Written Statement for the Record

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on behalf of the National Association of Counties

For the Hearing
"The Next Farm Bill: Examining Rural Development & Energy Programs"

Before the
U.S. House Committee on Agriculture
Subcommittee on Commodity, Exchanges, Energy, and Credit

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Chairman Scott, Ranking Member Scott and members of the subcommittee, thank you for the opportunity to join you today to discuss the challenges and opportunities counties face in delivering critical programs and services to rural communities and the pivotal role the next Farm Bill will play in helping to address development in rural America.

My name is Bob Fox and I have served on the Board of County Commissioners for Renville County, Minnesota since 2002. I am also here today representing the National Association of Counties (NACo) where I serve on the NACo Board of Directors, the Agriculture and Rural Affairs Policy Steering Committee and Rural Action Caucus. I live on a fourth-generation farm that has been in my family for over 100 years.

Renville County is a very rural county located 90 miles west of Minneapolis with a population of almost 16,000 residents. Renville County has a diverse agricultural economy – producing corn, soybeans, edible beans, peas, sweet corn, and sugar beets. On our southern border we also have the Minnesota River Valley and some of the oldest granite deposits in North America.

Founded in 1935, NACo is the only national organization that represents our nation's 3,069 counties. NACo brings together county officials from across the country to advocate with a collective voice on national policy, exchange ideas and build new leadership skills, pursue transformational county solutions, enrich the public's understanding of county government and exercise exemplary leadership in public service.

ABOUT COUNTIES

As key intergovernmental partners with the states and federal government, counties are responsible for delivering a broad array of programs and services that provide a foundation for prosperous communities with strong and stable economies. To achieve this foundation, counties make significant investments in our nation's essential infrastructure; maintain our nation's justice and public safety system; and invest in community health systems, including hospitals, nursing homes, public health, mental health and substance abuse programs.

Transportation and infrastructure are core public sector responsibilities and the driving force for connecting communities and strengthening our economy. Counties are the single largest stakeholder in our nation's transportation infrastructure system – owning and maintaining over 45 percent of our nation's roads and 40 percent of our nation's bridges. Collectively, counties annually invest over $550 billion in our nation's essential infrastructure including more than $100 billion each year on roads, bridges, transit and water systems.

Counties are also responsible for the health and well-being of our communities. We invest over $83 billion each year to support over 1,900 public health departments, nearly 1,000 county-owned hospitals, 900 nursing homes and 750 behavioral health authorities.

Additionally, counties play a major role in two main areas of justice and public safety: emergency response and preparedness and the criminal justice system. Each year, counties invest almost $93 billion for justice and public safety services including the operation of 3,041 police and sheriff departments and 2,785 jails.[1]

The decisions that county leaders make every day influence both local and national prosperity while shaping how communities grow and contribute to Americans' quality of life.

Today, I would like to discuss some of the primary challenges for counties to fund and finance rural economic development projects and highlight how Congress can help us tackle these challenges. Throughout my testimony today, I will underscore two main points for the committee to consider as you begin work on the next Farm Bill. These points include:

- **Counties play a pivotal role in rural economic development but face increasing challenges to provide critical programs and services to America's families.**

- **The Farm Bill is imperative to ensuring the vitality of our underserved communities, but also positioning rural America to compete in an ever-expanding global economy.**

The Farm Bill is a major priority for all our nation's counties – rural and urban alike. As the governing authority over the U.S. Department of Agriculture, the Farm Bill is critical for counties who are responsible for delivering and administering vital services to many of our nation's underserved families. From clean water and broadband infrastructure to nutrition assistance and energy conservation – the Farm Bill helps all of America's counties provide a strong foundation for a better tomorrow.

While the Farm Bill has an impact on the daily lives of all Americans, it is particularly important for our nation's rural families. Roughly two-thirds of the nation's 3,069 counties are considered rural with a combined population of 60 million. Rural counties are responsible for the vast majority of food, energy, and environmental benefits for the rest of the country. Additionally, rural communities are the source of nearly 90 percent of renewable water resources, and home to important service sector and manufacturing hubs.

COUNTIES PLAY A PIVOTAL ROLE IN RURAL ECONOMIC DEVELOPMENT BUT FACE INCREASING CHALLENGES TO PROVIDE CRITICAL PROGRAMS AND SERVICES TO AMERICA'S FAMILIES

Despite the critical role rural counties play in our nation's economy, too many Americans in rural areas are not sharing in our nation's economic growth.

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[1] http://www.naco.org/counties-matter

To help provide a national perspective on how county economies are faring from year to year, NACo releases County Economies[2], an annual report examining economic recovery and growth patterns across the nation's 3,069 county economies. The report is developed from an analysis of data from Woods and Poole Economics and focuses on the annual changes in four economic performance indicators in each county: economic output (GDP), employment, unemployment rates and home prices.

