership with other public and private sector stakeholders, are critical to improving lives of rural Americans. RBCS program not only promote rural business employment opportunities and support key energy project investments, but enable rural Americans to compete in the global economy. Lastly, our 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.

The men and women of my Agency, and the programs we administer on a daily basis, are committed to increasing the economic opportunities and improving the quality of life for all rural Americans. Approximately 15 percent of the population of the United States is considered rural. Yet that comparatively small percentage belies a far more relevant statistic: nearly 75 percent of our land mass is rural. So that 15 percent – which happens to represent forty-six million American citizens – feeds the world. Rural Development works on a daily basis to determine and support the needs of that “15 percent.”

The 5,000 Rural Development professionals I lead work daily to help maintain and upgrade infrastructure investments that are so important to the modernization of rural America; to connect citizens to the video and data-intensive world of broadband; to build a cleaner, greener future through renewable power and energy efficiency; to reduce child poverty; to cope with growing healthcare needs of an aging population; and to make rural communities a place where young people will want to stay, start families, build businesses and create futures.

Rural Development has a loan portfolio of more than \$200 billion and invested upwards of \$28 billion in 2014 alone assisting rural areas throughout the United States and its territories. We maintain a program delivery structure that Congress has supported since our founding, and our customers appreciate. Rural Development has financed large, long-term loans to develop and grow businesses. Other resources are invested in smaller, more specific projects targeted at the smallest producers. Further support is offered by our Agency to address underlying utility housing or community facility needs of rural communities. All of these investments offer the hope and support needed to encourage economic development.

For example, Rural Development provided DeVilbiss Healthcare, LLC with a Business and Industry guaranteed loan to purchase equipment and machinery and to transfer manufacturing operations from China back to the United States. DeVilbiss manufactures and distributes respiratory medical devices and products such as nebulizers, oxygen concentrators, and CPAP equipment. The assistance preserves 92 jobs and creates 20 new jobs in rural Pennsylvania.

This is just one example of many forward-leaning projects that Rural Development is proud to encourage. Our fundamental mission is to support thriving self-sustaining and prosperous rural communities. We're doing so through the authorities provided to our Agency by Congress and through the added resources afforded in the annual appropriations legislation and the 2014 Farm Bill. The Farm Bill renewed our authority to deepen our work in our core programs for rural America. And for that, I am deeply appreciative.

As Members of the Committee on Agriculture, you know better than most the challenges that face rural Americans. Rural communities are characterized by their isolation from population

centers and product markets. These communities benefit most from initiatives that integrate local institutions and businesses with State and Federal agencies that have intimate knowledge of local needs. At the same time, these same communities have an enormous amount of importance to the health and well-being of our entire Nation. The report, *Promoting Growth in all Regions*, released by the Organization for Economic Cooperation and Development (OECD), indicates investments in infrastructure and human capital in rural places are vital for national growth.

For more than 80 years, Rural Development has doggedly pursued success for rural America. We are committed to working with partners to best serve rural areas. We understand that solid public-private partnerships and well-placed intentional investments can – quite literally – mean life or death for some communities.

Pikeville Medical Center in Kentucky is a private, nonprofit (501(c) (3)) organization that provides comprehensive health care services through its 261-bed acute care and in-patient rehabilitation hospital. The Hospital primarily serves patients from persistent poverty areas. To meet a growing demand for services, Pikeville Medical Center used the Community Facilities (CF) program to construct a new medical office building containing research facilities, outpatient surgery suites, endoscopy facilities, physical exam space, labs and lecture halls.

Building on this success, and working with others to understanding the needs of the region, Rural Development provided a \$40 million Community Facilities loan to the University of Pikeville (UPIKE) for the construction of a health professions education building that provides both instruction and demonstration for the new College of Optometry, School of Nursing, and other student support services. This funding enabled USDA to establish a public private partnership for the new facility whereby UPIKE provided an additional \$5.5 million, \$3.7 million in private donations were raised, the Appalachian Regional Commission provided a \$1.5 million grant, and the U.S. Economic Development Administration provided a \$1.3 million grant.

This partnership resulted in a facility that added 75 direct jobs to the local economy and created a distributed community-based clinic model, adding 25 to 30 jobs in local clinics. In addition, the

community benefited from the facility as there was no College of Optometry serving that state or many of its neighbors previously.

USDA Rural Development, through its 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.

