

**RURAL UTILITIES SERVICE**

**Statement of John Padalino, Administrator  
Before the Subcommittee on Agriculture, Rural Development,  
Food and Drug Administration, and Related Agencies  
Committee on Appropriations, U.S. House of Representatives**

Chairman Aderholt, Ranking Member Farr and members of the Subcommittee, thank you for the opportunity to present the President's 2014 Budget for the Department of Agriculture's (USDA) Rural Utilities Service (RUS). I would also like to thank you and your colleagues for the funding Congress provided to RUS in 2014 so that we can continue to fund utility projects in rural areas nationwide.

A strong rural America builds a growing American economy. USDA's goal to continue to increase economic opportunity and enhance the quality of life in rural communities is especially important given the challenges rural America faces today. These include a net decline in population that is without precedent, stagnant job growth, and high poverty rates.

RUS programs fund basic infrastructure services that provide the foundation for prosperous, sustainable rural economies by delivering reliable, affordable electricity to power our homes, ranches, farms and industries; broadband to expand access to education, healthcare, business and social services in rural areas; and clean, safe water to support healthy rural communities and meet growing needs of rural America. This funding not only improves the quality of life for those who live and work in rural areas, but strengthens rural economies by providing job opportunities.

Today, our rural utilities portfolio of outstanding loans is over \$63 billion, with a delinquency rate of 0.30 percent. RUS-financed projects during FY 2013 provided nearly 8.7 million

consumers with upgraded electric service; over 120,000 rural households, businesses and community institutions with better access to quality telecommunications services; and almost 1.8 million rural residents with improved water and wastewater services necessary for health, safety and sustainable economies.

During FY 2014, the RUS program will continue to invest over \$8 billion in projects to increase rural opportunities, targeting funds to rural areas in need of basic infrastructure improvement. For FY 2015, the President's Budget proposes a total of \$7.3 billion for rural infrastructure projects.

### **Electric Programs**

During 2013, RUS approved 135 loans and loan guarantees for electric infrastructure totaling \$4.9 billion. This funding included over \$1.9 billion for new or improved distribution system facilities, almost \$1.2 billion for transmission facilities, and nearly \$1.2 billion for generation plant upgrades and additions. Generation investments included over \$73 million for a hydroelectric generating plant in Texas and over \$275 million for environmental improvements to existing plants. Electric program loans financed \$151 million in smart grid technology, bringing the total USDA investment for rural areas to over \$548 million since 2010. USDA electric program investments advance the Administration's grid modernization commitment with funding for over 22,561 miles of new and/or improved transmission and distribution facilities. The electric loan portfolio is over \$46 billion.

RUS continued to focus on renewable energy projects. For example, a \$73 million loan to East Texas Electric Cooperative will increase renewable generating capacity to serve rural consumers both in East Texas and northwest Louisiana.

RUS released a final rule that became effective in February 2014, to help rural electric cooperatives fund energy efficiency projects for their business and consumer members. Energy efficiency is an excellent example of how RUS connects investment to economic development

policy. The Energy Efficiency and Loan Conservation Program makes capital available for rural electric cooperatives' energy efficiency programs and is one more tool RUS borrowers can use to support sustainable development. Energy efficiency loans support commercial, industrial and residential improvements to reduce the use of electric power. The benefits of energy efficiency programs include property improvements; lower utility and operating costs for consumers, farms and business; better load management for electric utilities; and more business for rural home improvement suppliers and contractors. The President's budget in 2015 proposes \$5 billion in spending for rural electric infrastructure.

### **Telecommunications Programs**

To meet the goal of increasing economic opportunity in rural America, RUS programs finances rural telecommunications infrastructure. These funds provide for the improvement or extension of telecommunications service, including broadband, in rural areas. RUS telecommunications programs, with a combined loan portfolio of \$4.6 billion, help deliver affordable, reliable advanced telecommunications services to rural communities that are comparable to urban and suburban areas.

RUS has focused on funding broadband through the traditional telecommunications program, the broadband program and the American Recovery and Reinvestment Act of 2009, which obligated \$3.2 billion in funding for broadband projects and has helped extend broadband access in rural areas. As a result of the Recovery Act program, over 56,356 miles of fiber and 1,126 wireless access points have been deployed to serve households, farms and ranches, businesses, and community facilities across rural America. In addition, since 2009, the traditional infrastructure program has provided new or improved service for over 650,000 rural subscribers.