According to our analysis, Rural America is still feeling the effects of the Great Recession. After a decade, almost a half of small county economies have yet to return to pre-recession jobs levels compared to only 13 percent of large county economies. My own county economy, Renville County, Minnesota, has yet to recover all the jobs lost during the last recession. Like many rural counties around the country, our farm-based economy has suffered a long economic downturn. After nine years of decline, we lost close to 10 percent of the jobs we had in 2002.

Economic growth is also slowing down across rural counties. The overwhelming majority of rural county economies added jobs at a slower pace in 2016 relative to 2015. In my home state of Minnesota, job growth accelerated in only seven percent of county economies last year.

Lastly, Americans are feeling it in their pocketbooks as well. Wages in most rural county economies are growing slower than last year.[3]

Rural counties also face numerous challenges that strain local funding options.

Today, many rural counties are experiencing declining populations due both to aging and out-migration. Ongoing population losses reduce our tax base, which has a direct effect on our ability to fund and finance programs and services within our communities.

Local property taxes remain the major source of revenue for counties. Thus, trends in property values can significantly impact county revenues and expenditures.

Additionally, 42 states impose some type of limitation on counties' ability to increase property taxes, further exacerbating the situation. Only 12 states authorize counties to collect their own local gas taxes, which are limited to a maximum rate in most cases and often require additional citizen and/or state approvals for implementation.

These hurdles significantly impact counties' ability to effectively raise additional revenue to pay for services and infrastructure. Due to these state and local funding constraints, rural counties depend on a strong state and federal partnership to deliver critical investments to help bolster our local and national economy.

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[2] http://www.naco.org/resources/county-economies-2016-widespread-recovery-slower-growth
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Rural counties are also experiencing rising costs of construction projects.

In addition to numerous limitations on local revenue sources, counties are facing rising costs for infrastructure projects. Based on the American Road and Transportation Builders Association's highway construction price index, the cost of construction, materials and labor for highway and bridge projects increased 44 percent between 2000 and 2013, outpacing the 35 percent increase in general inflation.

In my county, we own and maintain 711 road miles and 218 bridges which are critical to not only our local communities, but to our overall economy and our shipment of goods to market. This critical infrastructure has become more expensive to repair and upgrade. Over the next seven years, Renville County has over 50 bridges that will require additional maintenance costing the county an estimated $12 million. Our county requires a ten-ton road system to allow for the five-axel semi-trailer trucks to move crops to market. To support the necessary investments in our ailing infrastructure, in 2012, we made the difficult decision to raise property taxes and to bond for the needed improvements.

Our greatest challenge is ensuring that we can build and maintain a safe, robust and efficient infrastructure system that allows Renville County and Minnesota to remain competitive in an increasingly global marketplace.

The Farm Bill is imperative to ensuring the vitality of our underserved counties, but also positioning rural America to compete in an ever-expanding global economy.

Unfortunately, rural counties today face many challenges that further diminish our ability to deliver critical infrastructure and economic development projects. As we look ahead to the next Farm Bill, it is imperative that we strengthen the U.S. Department of Agriculture's (USDA) Rural Development programs and streamline the application process while providing the flexibility for local governments to leverage funding and financing to fit the unique needs of our nation's rural communities. Therefore, there are three main points I would like to make as the committee develops a comprehensive rural development title as part of the next Farm Bill.

First, the overall USDA Rural Development portfolio of programs should continue to help to ensure the long-term economic competitiveness of our rural counties and the nation at-large. The continued commitment to our nation's rural communities through USDA's Rural Development Programs help strengthen the intergovernmental partnership and our shared goals of promoting economic prosperity and opportunity across the country.

In 2016, USDA's Rural Utility Service (RUS) invested more than $13.9 billion to help counties provide safe water to over 19.5 million residents and brought high-speed broadband internet to over six million new users.[4]

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[4] https://www.rd.usda.gov/files/USDARDProgressReport2016.pdf

Under the Rural Business-Cooperative Service (RBS), USDA created more than 791,000 jobs through rural business grants and loans in 2016. Since FY 2009, RBS has invested more than $11.5 billion – including $1.2 billion in fiscal year 2016 alone – to support rural businesses. The RBS helps provide capital, technical support and educational opportunities to spur growth in the rural workforce.[5]

Programs like the Rural Business Development Grant Program and the Intermediary Relending Program promote rural economic growth by providing grants and competitive direct loans to counties to help start or expand small businesses and business facilities.

