

Written testimony of

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On Behalf of

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For

Senator Sherrod Brown's

USDA Rural Development Field Hearing

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OVRDC Written Testimony Regarding USDA Rural Development Impact on Southern Ohio

Introduction

Senator Brown, I want to thank you for this opportunity to provide you with written testimony concerning the United States Department of Agriculture (USDA) Rural Development programs and their impact on rural economic development in southern Ohio. Mr. John W. Hemmings III, Executive Director of Ohio Valley Regional Development Commission (OVRDC) sends his regrets that he is not able to personally provide testimony today at your Field Hearing in Chillicothe, Ohio, but a previous obligation out-of-state has prevented him from participating. My name is Sherrie Lanier, and I am the Development Director at Ohio Valley Regional Development Commission (OVRDC) and will be presenting today on behalf of Mr. Hemmings and OVRDC.

The Ohio Valley Regional Development Commission (OVRDC) is a regional planning and economic development agency which coordinates federal, state, and local resources to encourage development in 12 southern Ohio counties: Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton. OVRDC is a 175 member organization that includes elected officials from various levels of government, private sector representatives, chambers of commerce representatives, human service organization representatives, local planning commission representatives, post-secondary education/labor organization/workforce development board representatives, and minority representatives from each of the twelve member counties.

Established in 1967, the OVRDC serves as a Local Development District for the Appalachian Regional Commission (ARC) and as an Economic Development District for the U.S. Department of Commerce, Economic Development Administration (EDA).

The OVRDC has had a strong and long-standing relationship with the USDA Rural Development Ohio State Office as well as with the Hillsboro and Marietta Field Offices. Coordination with the staff at the State Office and these two Field Offices has been critical to project development in our region. I want to commend State Director Randall Hunt for his leadership at the USDA Rural Development Ohio State Office. His oversight of the USDA Rural Development in Ohio has been instrumental in Ohio being a leader nationwide in Rural Development project activity over the past several years.

I have worked in economic and community development for over 15 years and recently became the Development Director at OVRDC. During my years in public service, I have witnessed the challenges that this rural area of the State of Ohio has endured to promote economic growth and development. Traditionally higher unemployment and poverty rates combined with lower per capita and median household income levels have contributed to a lower tax base in the region. Political subdivisions in the region have difficulty with financing environmental infrastructure (i.e. water and sanitary sewer) for their citizens due to the limited tax base and must depend on state and federal grant and low-interest loan assistance programs to provide adequate environmental infrastructure. In addition, these socio-economic conditions of the region also contribute to a lack of capital and technical assistance available in the region for small business start-up and expansion.

Environmental Infrastructure

USDA Rural Development, in conjunction with the Appalachian Regional Commission (ARC), the Economic Development Administration (EDA), and other state and federal sources, has provided many communities in our region with financial assistance for water and sanitary sewer system

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installations, expansions, and upgrades in the past. This financing has assisted with the development of environmental infrastructure that has rendered economic benefit to both residential and business interests.

Citizens in several communities in our region have benefitted from financing through USDA Rural Development and these other sources. Grants assist the recipient communities by reducing the amount of loan needed, and low-interest loans assist them by reducing the amount of interest to be paid. Therefore, communities are able to reduce the amount of the project cost they must pass on to their citizens in the form of monthly billing, allowing for more discretionary income for the citizens. This discretionary income can then be spent in the local communities thus supporting their economic well-being. Two recent examples of projects that rendered economic benefit to citizens are the Village of Vinton Wastewater Treatment Plant and Sanitary Sewer Collection System, and the Village of Highland Sanitary Sewer Collection System.

In 2004-2005, the Village of Vinton constructed a conventional gravity sewer collection system and a Biolac wastewater treatment plant to serve the Village of Vinton and a portion of Huntington Township in Gallia County, Ohio. The project served 167 customers including 166 residential users and the Vinton Elementary School. Vinton has a median household income of \$25,417 and 67.8% of households are considered low-to-moderate income. The Ohio EPA had ordered the village to construct sanitary sewer facilities to replace the existing inadequate onsite systems. The project eliminated raw wastewater discharges to Raccoon Creek, thus increasing water quality, and alleviated health risks associated with inadequate wastewater treatment systems. The total project cost was \$2,873,900, of which USDA Rural Development provided \$963,000 in grant and \$693,000 in low-interest loan. The \$2,873,900 total project cost was financed with 76% grant funding and only 24% loan, which allowed the Village of Vinton to keep monthly rates to its customers at an affordable amount.

