

**RURAL BUSINESS-COOPERATIVE SERVICE**

**Statement of Lillian Salerno, 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 discuss the Administration's Fiscal Year (FY) 2015 Budget for the U.S. Department of Agriculture's (USDA) Rural Business-Cooperative Service (RBS). I would also like to thank you and your colleagues for the funding Congress provided RBS in 2014 so that we can continue to fund business and energy projects in rural areas nationwide.

As our Nation continues to recover from the largest economic recession since the Great Depression, RBS programs and services, in partnership with other public and private sector funding, are a driving force in improving the lives of rural America. Our programs not only promote rural business employment opportunities, they close the gaps between rural and urban areas. The Administration's FY 2015 \$877.3 million budget request builds on our previous successes. We estimate that this level of support for loans and grants will assist thousands of businesses and create or save over 44,000 jobs. At the same time, we continue to target and leverage resources, and create efficiencies.

In FY 2013, RBS successfully delivered approximately \$1.196 billion in funding to rural America that we estimate helped 17,000 businesses create or save over 44,000 jobs; \$939 million in loan guarantees through our Business and Industry Guaranteed Loan Program; \$100.8 million in Specialty Programs Division loans and grants; \$119.7 million in Energy Division loans, grants, and direct payments; and \$36.5 million in Cooperative Program grants. We will continue to deliver government services that meet the needs of rural communities.

**Administration Priorities**

As outlined in Secretary Vilsack's testimony on March 14, 2014, USDA will continue our leadership role to strengthen the economic development of our Nation's rural communities

through expanding the bioeconomy, creating new market opportunities for biofuels and clean energy, and developing local and regional food systems. In support of the Administration's priorities, RBS remains committed to revitalizing rural communities by expanding economic opportunities, creating jobs, expanding markets for existing rural businesses, and helping develop the next generation of farmers, ranchers, and small business entrepreneurs.

### **Bioeconomy**

Secretary Vilsack is committed to unleashing the full potential of the biobased economy, which will bring jobs to and improve the economy of rural America. RBS is equally committed to growing the bioeconomy in rural areas, supporting both larger scale projects (such as a facility in Nebraska that converts distillers grain into a new biobased product that replaces and/or enhances traditional petrochemical-based resins in various plastics manufacturing processes) and smaller scale projects (such as a planning grant for converting corn and rice waste into fertilizer). Between FY 2009 and FY 2013, our Rural Energy for America Program (REAP) funded 225 biomass projects, totaling over \$113 million in grants and loan guarantees and our Biorefinery Assistance Program currently has five conditional commitments totaling over \$460 million.

### **Local Foods**

Consumer demand for local and regionally-produced food is one of the strongest trends in agriculture in decades. To meet this demand, 5% of RBS funds are set aside to fund these types of projects. No longer just the purview of farmers markets, consumers are able to "buy local" at venues as varied as schools, hospitals, large-scale grocery stores, and restaurants. USDA and RBS continue to work to help farmers, ranchers and small businesses take advantage of this opportunity. RBS has sought to identify projects that create economic opportunities by linking rural entrepreneurs with demand centers in urban and suburban areas. For example, we can support supply-chain industries such as processing or distribution networks that link a rural produce marketing cooperative with an urban food retailer or market where there is a lack of affordable fresh produce. In FY 2013, RBS obligated approximately \$47.4 million across all programs for projects that support local and regional food systems.

### **Healthy Foods Financing Initiative**

The 2015 Budget supports the Healthy Foods Financing Initiative, recently authorized in the 2014 Farm Bill, with a request of \$13 million for loans and grants to support increased access to healthy foods in underserved areas, create and preserve quality jobs, and revitalize low income communities. The initiative will provide financial and technical assistance to support market planning and promotion efforts as well as infrastructure and operational improvements designed to stimulate consumer demand, enhance marketing, expand demand and retail outlets for farm products, and increase the availability of locally and regionally produced foods.

### **Rural Business Programs**

In the face of significant challenges, RBS continues to help rural communities prosper by providing vital funding for loans and grants in rural America that would otherwise not be available. The Business and Industry Guaranteed Loan Program expands economic and trade opportunities for rural businesses, agricultural producers, and other rural residents. With over 3,400 guaranteed loans and nearly \$6.8 billion in our loan portfolio, we maintain our vigilance in providing the best service to rural communities.