USDA's Rural House Service (RHS) helps counties obtain grants, loans and loan guarantees for multi-family housing, child care centers, emergency and first-responders stations, schools and hospitals. Since 2009, RHS has helped approximately 1.2 million rural Americans buy, refinance or repair their homes and invested more than $12 billion in essential community projects.[6]

Second, the Community Facilities Direct Loan and Grant Program – under RHS – should continue to serve as an essential tool for counties to fund and finance critical programs and services to fit the unique needs of rural communities. Through the Community Facilities program, rural counties are provided flexible and affordable funding and financing to help develop essential community facilities. These funds can be used to purchase, construct or improve essential facilities like hospitals, child care, assisted living facilities, courthouses and transitional housing. Additionally, these funds can be used to purchase equipment and pay for related project expenses. This program is relevant to rural communities with less than 20,000 residents per the latest U.S. Census Data.

The Community Facilities Program uses a combination of grants, direct loans and guaranteed loans to help fund and finance critical infrastructure projects in rural counties. Applications for funds are graded on a point system using a combination of population and median household income levels.

For direct loans under the Community Facilities Program, the interest rates are set by USDA Rural Development – typically around 2.3 percent – and remain fixed for the entire term of the loan. Additionally, loan amortization terms must not exceed the "useful life of the facility," the applicant's authority, or 40 years – whichever is less.

Additionally, applicants must be unable to finance the project from their own resources or through commercial credit at reasonable rates and terms. This is an important distinction to make as the Community Facilities Program is oftentimes the only option for rural communities in need of providing critical programs or services that are otherwise out of the fiscal reach of the county.

In 2016 alone, the Community Facilities Program invested approximately $2.5 billion in 1,354 community infrastructure projects to help serve approximately 26.4 million rural residents including

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[5] https://www.rd.usda.gov/files/USDARDProgressReport2016.pdf
[6] https://www.rd.usda.gov/files/USDARDProgressReport2016.pdf

over $875 million in 134 rural health care facilities, and over $862 million for 257 rural education infrastructure projects.

Since 2008, the Community Facilities Program has invested over $648 million in Minnesota to support over 430 essential community facilities serving 1.95 million residents.

In my county, increased demand for outpatient care required more preventative and diagnostic care spaces. Unfortunately, our aging critical access hospital was unable to meet the increasing demands of our county's healthcare needs.

Through the Community Facilities program, in 2015 Renville County was able to build the Renville County Hospital and Clinic Medial Center – a 65,000 square-foot facility which includes 18 exam rooms and a procedure room in the ambulatory clinic; 16 inpatient suites; lab, radiology, therapy, outpatient and specialty clinics; two operating rooms and an educational center. The program provided a direct loan of $18.9 million and a guaranteed loan of $4.7 million to help replace a county-owned critical access hospital.

As a result of this funding, the new facility has driven our physician recruitment efforts over the past three years at Renville County Hospital and Clinic. New physicians are being drawn to work at a state-of-the-art medical center which has been critical in meeting the increasing demands on patient care services.

The USDA Community Facilities Program has helped change our overall outlook on the health of our community and economy. USDA has long been considered a trusted partner to Renville County. This familiarity and willingness to work together served as a catalyst to launch the development of our new Renville County Hospital and Clinics medical center.

Third, the Strategic Economic and Community Development program should remain a priority in the new farm bill for incentivizing regional collaboration. Commonly referred to as the "regional language," Section 6025 of the 2014 Farm Bill created the Strategic Economic and Community Development (SECD) program which allows USDA Rural Development to direct investments towards projects that support strategic economic and community development plans across multi-jurisdictional areas.

Through the new provision, individual projects can receive additional priority funding points by meeting a few criteria that demonstrate its role as part of a larger regional economic development plan. Thus, rural counties are now able to increase the likelihood of funding key economic development projects through regional collaboration.

The SECD Program created a 10 percent set-aside under four Rural Development programs across the entire agency to help support the new provision. These programs included the Community Facilities Program under RHS, the Water and Waste Disposal Program under RUS, and both the Rural Business Development Grants Program, and the Business & Industry Guaranteed Loans Program under RBS.

In 2016, 114 applicants were given the "Regional Development Priority" consideration for a combined total of over $85 million in funding and financing.[7]

Rural counties can no longer plan inside a silo. We must look to our regional partners to identify and leverage our collective assets to ensure the long-term vitality and stability of our local economy. Through the SECD Program, counties are able to invest in local economic development efforts that serve as a foundation for future investments to help better promote our regional assets. This program is a positive step for our nation's rural counties and should continue to be part of the Rural Development title as you begin developing our next Farm Bill.

In closing, counties need a strong federal intergovernmental partner – and a robust Rural Development title in the next Farm Bill – to help deliver critical programs and services to America's rural communities. USDA Rural Development programs – like Community Facilities and the Strategic Economic and Community Development program – help counties make essential investments in rural communities which subsequently strengthen both the local and national economy. Your support for these programs will not only ensure the vitality of our underserved counties, but also position rural America to compete in an ever-expanding global market.

Thank you, Mr. Chairman and members of the Committee for the opportunity to testify today and I look forward to your questions.

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[7] https://www.rd.usda.gov/files/USDARDProgressReport2016.pdf