During FY 2013, the Rural Broadband Access Loan and Loan Guarantee Programs funded an Oklahoma project for about \$89 million to build out broadband in rural Oklahoma and Louisiana that will provide new or improved service to over 14,000 subscribers. For FY 2015, the President's budget proposes \$44 million for broadband infrastructure. These funds will provide new or improved broadband service to unserved and underserved rural areas nationwide.

Broadband deployment provides sustainable economic growth. Many rural areas remain unserved because of low population density and high cost associated with difficult terrain. RUS will continue to work to meet the growing infrastructure needs of rural areas.

The Community Connect program during FY 2013 provided over \$20 million in grants to rural communities completely lacking in broadband service, and without resources to fund access to high-speed internet. For FY 2015, the President's budget requests \$20.4 million for the Community Connect program. This funding request is focused on the 25 percent of rural areas that still lack access to high-speed internet service.

During FY 2013, RUS funded over \$196 million in traditional telecommunications infrastructure loans to finance broadband for rural telephone service providers. Many recent loans finance Fiber-to-the-Home projects, which provide voice, high-speed data and video services to subscribers. As the Nation begins to construct a nationwide public safety broadband emergency communications network, rural carriers will play a critical role through the use of RUS funding to build out public safety broadband network facilities to the most needed and underserved areas. For FY 2014, the telecommunications infrastructure budget is \$690 million. For FY 2015, the President's proposed budget is \$690 million in telecommunications infrastructure financing, as well as increased flexibility for borrowers to take advantage of the various financial options at RUS.

Rural areas often lack access to advanced educational and health care services. Technology can deliver advanced placement classes to high school students and expand the quality of health care through telemedicine projects. RUS' Distance Learning and Telemedicine (DLT) program provides funds to expand access to educational and health care services in rural areas. In 2014, DLT funds will improve access to quality health care and educational services in 25 States. Since 2009, RUS has made investments in the DLT program of nearly \$150 million. The President's FY 2015 budget requests \$25 million for DLT projects, which will fund specialized education and medical services in areas that lack access to such investment opportunities..

## **Water and Environmental Programs**

RUS Water and Environmental programs provide the most basic of needs—access to clean, safe water for rural communities of 10,000 or fewer in population.

Since 2009 USDA, RUS Water and Environmental Programs has invested more than \$10 billion in new and improved water and wastewater infrastructure.

During FY 2013, RUS made over \$1.3 billion in direct and guaranteed loans to help rural communities provide new or improved water and waste facilities. These investments will deliver new and improved service to nearly 1.8 million rural residents. Of this funding, \$198 million in regular water and wastewater program loans and grants will develop water and waste systems for 132 projects in persistent poverty communities in 27 States. Over \$66 million will fund 81 projects in disadvantaged areas, including Colonias, Alaskan Native Villages, Native American populations, and communities requiring emergency assistance. In addition, nearly \$35 million funded 55 technical assistance grants for rural water operations.

RUS also continued the build-out of our Recovery Act projects. Over 600 projects have been completed, and all but four of the remaining 198 projects are under construction, under contract, or are soliciting bids.

Over 72 percent of Water and Wastewater Program funding consisted of loans. The program strives to maximize and leverage budget authority while balancing the need and affordability of rural water systems. The total portfolio for RUS Water and Wastewater programs is over \$12 billion. The FY 2014 budget and the 2014 Farm Bill provide \$1.9 billion in water and waste water funding, which will provide improved water and waste services to approximately 2.2 million Americans. For FY2015, the President's budget requests \$1.5 billion for rural water and wastewater projects.

As we consider the best way to deliver our resources to serve the complex needs of rural areas, we will continue to improve delivery of programs needed for a thriving rural America. The

budget proposal includes targeted investments to support long-term job creation and renewed economic expansion, while taking current economic realities into account.

Along with my colleagues from Rural Business and Cooperative Services and Rural Housing Services, I appreciate the opportunity to testify before the Committee on how USDA Rural Development works to support American competitiveness and growth. I am happy to answer your questions at this time.