### **Guaranteed Business and Industry Loans (B&I)**

Businesses in rural communities require capital to create and maintain jobs. The Administration's budget requests \$30 million in budget authority to support \$590.8 million in loan guarantees for our B&I guaranteed loan program. For FY15 we looked at each of our programs critically to evaluate how they contribute to the ladder of opportunity in rural America, including the opportunities afforded through local and regional foods and the bioeconomy. We also looked at how our programs were able to meet the specific needs of the different regions of the country. When we finished this critical examination and took into consideration constraints on available resources and funding, we developed recommended funding levels for our programs that would have the greatest impact. In some cases, we are requesting higher levels of funding in the past and in other cases, such as for B&I, we are requesting less funding. We estimate that the proposed level of funding will assist 258 businesses in creating or saving over 6,500 jobs in FY 2015. In FY 2013, we obligated 357 loans totaling over \$939 million, resulting in creating or saving an estimated 12,669 jobs.

As an example, Arbor Springs Health and Rehabilitation is a nursing home and rehab facility located in Opelika, Alabama. The previous owners had let the facility deteriorate to the point that it needed to be closed. B&I funds totaling \$7.5 million were used to help the new owner renovate the existing home and add a state-of-the-art rehabilitation center. As a result, 230 existing jobs were saved and 20 jobs were created in Lee County, Alabama, a persistently poor, StrikeForce County.

### **Intermediary Relending Program (IRP)**

The Administration's budget requests approximately \$3 million in budget authority to support \$10 million in loans to intermediaries. We estimate that the proposed level of funding will help businesses create or save over 14,000 jobs over the life of these revolving funds. In FY 2013, IRP made 26 loans, totaling over \$17 million. An example is Justine Petersen Housing & Reinvestment Corporation. The entity has been in operation since 1997, assisting rural small businesses, entrepreneurs and families with financing needs. Owning a Community Development Financial Institution certified by the U.S. Department of Treasury. It has counseled over 20,000 families on credit strategies, assisted 4,300 with home purchases, originated over \$10.7 million in microloans to 2,400 micro-enterprises. It has originated over \$9.6 million in consumer and microloans. The entity has a 95 percent repayment rate with less than a 15 percent delinquency rate.

### **Rural Economic Development Loan and Grant Program (REDL/G)**

The Administration's budget requests approximately \$59 million in loan program level and \$10 million in grants. Since 2010, we have had an increase in demand of nearly 123% on loan funds and nearly 53% increase in the number of projects per year. We anticipate that this will continue to increase in the future and consequently put more demand for the loan portion. Historically, over the past several years, we have only received \$33 million in loan funds. The REDLG programs provide funding to rural projects through local utility organizations. The loan portion of REDLG provides zero interest loans to local utilities, which they, in turn, pass through to local businesses (ultimate recipients) for projects that will create and retain employment in rural areas. The ultimate recipients repay the lending utility directly, who in turn repays the Agency. The grant portion of REDL/G provides grants to local utility

organizations to establish revolving loan programs. The REDL/G program is in fact two separate programs. The RED loans are made to intermediaries to relend to ultimate recipients and upon repayment to the intermediaries, these funds are transmitted back to Rural Development until the loan is repaid. The RED grants are made to intermediaries to establish revolving loan funds. Loans are then made from the revolving loan fund to ultimate recipients for projects that will create or retain rural jobs. The ultimate recipient's loan repayments are retained in the revolving loan fund, which is maintained by the intermediary, to finance other rural economic development projects. In FY 2013, REDLG made 58 loans, totaling over \$49 million, and 39 grants, totaling nearly \$10 million.

One example is Rural Electric Economic Development, Inc. (REED), a nonprofit corporation operated by 21 electric cooperatives. Over the past 16 years, REED has received more than \$14 million in USDA Rural Development Rural Economic Development loans and grants (REDLG) and Intermediary Relending Program (IRP) loans. Of the 245 loans REED has closed, 89% are still in business or 218. However, some of the businesses that are closed had two or even three loans from REED, so with this information being taken into consideration, it is closer to 93% still in business. The 245 loans total \$64.2 million, directly creating and/or saving 6,900 jobs. Without this funding, REED would not exist and small businesses would not have access to much needed financing. REED used its REDLG funds to create a well-capitalized, high performing revolving loan fund. Eighty-seven percent of the funded projects are in communities with populations of 4,000 or less, with ninety-eight percent of the businesses locally owned and operated.

