

RURAL UTILITIES SERVICE

Statement of Chris McLean, Acting Administrator

Before the Senate Committee on Agriculture, Nutrition and Forestry

September 28, 2017

Chairman Roberts, Ranking Member Stabenow and Members of the Committee, thank you for the opportunity to testify on The Department of Agriculture (USDA) Rural Utilities Service (RUS) programs. I also want to thank you and your colleagues for the support Congress has provided to RUS so that we can continue to fund rural electric, telecommunications and water and waste projects serving rural America.

The recent storms this season have reminded us how important basic electric, telecommunications and water infrastructure are to the quality of our lives. The heroic response to utility restoration and recovery with utilities from many states sending crews to help demonstrates the true spirit of rural America and the long term success of the public private partnership this Committee and USDA have nurtured over the years.

Support for infrastructure in rural areas is essential for job creation, economic development and reliable, affordable utilities service. Rural communities' ability to offer affordable, reliable water and waste water, electricity and telecommunications systems support sustainable economies and strengthen our ability to provide a food supply for our nation and the world. USDA funding for basic infrastructure services has 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. Our annual obligations are approximately \$5.9 billion, in electric, telecommunications, water and sewer infrastructure. Our utilities partners provide affordable services to rural business and residential consumers nationwide.

Electric Programs

RUS funding helps strengthen rural electric infrastructure systems throughout rural America. The electric grid is changing. New investments are needed to replace aging plants, to incorporate renewable energy, to add smart grid technologies to increase system efficiency, and to protect and harden the grid to natural and man-made disasters. RUS investments finance every element of the power delivery from upgrades in transmission, the addition of emissions controls, and energy efficiency improvements within the home. RUS expects to obligate over \$4 billion for rural electric infrastructure spending during FY 2017 to provide reliable electric service to rural consumers.

We are also seeing growing interest among rural electric cooperatives in providing broadband services to their customers. Michigan's Midwest Energy and Communication, for example has built over 2,000 miles of broadband infrastructure to meet member needs. In Iowa, Maquoketa Valley Electric Cooperative is providing robust broadband—50 Mbps upload and 50 Mbps download speeds—for their members.

Telecommunication Programs

RUS Telecommunications Programs finances broadband and advanced telecommunications services in rural areas. From what we have learned as we have traveled across the country listening to our stakeholders, and heard directly from our dedicated USDA employees who are working every day in rural America, we have found that too many rural citizens, businesses and farms lack access to robust, modern, reliable broadband. During FY 2017, RUS approved \$25 million in Farm Bill broadband projects and expects to obligate over \$427 million to upgrade rural telecommunications infrastructure, including improved broadband service, to those who live and work in rural communities.

RUS also provides Community Connect grants, which funds broadband in rural areas that currently lack any broadband service, and Distance Learning and Telemedicine grants to fund equipment that increases access to health care and educational services with broadband infrastructure. RUS obligated \$24 million for Distance Learning and Telemedicine (DLT) projects during FY 2017.

In South Dakota, where over 40 percent of the population lives in rural areas, Horizon Health Care—with a network that covers over one-third of the state—has used four RUS loans to provide mental health care to those lacking access to specialized medical facilities.

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.

Most rural communities that receive funding from RUS' Water and Environmental Programs could not afford financing from a commercial lender. A great example of how water and wastewater investments benefit rural communities is the Sugar Beet Row subdivision, a small community just outside Whitehall, Montana. Their sewer system was past the point of failure. Collapse of the infrastructure led to untreated sewage draining directly into nearby Big Pipestone Creek, causing environmental and health hazards for the families not just in that community, but those downstream. Jefferson County used USDA Rural Development's Water and Waste Disposal Loans and Grants program to rehabilitate the Sugar Beet Row collection main by re-lining the existing pipe, and connecting to Whitehall's municipal sewer collection and treatment system. As a result, the subdivision has a working sewer system that is no longer a health or environmental hazard for both the community and their downstream neighbors.

For FY 2017, the water and wastewater program expects to use over \$1.7 billion to build or improve water and wastewater facilities.

Business Process Update

RUS and our fellow Rural Development agencies, continue 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 expedites loan processing, and increases efficiency. We continue to work on making our loan processes customer friendly and flexible for our borrowers.

Along with my colleagues in the Rural Business and Cooperative Services and Rural Housing Services, I want to thank you for the opportunity to discuss 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.