

RURAL UTILITIES SERVICE

Statement of Brandon McBride, Administrator

**Before the subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies**

Chairman Aderholt, Ranking Member Farr and Members of the Subcommittee, thank you for the opportunity to present the President's 2017 budget for the Department of Agriculture (USDA) Rural Utilities Service (RUS). I also want to thank you and your colleagues for the funding Congress provided to RUS so that we can continue to fund utility projects in rural America.

Innovative technologies and modern infrastructure are necessary components of job creation, new market development and the ability to compete in today's economy, while conserving our natural resources and providing a food supply for our Nation and the world. For over 80 years USDA has funded basic infrastructure services that have made a significant difference in the productivity and quality of life in rural America. RUS investments deliver reliable and affordable electricity, faster internet service and clean, safe water to help healthy rural communities grow and prosper in the global marketplace.

Today, our rural utilities portfolio of loans outstanding is nearly \$60 billion. Since 2009, RUS has provided over 5.5 million rural consumers with improved electric service, over 2.8 million rural subscribers with stronger telecommunications services, and over 18 million rural residents with improved water and wastewater services. For 2017, the RUS budget is proposed at \$8.5 billion in program level.

Electric Programs

Since the start of the Obama Administration in 2009, USDA has invested \$34 billion in nearly 1,000 projects to strengthen rural electric infrastructure systems throughout rural America, including more than \$1.2 billion in renewable energy projects that will improve service for 5.5 million rural residents.

The 2017 budget proposes \$6.5 billion for the RUS electric programs and emphasizes projects that support clean energy efforts, building on past investments that will continue to provide reliable electric service to rural consumers.

Among these investments is the most recent loan made from RUS's energy efficiency and conservation loan program—a \$46 million loan to Vermont to help its residents and businesses save money and live more affordably by installing renewable energy systems and making energy efficiency upgrades.

The cost of energy efficiency improvements is a barrier for many business and residential consumers who want to reduce energy consumption. This USDA loan is expected to provide major benefits to rural Vermont residents, businesses, and communities beyond reducing the burden of energy costs. For example, reducing energy costs for farmers and food manufacturers—including family run dairies and maple syrup producers—can help them remain competitive. Cost-effective and high-quality energy efficiency upgrades will enable families and business during Vermont's long heating season to spend less on heating costs.

Telecommunication Programs

RUS Telecommunications Programs has a loan portfolio of over \$4.4 billion to deliver broadband and advanced telecommunications services to rural areas.

Since 2009, USDA has awarded \$6.7 billion for almost 550 projects to improve telecommunications infrastructure in rural communities. This includes \$2.9 billion through the Recovery Act to build out more than 250 successful broadband projects, and \$77.4 million in

Community Connect grants for 74 broadband projects in rural areas that previously did not have broadband service.

Recovery Act projects just completed at the end of FY 2015 are delivering high-speed Internet access to 260,000 rural households, 17,500 businesses and 1,900 community facilities. These projects are already having a positive economic impact in rural areas.

The Highland Telephone Cooperative (HTC) from Sunbright, Tennessee received a Recovery Act broadband award of \$66.5 million, providing an opportunity for the 60-year old company to build a robust broadband network for the Upper Cumberland Plateau.

When HTC received the funding in 2010, Scott County, Tennessee languished at a 21 percent unemployment rate, not unusual for rural areas. By early 2015, that rate had halved. Because of Recovery Act funding, Highland Telephone provided 100 percent of its service area with over 2,700 miles of fiber, delivering high-speed internet that has helped these rural counties become robust community models of technological enfranchisement.

Five years ago in the communities dotting this rural region, lack of broadband access was a barrier to services. Today, 21,000 households benefit from high-speed internet access. Residents can earn degrees online through Roane State Community College. Scott County clinics, among the 770 anchor institutions and businesses with state-of-the-art broadband, can schedule online appointments and digitize health records.

As we considered the best way to position budgetary resources, RUS elected to shift broadband funding to the Community Connect Grant program, which targets resources to some of the neediest rural areas. For FY 2017, the budget shifts \$39.5 million in funding to the Community Connect grant program, tripling grants available for unserved rural areas. These areas are among the least likely to have broadband infrastructure needed for economic and educational development and will help deliver broadband to communities without high-speed internet service.

The Distance Learning and Telemedicine (DLT) Program provides grants for equipment for distance learning and telemedicine services, using broadband networks to increase access to much needed quality educational and health care services in rural areas. For FY 2017, the DLT budget proposes \$35 million for grants to improve access to hundreds of health care and educational facilities nationwide.

The White House in September released a report submitted by USDA and the Department of Commerce on ways to continue to bring broadband to unserved areas. We continue to work with the Broadband Opportunities Council to look for ways to fund broadband through existing programs and to review regulatory barriers to broadband deployment.

Water and Environmental Programs

RUS Water and Environmental funding supports water and wastewater projects serving the most financially needy communities in rural areas. Access to quality water and wastewater service is essential for the health and quality of life for those who live and work in rural areas and supports economic development.

Rural communities continue to address the challenges of aging infrastructure, increased but unfunded environmental mandates, and contaminated or diminishing water sources. As these communities seek to provide safe, reasonably priced water and wastewater services to their residents, access to affordable financing is critical.

Because of RUS funding, Geraldine, Alabama will benefit from a new wastewater system, making the town more attractive to new business. The \$3.4 million in grant and loan assistance for a new sewer system and wastewater treatment plant will resolve environmental and health hazards stemming from aging septic tanks and the lack of a sewer system—a major obstacle in drawing business to this rural area.

For FY 2017, the water and wastewater budget is \$1.2 billion, including \$427 million in grants and \$804 million in direct loans to build or improve water and wastewater facilities. This loan level aligns with grant funding to provide the 70-30, loan-grant split for water and wastewater projects.

The agency continues to focus efforts on areas of high poverty where higher levels of grant funds are required, in addition to increased outreach and technical assistance. In addition, Emergency Community Water Assistance Grants (ECWAG) helped address drought conditions in California and respond to other natural disasters.

Since FY 2015, 53 ECWAG Grants, totaling \$15 million have been awarded for projects in 19 States. Many of these communities are also agricultural communities with significant farm worker populations and high poverty rates.

The President's 2017 budget proposes to provide an additional \$5 million in appropriated funding for ECWAG funding above the \$10.2 million already set aside.

The FY 2017 budget also includes nearly \$14 million for technical assistance and \$13 million for circuit rider funding, critical for supporting small rural water and wastewater systems. This total spending level will allow RUS to continue to maintain its support to the smallest and neediest rural areas, where project costs tend to be proportionately higher than in less remote, somewhat more populated rural communities.

Business Process Update

RUS, along with other Rural Development agencies, continues to work to streamline our processes and automate where we can. Our new RD Apply system, allows borrowers to submit loan requests electronically. This new system allows borrowers access to information 24/7, expediting loan requests and processing, and over time, will replace the paper system, saving paper and benefiting the environment, while increasing efficiency.

Along with my colleagues in the Rural Business and Cooperative Services and Rural Housing Services, I want to thank you for the opportunity to present to the Subcommittee how RUS works to support increased economic opportunities and quality of life in rural areas. I am happy to address your questions at this time.