In communities like Pikeville, public private partnership has brought together critical financial, project development and technical expertise, resources and innovation to large complex community infrastructure projects at a time when Agency staff resources have been reduced; it has strengthened underwriting with another set of eyes thereby reducing Agency credit risk and has provided the Agency with a long term partnership for servicing loans along with another avenue for communication with the borrower. More importantly, it has allowed USDA to assist more rural communities, invest in more essential community facilities and help more rural residents.

From fiscal year 2012 to fiscal year 2014, Rural Development invested in 335 Public Private Partnership community infrastructure projects across rural America in 49 states. The Agency leveraged over \$2 billion in community facilities direct loan funds, with \$1.2 billion from institutional investors and the capital credit markets to strengthen investment in critical community infrastructure projects spurring economic growth, job creation and access to improved health care, education and other critical services. These Community Facility investments are projected to create or save approximately 75,000 quality paying jobs.

True public partnerships are built on shared vision and mutual trust. Our job is to be fair, reliable and consistent partners. Thanks to Congress, Rural Development is a uniquely structured Agency with the resources to encourage and support successful systems already at work in communities or develop those that are desperately needed.

Today, we are using lessons learned in our more established programs to capitalize on opportunities in other areas within the mission too. Consider our work in the rapidly expanding area of local and regional food systems. The concept behind the “Know Your Farmer, Know Your Food” initiative now includes more women, more people of color, and more veterans.

In Poplarville, Mississippi, Ivory Smith, a veteran of the wars in Iraq and Afghanistan, is trying his hand at hydroponics by growing rainbow radishes and pea shoots.

Funded in part by USDA Rural Development, an “Armed to Farm” workshop helped Ivory learn to better manage the business side of his operation. After shadowing working agribusinesses, he says he now feels more confident about the future of his company, SmithPonics.

I am deeply moved by seeing taxpayer dollars at work 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. Financing businesses like SmithPonics, which helps Ivory put food on the table and contribute to the local economy, is an amazing privilege.

Over the course of the last couple of years, we have chosen to be proactive in identifying and pursuing areas of greatest need in rural America, rather than waiting for those places to find us. We’re doing so through StrikeForce, Promise Zones, Stronger Economies Together and other such initiatives that you are well familiar with. These efforts are just a few of the many reasons that I am so fiercely proud of the 5,000 Rural Development professionals nationwide. Our Agency and its partners are willing to help us move much needed assistance to the places that need it most.

In the time that I’ve been with USDA, I’ve witnessed rural resiliency on a very personal level. I watched the town of Floresville, Texas turn out in force to launch their improved water treatment system. I visited the Peoples Rural Telephone Cooperative in Jackson County, Kentucky which built a state-of-the-art, fiber-to-the-premise network that offers isolated rural residents the same economic, educational and social opportunities available to residents in urban areas. I toured a

condiment manufacturer in Brundidge, Alabama that is expanding its business and market share with support from Rural Development. Each of these investments made in rural communities is an investment in our country's future.

Throughout all of these visits, it was clear to me that giving our rural children a reason not to leave was extremely important to local community leaders, family members and businesses. More importantly, I know it can be done. Jeanne and Dan Carver own and operate Imperial Stock Ranch in Wasco County, Oregon. This family business supplied wool for Ralph Lauren-designed sweaters worn by United States athletes at the Sochi Winter Olympics. Later, they launched a "ranch-to-runway" line of clothing with award-winning fashion designer Anna Cohen. They did all of this nearly three thousand miles removed from the frenetic pace of New York City's fashion district. The Carvers have benefitted from USDA's Value-Added Producer Grant (VAPG) program since 2008, using the funds for planning and capital assistance. In this instance, the VAPG program – one of nearly 50 programs and services administered by Rural Development – is helping breathe life back into the textile industry and creating jobs right here in the United States.

Another critical need for economic growth in rural areas is access to affordable water and wastewater services, electricity and broadband. Once again, Rural Development is working with partners to provide rural areas with these modern day necessities of business.

We provided grants and loans for water and wastewater projects to help safeguard the health of more than 14.5 million rural residents since 2009. To support water utilities and households coping with drought in California, in June 2015, we pledged to provide at least \$7 million to address the drought-related needs of water utilities and households.

Since the creation of the Rural Electrification Administration (REA), we have worked to provide reliable electric infrastructure for rural residents and businesses. Rural Development has funded over \$1.1 billion in smart grid technology during the Obama Administration. A recent loan to Minnesota Valley Electric Cooperative, for example, includes \$1.9 million for smart grid

projects to better manage electric load and equip consumers with information to enhance energy efficiency.

