

**Statement of
Lisa Mensah
Under Secretary for Rural Development
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 fiscal year (FY) 2017 budget for the Department of Agriculture's (USDA) Rural Development mission area. I am accompanied this morning by Mr. Brandon McBride, Mr. Sam Ridders, and Mr. Tony Hernandez, Administrators for Rural Development's Utilities Service, Business and Cooperative Service and Housing Service, respectively. I respectfully ask that their statements be included in the record. Also here with me today is USDA's Budget Officer, Michael Young.

Our fundamental mission is to increase economic opportunity and improve the quality of life for all rural citizens. Rural Development's investments contribute to rural growth and support the needs of the 46 million American citizens that provide the food, fiber, fuel, and durable goods the rest of the Nation, and the world, depend upon.

We are able to conduct this important work strengthening rural America through the authorities provided to USDA by Congress and through this subcommittee's work in the annual appropriations legislation. Additionally, the 2014 Farm Bill renewed our authority to deepen our work on our core programs for rural America. I want to thank the Members of the Subcommittee for your continued commitment to the well-being of rural America and for your support for the investments that Rural Development makes in towns and communities across the country.

Before getting to our FY 2017 budget request, I want to highlight some of the great work that we have done to expand opportunities in rural America creating jobs and providing housing and community facilities. Since 2009, Rural Development has provided grants and loans to help approximately 112,000 rural small businesses grow, creating or saving an estimated 450,000 jobs; invested in more than 6,600 critical community projects including hospitals, libraries, schools, and public safety facilities; supported more than 3,000 multi-family housing developments; and helped more than 1.1 million rural families buy, repair or refinance a home

helping more than 141,000 rural Americans become homeowners in FY 2015 alone.

Rural Development has also invested a total of \$13.3 billion since FY 2009 in new or improved infrastructure in rural areas through 10,623 water projects. These improvements helped nearly 18 million rural residents gain access to clean drinking water and better wastewater disposal. Rural Development staff provided grants and loans for water and wastewater projects to help safeguard the health of approximately 15.7 million rural residents. Modernized electric service was delivered to more than 5.5 million subscribers and over 180,000 miles of electric lines were funded. We invested in new and improved broadband service to nearly 1.5 million rural residents, which expands access to state-of-the-art health care, educational and cultural resources, and provides the opportunity for local businesses to compete in the global economy.

The President's 2017 budget of \$39.4 billion for Rural Development allows us to continue these vital investments. Rural Development has a loan portfolio of more than \$212 billion; during FY 2015 we made loans, loan guarantees and grants of nearly \$30 billion in rural areas throughout the United States and its territories. Rural Development's work is designed to maximize taxpayer dollars, leveraging private sector financing or providing a guarantee to private banks. Recipients contribute their own resources or obtain third-party financing, expanding the level of support we provide to rural communities. During FY 2015, the total Rural Development leverage—our use of non-Federal funds—was \$7.67 billion, or 118 percent of our \$6.5 billion goal. Our efforts to secure non-federal investments in projects helps ensure that our portfolio is well balanced and that we offer a range of financing options to meet a variety of project needs.

The budget will allow Rural Development to continue to invest in rural America.

Rural Business and Cooperative Services—A Force for Rural Jobs and Revitalization

USDA's Rural Business and Cooperative Service (RBS) continues to bring investments and jobs to rural areas. With the FY 2017 budget Rural Development staff's work with banks and other partners should result in 55,000 new/preserved jobs. Renewable energy, regional food systems and the bioeconomy are among the investments the FY 2017 budget request of \$1.2 billion will help continue. Rural renewal benefits not just our rural communities, but grows a stronger economy for the entire country through USDA support.

This budget includes nearly \$76 million for loans and \$15 million in grants to rural small businesses, farmers and ranchers to purchase renewable energy systems and increase energy efficiency through the Rural Energy for America Program (REAP). Expanding investment in renewable energy projects to a total program level of \$91 million will help improve the environment and create jobs, ultimately offering opportunities to enhance prosperity in rural areas. This is in addition to the \$358 million the 2014 Farm Bill provided for this program in FY 2017.