### **Rural Business Investment Program**

The 2015 budget requests \$6 million in budget authority for loan guarantees and grants that support a program level of \$41 million for the Rural Business Investment Program (RBIP). The goal of this program is to increase investments through regional business investments to fund emerging markets in specific rural areas of the country. Through Rural Business Investment Companies licensed by USDA, high growth businesses have access to the type of private investment capital they need to grow their operations in rural America. We estimate this level of funding will create or save 5,000 jobs. This program provides loan guarantees to

establish equity funds to support business development in rural areas. This funding provides additional access to venture capital-type funding. These for-profit investment fund entities use equity raised in capitalizing their funds to make equity investments mostly in small enterprises located in rural areas.

### **Rural Microentrepreneur Assistance Program (RMAP)**

The Administration's budget requests \$3 million in budget authority to support \$25.7 million in loans for this program. RBS estimates that the proposed level of funding will create or save over 3,300 jobs. RMAP, which was authorized in the 2014 Farm Bill, provides capital access, business-based training, and technical assistance to businesses of less than 10 people. RMAP is already showing results. Since 2010, 106 Micro-development Organizations have closed over 700 microloans totaling \$41 million assisting microenterprises to create or save an estimated 3,300 jobs. For instance, California FarmLink received a \$500,000 RMAP loan along with a \$105,000 RMAP technical assistance grant in 2011. Loan funds were used to establish a revolving loan fund targeting the State's small farmers. California FarmLink's revolving loan fund has provided 23 loans to small farmers in a six-county region. The average loan is just under \$15,000 – much smaller than what traditional financial institutions would loan – and over half of these have supported women and minority farmers. These micro-loans, some as low as \$5,000, have helped farmers purchase seeds, plants and equipment, employ workers, market crops, and helped them become more profitable.

### **Energy Programs**

The Administration continues to encourage an “all of the above” strategy that taps into all types of energy resources. RBS continues to be a leader in promoting the creation and expansion of renewable energy projects and jobs in rural areas.

RBS currently administers Farm Bill programs specific to energy that promote a cleaner and more sustainable energy future through investments in advanced biofuels, renewable energy, and energy efficiency. Since 2009, these programs have invested over \$1.58 billion in biorefineries, renewable energy, and energy efficiency systems through grants, loan guarantees, and assistance payments.

The Budget will support renewable energy systems and energy efficiency improvement projects funded through the Rural Energy for America Program. Renewable energy projects are also eligible for funding through our B&I Guaranteed Loan, Value-Added Producer Grant, and Rural Economic Development Loan and Grant programs.

### **Rural Energy for America Program (REAP)**

The Rural Energy for America Program is the agency's most successful and competitive renewable energy program. The 2015 Budget requests \$10 million for loan guarantees and grants to support a program level of \$52.3 million for this program, which we estimate will generate/save 1,113 million kilowatt hours of renewable energy. In FY 2013, REAP mandatory and discretionary funds awarded over \$39.6 million in grants and over \$32.6 million in loan guarantees to fund 1,427 projects in all 50 States and most territories for renewable energy systems, energy efficiency improvements, and feasibility studies. One recent example is DS Cole Growers of Loudon, New Hampshire. DS Cole Growers provides wholesale vegetable plants to nurseries throughout the New England area. The company employs 28 workers at its 150,000 square foot commercial greenhouse. DS Cole Growers wanted to lower its energy expenses and reduce its dependence on natural gas, so the company installed energy curtains in their grow houses. DS Cole Growers received a \$40,318 REAP Energy Efficiency Improvement grant to help offset the cost of purchasing and installing new energy curtains. The company estimates that the project will save the company over 2.2 million British thermal units (Btu) per year, or over \$30,000 in energy expenses over the course of the year.

### **Rural Cooperative Programs**

While we view our business programs as driving forces in the rural economy, cooperatives have long been an important business model and the cornerstone for business development in some rural communities. Cooperatives provide rural residents with job opportunities, enhanced educational and healthcare services, and products to compete in today's economy. These locally created opportunities generate revenues that are recycled back to the community.

### **Appropriate Technology Transfer to Rural America**

The Appropriate Technology Transfer to Rural America (ATTRA), also called the National

Sustainable Agriculture Information Service, provides sustainable agriculture information to those engaged in or serving commercial agriculture, such as farmers, ranchers, extension agents, farm organizations, and farm-based businesses. Work for the ATTRA project takes place in six locations throughout the United States. The ATTRA project is staffed by more than 20 National Center for Appropriate Technology agricultural specialists with diverse backgrounds in livestock, horticulture, soils, organic farming, integrated pest management, farm energy, and other sustainable agriculture specialties. It provides information and other technical assistance to farmers, ranchers, extension agents, educators, and others involved in sustainable agriculture across the United States.