Furthermore, broadband investments help rural communities attract new businesses; allow schools to improve educational opportunities through distance learning; and improve healthcare by providing cost-effective remote diagnosis and care. In many cases, the risks associated with building broadband infrastructure in rural areas can be too cost prohibitive for the private sector. The Federal government plays a necessary role in partnering with local institutions and communities in these instances. USDA works to carefully balance the need to provide broadband service to under- and unserved areas with the risks associated with funding large infrastructure projects in rural areas with low population density. Just as REA brought electricity to rural areas, Rural Development's commitment to bringing high speed internet to rural areas will make businesses more competitive and bring opportunities to rural citizens that have long been afforded to urban citizens.

Under the American Recovery and Reinvestment Act of 2009, Congress gave us the authority to continue to support delivery of broadband to remote and hard-to-serve areas. We are proud to share with you that 244 of the 255 funded projects are complete and are successfully delivering new or improved service to nearly 260,000 rural households, more than 17,000 businesses, and approximately 1,880 schools, libraries and health care facilities. These new projects will continue to attract subscribers as they deliver educational and health care services and strengthen rural economies through connections to the global marketplace. In total, USDA investments in all broadband programs has delivered service to 1.5 million households, businesses, schools, libraries, and community facilities since 2009 while also being good stewards of taxpayer dollars. Rest assured, we are committed to the work that remains to be done. Fewer than 50 percent of those who live in rural areas have access to the same high-speed internet services that those who live in urban areas enjoy. We expect the White House later this month to release a report submitted by USDA and the Department of Commerce on ways to continue to bring broadband to unserved areas. We believe that the Farm Bill Broadband Loan Program will be an important resource in this effort.

A special point of pride for Rural Development is our housing programs. Since 2009, Rural Development has helped more than 900,000 rural families buy, repair or refinance a home and provided funding for 3,000 multi-family housing developments. Access to safe, modest, affordable housing is vitally important to the health and growth of rural areas. Helping to make the American Dream a reality is a tremendous responsibility. I am delighted that through our work Rural Development housing programs are often stepping stones 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.

In this, the 50th year of Rural Development's Mutual Self-Help Housing Program, we also completed 50,000 homes through partnerships and sweat equity. In fact, several Members of Congress and congressional staff participated in self-help builds this year to help us mark this important milestone.

Rural Development is committed to continually testing new ways to address housing needs in rural America. The USDA Energy Efficiency Manufactured Home Pilot Program was introduced this summer in New Hampshire and Vermont. A low income home-buyer interested in purchasing a high-performance modular home and placing it in a mobile home park would be eligible for a 30-year mortgage at a 3.25 percent interest rate. Very low income home buyers may be eligible for an interest subsidy down to 1 percent. The mortgage is the first of its kind for residents of mobile home parks, where home buyers face high interest rates and short loan terms.

The Agency continues to make tremendous gains – and took on a decade of needed upgrades – 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 much more quickly. We estimate a one-year savings of more than \$4.2 million. [See attached infographic]

We are also in the process of modernizing the delivery of the Single Family Housing direct loan program through automation. Beginning fiscal year 2016, the Agency will implement an automated underwriting system nationwide, permit third parties to submit applications electronically, and move from paper-based to electronic customer files. These improvements will provide underwriting consistency nationwide, additional security features, and the ability to seamlessly transfer work when states experience increases in applications.

In other rural areas, we are supporting organizations that are addressing more basic needs and on the front lines of fighting to alleviate poverty. Second Harvest of South Georgia is a non-profit that feeds hungry people in 30 Georgia counties and is the largest in Georgia outside of the Metro Atlanta area. USDA provided funding through a \$5.2 million Community Facilities loan to build a distribution facility in Thomasville. Its commercial kitchen can produce up to 10,000 meals a day for South Georgia residents in need.

I appreciate your continued interest and support of Rural Development programs. When countries cannot make rural infrastructure work, it impedes not only their rural places and people; it holds back the growth of the entire Nation. This is true for industrialized countries like the United States, as well as developing nations like my father's homeland of Ghana. Investments in roads, the electric grid, water systems are what ignite the rural economy. USDA Rural Development and our partners address the unique needs of communities often lacking large populations or other support mechanisms. Rural investments are shared investments for all. Together, we can coordinate and leverage our resources to turn Rural Development's transactional work into transformational work.

I am a passionate advocate for tapping the potential of rural areas so that communities located in every holler, hilltop, plain, and prairie are part of America's story of growth and prosperity. I look forward to working with you in the coming months to ensure continued support for USDA Rural Development.

I appreciate the opportunity to testify before the House Agriculture Committee. At this time, I am happy to answer your questions.