REAP has significantly contributed to doubling the number of farms using renewable energy production in the last five years. REAP provided over \$244 million in FY 2015 to provide 1,945 loans and grants to agricultural producers and rural small businesses to help farmers, ranchers and small businesses save money on their energy bills, cuts carbon pollution, and creates or saves rural jobs.

The Greater Portland Council of Governments, based in Maine, received a \$100,000 REAP grant to establish a program to assist agricultural producers and rural small businesses with evaluating the potential to incorporate renewable energy technologies into their operations. The goal of the project is to reduce and stabilize energy costs for producers and rural small businesses across Maine. Since 2009, RBS renewable energy programs have made 11,649 awards to provide over \$720 million in funding to strengthen rural economies through USDA's business programs.

In FY 2015, RBS successfully delivered approximately \$1.5 billion in funding to rural America that we estimate helped over 12,500 businesses. Since 2009, USDA has helped over 112,000 rural businesses start or expand operations with nearly \$11 billion in investments.

USDA Rural Development partnered with southern lender Community Bank & Trust to help two manufacturing plants in Lenoir, North Carolina, expand operations. Each plant received a \$5 million Business and Industry (B&I) guaranteed loan for working capital and equipment. The two facilities are subsidiaries of Exela Pharma Sciences, which develops and produces specialty ophthalmic pharmaceuticals.

More than 100 people are currently employed at the Exela manufacturing plants in Lenoir. As part of its business expansion, Exela plans to create about 40 more high-quality jobs at the plants, where the average salary is about \$48,000 — well above typical wages for locals. Lenoir is located in Caldwell County, where local economy has suffered ever since the furniture

industry — formerly the major employer in the region — moved manufacturing overseas some years ago. USDA is targeting assistance to the county through its StrikeForce initiative to combat rural poverty.

During FY 2015, RBS provided approximately \$58 million in Cooperative Program grants to support over 4,000 projects in business, agriculture and health care sectors. Since 2009, RBS has helped more than 15,000 farmers, ranchers and businesses through approximately \$224 million in funding.

Today, we are using lessons learned from our lengthy experience in rural America to help communities capitalize on emerging opportunities in the 21st Century economy. Consider our work in the rapidly expanding area of local and regional food systems. In FY 2015, RBS provided \$88 million to assist over 1,400 producers and businesses for local and regional food systems.

For example, Monkeyflower Ranch LLC, in Royal Oaks, California, a first-generation family farm received a \$168,685 working capital Value-Added Producer Grant (VAPG) to expand the local market for its sheep milk yogurt and fresh sheep cheese. The company can now expand production to deliver products to customers across the Bay Area.

Rural Housing Services—Anchoring Communities with Homes and Essential Facilities

Access to safe, modest, affordable housing is vitally important to the health and growth of rural areas. Since 2009, Rural Development has helped more than 1.1 million rural families buy, refinance and maintain homes with \$137.5 million in RHS investments. During FY 2015, our Rural Development housing programs guaranteed \$19.5 billion to help more than 141,300 families with modest incomes buy, finance or repair their homes. These programs mean that low and very low-income borrowers are now 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.

The FY 2017 Rural Housing budget request of \$29 billion will continue to help people in rural America, particularly those in greatest need, put a roof over their heads. The bulk of this budget—\$25 billion—supports private sector lenders in rural America by guaranteeing the

mortgages they make to help moderate income rural Americans become homeowners. The budget requests for single family housing is at the 2016 enacted level and will provide over 166,000 homeownership opportunities.

Another significant part of our housing program provides rental assistance to low-income people who live in USDA-financed multi-family housing. During FY 2015, RHS helped 10,840 families by building and renovating about 450 multi-family housing rural apartment complexes through \$277.2 million in funding.

In FY 2017, Rental Assistance of \$1.4 billion will help create a sustainable program to offer rural residents—most of whom are seniors and disabled tenants with fixed incomes—the security and peace of mind of a safe and affordable place to live. I appreciate the Subcommittee’s assistance in ensuring we have the resources and flexibility in FY 2016 needed to address challenges facing the Rental Assistance Program. Since 2009, this program has invested \$8.7 billion to assist rural families, senior citizens, people with disabilities and farm labors and their families with rental housing.