In FY 2015, we are requesting approximately 2.1 million for this program. ATTRA has nationwide reach, and in FY 2015, ATTRA will assist more than 2.2 million agricultural producers in businesses. Also, ATTRA will deliver at least 13,000 research letters, technical publications, electronic media (CDs, DVDs, jump drives), illustrated guides, and other materials at no charge in response to client queries; provide at least two million ATTRA publications, resource lists and other educational resources that are read online or through downloads of HTML and PDF, multimedia presentations, and other educational media from the ATTRA website; along with a host of other technical assistance services for agricultural producers and businesses.

### **Small Socially-Disadvantaged Producer Grants**

The Small Socially-Disadvantaged Producer Grants (SSDPG) program provides grants to cooperatives, groups of cooperatives, and cooperative development centers to provide technical assistance to small socially disadvantaged producers. For FY 2015, the Administration is requesting to maintain the \$3 million in authority as FY 2014.

One example, North Delta Producer Growers Association in Marks, Mississippi, received \$185,000 to provide technical assistance to transfer the management and operation of the Alcorn State University vegetable processing facility to the cooperative. The SSDPG award will assist the cooperative in becoming the owner-operator of the processing facility having a direct impact on 250 vegetable farmers in expanding their marketing opportunities. A



successful venture may serve as a replicable model for other areas in the State.

### **Value-Added Producer Grant Program (VAPG)**

The Value-Added Producer Grant program supports local and regional foods, biobased products, and renewable energy projects. VAPG offers many opportunities to new and socially-disadvantaged producers by helping owners of small and medium-sized family farms sell their products in local and regional food markets. The Administration's Budget requests \$11 million in funding for this program, which we estimate will assist 105 businesses. This level of funding allows RBS to maintain this important program, which encourages producers to refine or enhance their products, increasing their value and their returns to producers. In FY 2013, VAPG made 120 awards for approximately \$18.4 million in 44 States and Puerto Rico. Since FY 2009, RBS has made 615 awards for over \$80 million to support value-added businesses across the country.

### **Southwest Border Regional Commission**

The Southwest Border Regional Commission, SWBRC, helps coordinate Federal efforts to develop the basic building blocks for economic development, such as transportation and basic public infrastructure, job skills training, and business development. The Administration is requesting \$2 million in FY 2015. The funding will be used for necessary administrative expenses of the Southwest Border Regional Commission. This level of funding will help USDA support its strategic goal to assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

### **Rural Business Development Grant Program:**

The Administration proposes \$57.5 million in funding for a new rural business development grant program that would combine the authorities of the following programs:

- Rural Business Enterprise Grants
- Rural Business Opportunity Grants
- Rural Cooperative Development Grants
- Technical Assistance-Only Grants from the Rural Microentrepreneur Assistance Program
- Rural Community Development Initiative Grants

The new program would have a strong emphasis on performance targets and evaluation, and make them evidence based, which would improve efficiency and effective of agency grant making. The Agency would establish minimum community and economic development performance targets and award grants based on the extent to which the applicant can demonstrate the ability of the proposed project to exceed those performance targets on a competitive basis. By structuring the new program using metric-based parameters, all applicants will be able to compete for funding on equal footing. The Agency would establish minimum community and economic development performance targets and award grants based on the extent to which the applicant can demonstrate the ability of the proposed project to exceed those performance targets on a competitive basis.

Combining these grants into a single rural business and cooperative grant program will simplify the communication of program offerings and support a more streamlined application process. Regardless of the funding level, certain costs of administering a program are fixed and USDA must allocate resources accordingly. Consolidation into a single program will reduce the amount of resources needed for preparing programs and allow for greater attention to program delivery, administration and outreach.

Further, by virtue of being a broader, consolidated program, the new program will benefit all constituents by leveraging more effectively the grants to provide greater assistance to rural communities and may be further beneficial to constituents by offering them access to project activities or purposes not currently covered in a program.

### **Conclusion**

Thank you for your support, Mr. Chairman and members of the Subcommittee. The Rural Business-Cooperative Service is committed to promoting economic prosperity in rural communities through improved access to capital and economic development on a regional scale. RBS will continue to achieve this important mission while implementing operational efficiencies that result in successful outcomes for our programs and the people we serve. With your help, we will continue working to bridge the opportunity gap between rural and urban areas. I am available to provide any additional information as requested.