In 2007-2008, the Village of Highland constructed a conventional gravity sewer collection system in the Village of Highland and a portion of Fairfield Township in Highland County, Ohio. The project served approximately 113 residential customers and 5 businesses. According to an income survey completed in June 2004, 78.8% of households are considered low-to-moderate income and the Village of Highland has a per capita income of \$14,005 compared to the State of Ohio average per capita income of \$21,003. The collected wastewater is pumped to the Village of Leesburg for treatment. The Village of Highland severely needed a sanitary sewer system because of problems with existing onsite treatment systems. In 2001, the Ohio EPA issued a Notice of Violation to the Village of Highland ordering the village to remedy the situation. Highland residents previously relied upon individual on-site systems to treat their sewage. The majority of those on-site systems were inadequate with many failing and in poor overall condition. A significant number of systems discharged raw or partially treated wastewater to the village's storm sewers. The total project cost was \$2,042,379, of which USDA Rural Development provided \$356,952 in grant and \$535,428 in low-interest loan. The \$2,042,379 total project cost was financed with 73% grant and 27% loan, which allowed the Village of Highland to keep monthly rates to its customers at an affordable amount.

Business and industry development in our region has also benefitted from the availability of these environmental infrastructure financing sources. In order to support business expansion and job

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creation, communities are often required to upgrade their environmental infrastructure to meet the needs of new and expanding businesses. Sometimes, upgrades to environmental infrastructure are needed just to support existing industry in retaining jobs in the local community. The USDA Rural Development Water and Waste Disposal Loans and Grants program, along with ARC, EDA, and other programs, have been instrumental in supporting private sector job creation and retention in the region. A few examples of recent environmental infrastructure projects that had job creation and/or retention impact are the City of Jackson Wastewater Treatment Plant and the Fayette County Madison Mills Waterline Extension.

In 2005, the City of Jackson (Jackson County) started work on the expansion of its wastewater treatment plant to increase the ability of the process to treat food and solids received from their food processing industry. The treatment plant, at that time, was not adequate to treat the increased flows received. Luigino's Inc., a food processing facility in Jackson, was expanding, thus resulting in the increase of wastewater flows received at the treatment plant beyond the volume that the plant could handle. The project involved upgrades at the wastewater treatment plant including the addition of a membrane bioreactor plant, new final clarifier, and new chlorine contact tank. The project also included improvements to the wastewater collection system in the city to reduce the amount of storm water infiltrating the system. Due to this project, Luigino's created 400 new jobs, was able to retain over 1,000 existing jobs, and invested \$46 million in new facilities in Jackson. The total project cost was \$10,508,000.

In 2007, Fayette County extended waterline to serve the Cargill, Inc. dry mill ethanol manufacturing plant that was under construction near the Village of Bloomingburg. The operation of the 100 million gallon per year facility has a daily water requirement of between approximately 0.8 and 1.50 million gallons per day (MGD). There was no public water supply system capable of producing enough water to meet this demand and on-site exploration by the developer for an adequate water supply had not yielded sufficient quantities to satisfy all of their needs. In order to facilitate the development, Fayette County proposed to supplement Cargill's on-site supply with water from a public supply system. The project consisted of the construction of a new water supply, treatment and distribution system, including the construction of a well field capable of producing 2-3 MGD, construction of a water treatment plant capable of treating approximately 1.50 MGD, construction of a distribution system to service the proposed ethanol plant, and an above ground storage tank to provide water needs and fire suppression capabilities. The project insured the construction of the Cargill dry mill ethanol manufacturing plant in Fayette County with an approximate private investment of \$135 million and the creation of approximately sixty (60) jobs, most of which require high technical skills and pay a good wage. The total project cost for this water line was \$8,000,000.

The future rural economic development needs in southern Ohio associated with environmental infrastructure include: 1) the repair and replacement of the aging infrastructure in our major cities and villages; and 2) the expansion of infrastructure to areas currently not served and facing environmental health issues due to the lack of appropriate infrastructure. As I stated earlier, due to a limited tax base, local communities in southern Ohio are dependent on assistance such as that available through Rural Development in order to implement needed environmental infrastructure improvements. Without financing made available through the USDA Rural Development through its Water and Waste Disposal Loans and Grants program, future environmental infrastructure needs will not be met, thus impacting economic growth and development in the region. An excellent

example of the future need to repair and replace aging infrastructure in our region is the City of Hillsboro.