We have worked hard to address recent challenges of providing sustainable rental assistance to those who rely on this program, and I am optimistic that these efforts and the FY 2017 investment build a stronger program to better serve rural residents.

The FY 2017 budget for Rural Development’s Mutual Self-Help Housing Program, which provides funding for homes through partnerships and sweat equity, is \$18.5 million.

The Rural Housing Service (RHS) continues to make tremendous gains to its systems and processes—and recently took on a decade of needed upgrades. 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 more efficiently, making our programs easier for our customers to use.

We are also modernizing the delivery of the Single Family Housing direct loan program through automation. This year, RHS is implementing an automated underwriting system Nationwide, permitting third parties to submit applications electronically, and moving 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.

During FY 2015, RHS served more than 21 million rural residents through \$1.9 billion in Community Facilities funding to develop essential community services, such as rural hospitals, health care clinics, schools, police and fire stations, food banks and community centers. Since 2009, this program has improved the quality of life for rural residents by investing \$9.6 billion in more than 9,000 community infrastructure projects.

For example, USDA provided Quitman County Board of Education, in Georgia, with a \$99,900 Community Facilities grant to help purchase a mobile video conferencing system that will connect students to resources outside the classroom and enhance their participation in the Science, Technology, Engineering, and Mathematics (STEM) program.

The 2017 budget request of \$2.2 billion for the Community Facilities (CF) Direct Loan program will expand the work of this program and includes funding broadband capability in new infrastructure projects.

The Rural Utilities Service—Investing in Infrastructure for a Modern Rural America

For over 80 years USDA has funded basic infrastructure services, making a significant difference in the quality of life in rural America. Rural Utilities Service (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.

Overcoming geographic and demographic challenges to offer access to robust broadband service is difficult and among the reasons that less than 40 percent of those living in rural communities have high speed internet service. In 2015, RUS awarded \$280 million to improve telecommunications services — including broadband delivery, distance learning and telemedicine systems, expansion of rural 911 systems, and other telecommunications infrastructure — to 95,000 rural borrowers. Since 2009, USDA has awarded \$6.7 billion for almost 550 projects to improve telecommunications infrastructure in rural communities.

The White House in September 2015 released a report submitted by USDA and the Department of Commerce on ways to continue to bring broadband to unserved areas. Work continues on those next steps of getting robust broadband service available to all who live in rural areas. As part of those efforts, many RD programs can be an important resource in this effort.

The 2017 budget shifts broadband funding to the Community Connect grant program, providing \$39.5 million for broadband grants to better target last-mile funds to rural communities that are least likely to have broadband infrastructure needed for economic development. The 2017 budget provides \$1 million for a Connectivity Corps to identify opportunities and map infrastructure in high-need rural areas. Rural Development also invests in Distance Learning and Telemedicine Programs (DLT) to provide innovative breakthroughs and increased medical care access for rural citizens. The budget request of \$35 million will allow us to continue to provide these services.

Since 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.

Florida's Withlacoochee River Electric Cooperative, Inc. received a \$97.8 million loan from USDA to make critical infrastructure improvements and expand the capacity of its electrical grid to keep up with increasing consumer demand for power. Serving customers across 5 counties, Withlacoochee River will use the financing to build or improve 238 miles of transmission line and make system improvements to deliver reliable and affordable electricity. The loan also includes \$850,000 for smart grid projects.

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

As a result of \$1.7 billion in water and wastewater investments during FY 2015, over 2.4 million rural residents today have cleaner, safer water. For FY 2017, the water and wastewater budget is \$1.2 billion. This funding 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 larger rural communities. I had the honor of joining Chairman Aderholt in his district in February to announce a water and waste loan of \$1.9 million and a grant of \$830,000 to provide critical updates to the water and sewer system in Rainsville, Alabama.