The City of Hillsboro is currently pursuing financing to upgrade and expand its wastewater treatment plant and to eliminate a sanitary sewer by-pass at the treatment plant as mandated by the Ohio EPA. The wastewater treatment plant must be in compliance with the Ohio EPA to continue to provide service to the businesses and residents of Hillsboro. The treatment plant currently serves 11 industries that employ over 1,800 people, and serves over 2,800 households. The treatment plant currently has a sanitary sewer by-pass system that provides minimum treatment to sewage that is diverted from the main treatment facility during peak flows. The project will eliminate this by-pass by increasing the shortage capacity and the treatment ability of the plant to 6 million gallons per day (MGD). In order to continue to provide services for residents and industries in Hillsboro, the treatment plant must be upgraded and expanded. Hillsboro residents and 1,800 jobs are dependent on it. The total project cost is estimated at \$17,330,000. Funding opportunities such as USDA Rural Development's Water and Waste Disposal Loans and Grants program will be critical to keeping cost down for the citizens and businesses in Hillsboro. This is especially critical due to the expected closure of the nearby DHL facility, a major area employer.

Available Capital and Technical Assistance for Businesses and Entrepreneurs

USDA Rural Development's Intermediary Relending Program (IRP) and Rural Business Enterprise Grant (RBEG), along with other "gap" financing resources such as OVRDC's Revolving Loan Funds, have provided financing for small business start-ups and expansion in our region for many years. These programs have been vital to efforts in the region to assist private business with the creation and retention of jobs. Some examples of successful IRP and RBEG programs in our region are the Southern Ohio Growth Partnership and the Ohio Rural Partners.

The Southern Ohio Growth Partnership (SOGP) in Portsmouth, Ohio administers one of the most successful Intermediary Relending Programs in the State of Ohio. SOGP has been funded by USDA Rural Development for a total amount of \$5.0 million. More importantly, SOGP has been able to loan \$7.2 million from these funds because of the repayment stream.

The Ohio Rural Partners (ORP) is a non-profit 501 (c) (3) organization located in Reynoldsburg, Ohio. ORP is working cooperatively with other entities to strengthen Ohio's Appalachia region. ORP, working in conjunction with the Ohio Valley Regional Development Commission (OVRDC), has recently established a \$100,000 loan fund with funds from the USDA Rural Development, Rural Business Enterprise Grant (\$80,000) and from the Ohio Department of Agriculture (\$20,000). Eligible private for-profit businesses located in a 21 county area – Adams, Athens, Belmont, Columbiana, Coshocton, Gallia, Guernsey, Harrison, Hocking, Jackson, Jefferson, Lawrence, Meigs, Monroe, Morgan, Noble, Perry, Pike, Scioto, Vinton, and Washington – can apply for a loan up to \$40,000 or one-half of their project cost through this new loan fund.

In addition, USDA Rural Development's Rural Business Opportunity Grant (RBOG) and Rural Community Development Initiative (RCDI) have provided OVRDC with financing to provide technical assistance to small businesses and entrepreneurs.

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In 2007, OVRDC received a \$37,500 grant from USDA Rural Development through its Rural Business Opportunity (RBOG) program to undertake a marketing and feasibility study for the hardwood lumber industry in a 5-county (Adams, Gallia, Jackson, Pike, and Scioto) target area in southern Ohio. The primary purpose of the study is to determine the feasibility and the market demand for undertaking the construction of a hardwood lumber drying kiln for potential use by several lumber companies in the area. This study will also include recommendations for a site for such a facility, as well as preliminary designs and cost estimates for the facility. At the end of this study, OVRDC staff will utilize the study and design information to begin the process of identifying funding sources and resources for the construction of the kiln.

Just recently, OVRDC received a \$108,000 grant from USDA Rural Development through its Rural Community Development Initiative (RCDI) grant program to provide training and technical assistance in several small communities in four economically distressed counties (Gallia, Jackson, Pike, and Vinton) in southern Ohio. This assistance will focus on the overall goal of building and developing the capacity of key local staff, officials, and communities to provide entrepreneurial development assistance to new and existing small businesses in these communities.

According to the Ohio Department of Development, entrepreneurship and small business development are likely to be the economic drivers for southern Ohio in immediate and long-term future. The continuation of access to affordable capital resources and technical assistance in the region will be critical to this development in our area.

Concluding Comments

Again, I appreciate the opportunity to provide this written testimony regarding USDA Rural Development programs and their impact on their past, present, and future economic development in the rural OVRDC region.

If OVRDC can be of any further assistance to Senator Brown on other economic and community development issues in southern Ohio, please contact us.

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