Addressing the Challenge of Rural Poverty

Under Secretary Vilsack's leadership, there has been a push to transform rural America from a primarily agri-based economy to one that makes, creates and innovates. A focus on taking advantage of the emerging bioeconomy, including biomanufacturing and advanced biofuels, local and regional food systems, broadband, and telemedicine has not only supported the most productive agricultural sector in the world, but also assisted rural communities to be places where all businesses have prospered and created jobs. I am committed to continue this work of providing increased opportunities to allow everyone to share in the prosperity of the growing economy.

Rural Development plays a key role in USDA's place-based efforts making sure that the programs that help alleviate the impact of poverty are available and accessible even in the poorest and persistently poor areas. Over the course of the last several years, we have been proactive in identifying and assisting areas of greatest need in rural America. Earlier this year, the StrikeForce Initiative added four additional States to include a total of 970 counties, parishes, boroughs, and census areas in 25 States and Puerto Rico. We know that place-based efforts work and we have seen StrikeForce bring economic opportunity directly to rural Americans where they live and help rural communities leverage their assets. In 2015, in StrikeForce target areas, USDA partnered with more than 1,000 organizations to support 56,600 investments that directed more than \$7.5 billion to create jobs, build homes, feed kids, assist farmers and conserve natural resources in some of the Nation's most economically challenged areas. Since the initiative was launched in 2010, USDA has invested more than \$23 billion in high-poverty areas, providing a pathway to success and expanding the middle class.

Mingo County in southwest Appalachian West Virginia grappled with pervasive poverty for decades. Rural Development provided the county with more than \$1.9 million to extend water service to 110 households without access to public water in FY 2015. These critical investments to start and expand public water systems in Mingo County help protect the well-being of residents and preserve the natural resources in this economically distressed region.

Across the country poverty rates are in decline. Still, in 2014, roughly 2.5 million children in rural areas were poor and approximately 1.2 million children lived in rural families with cash incomes below half of the poverty line. Rural and tribal communities face distinct

challenges to combating rural poverty, including limited access to critical services, fewer job prospects, and in some places, relative lack of institutional capacity. The budget requests \$20 million in grants to rural communities to implement two-generation strategies that seek to intentionally align high-quality workforce development programs with high-quality child-focused programs. In addition, the budget requests \$5 million to support data systems alignment across several USDA and HHS programs to gain efficiencies and maximize impact of existing programs.

Throughout my travels to rural communities, it is clear that addressing the challenge of outmigration and giving our rural children opportunities to stay and use their skills to earn a living in their communities was extremely important to local community leaders, family members and businesses. I know this can be done.

Investing in the People to Make Rural Development Investments Possible

All that Rural Development does is possible because of the people who do this work. Every day, 5,000 Rural Development professionals work to help rural business, provide affordable rural housing, and maintain and upgrade infrastructure investments. Because Congress has supported our field based delivery structure, Rural Development has staff in every state to make and service the loans and grants that help our rural communities become stronger and more vibrant.

This work modernizes rural America; it connects citizens to broadband; it builds a cleaner future through renewable power and energy efficiency; it reduces child poverty by investing in businesses; it helps manage the growing healthcare needs of an aging population; and it builds rural places where young people want to stay, start families, build businesses and create futures.

The President's 2017 budget requests \$699 million for the salaries and expenses of USDA Rural Development to support the delivery of the funding, technical assistance and economic development strategies in rural areas. Investment in our people will help continue to provide quality service in both our national office and in the field, where staff are part of our rural communities. New employees will fill mission-critical skill shortages, particularly important since Rural Development's loan portfolio has grown to more than \$212 billion. This

level of funding includes information technology investments for the maintenance of the Comprehensive Loan Program, which safeguards the portfolio from cyber threats and improves management capabilities.

Congress has provided significant resources to make a real impact in rural places. Yet the opportunities and the challenges of rural America make it clear to all of us that taxpayer dollars will continue to deliver stronger economies 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.

Thank you for your continued interest and support of Rural Development programs. Together, we can coordinate and leverage our resources and investments in our country's future and turn Rural Development's transactional work into transformational work.

I appreciate the opportunity to testify before this House Appropriations Subcommittee. At this time, I am happy to answer your questions. Thank you.