

**Testimony of
Bette Brand, Administrator for Rural Business-Cooperative Service,
Bruce Lammers, Administrator for Rural Housing Service, and
Chad Rupe, Administrator for Rural Utilities Service**

**U.S. Department of Agriculture
Before the
U.S. Senate Committee on Agriculture, Nutrition, and Forestry**

**Implementation of the 2018 Farm Bill: Rural Development and Energy Programs
November 7, 2019**

Chairman Roberts, Ranking Member Stabenow, and distinguished members of the Committee, we are honored to be here with you this morning to share USDA Rural Development's efforts regarding the implementation of the 2018 Farm Bill. Together, we represent the three different agencies that make up Rural Development – Rural Housing Service, Rural Utilities Service, and Rural Business-Cooperative Service.

Rural Development's mission is to increase economic opportunity and improve the quality of life for rural citizens. Together, we manage a loan portfolio of more than \$225 billion and our investments support rural residents looking for affordable safe housing, municipalities seeking water infrastructure and community facilities, and small rural businesses, cooperatives, and agricultural producers looking to expand into new markets. We are also a vital source of financing for rural broadband and electric infrastructure.

Rural Development is exclusively focused on serving the needs of rural areas and is unique because we partner with local leaders and provide loans, grants, and other tools and resources to ensure rural families, business, and communities have the help they need to prosper, today and in the future.

In 2018, Rural Development invested \$3.4 billion in distressed communities which is an increase of \$270 million from 2017. We also built 14,500 miles of electric transmission and distribution lines to benefit more than 7 million rural customers. We partnered with cooperatives and communities to deliver rural broadband service to 45,000 homes and businesses, and we provided new or improved water and wastewater services to nearly 3 million rural Americans.

The 2018 Farm Bill reauthorizes Rural Development programs vital to helping rural communities build stronger economies, create jobs, and improve the quality of life for their residents. We have successfully started to implement provisions such as the new loan/grant option within the Rural Broadband Program, improving access to credit for rural communities by increasing the population limits for the Community Facilities and Water and Waste Disposal Programs, and implementing the Local Agriculture Markets Program (LAMP).

Rural Utilities Service

The Rural Utilities Service (RUS) provides much needed financing for infrastructure and improvements to existing infrastructure in rural communities. RUS oversees Water and Environmental Programs, Electric Programs, and Telecommunications Programs. We use a combination of loans and grants as a funding mechanism to help communities improve the quality of life for rural Americans.

The 2018 Farm Bill made significant improvements to all three RUS program areas. It is important to note that more than half of all rule changes in the 2018 Farm Bill show up in the Rural Development Title with most of those rules in RUS.

Our staff has been working with the National Telecommunications and Information Administration (NTIA) and the Federal Communications Commission (FCC) to bring reliable broadband to America's rural communities. We believe reliable broadband is critical for improving the quality life and economic development opportunities in rural America.

In the 2018 Farm Bill, Congress made substantial upgrades to the Rural Broadband Program. The Farm Bill authorized \$350 million in broadband-related funding over five years and sets forth plans for the expansion of high-speed internet access to rural, unserved areas. The Rural Broadband Program now includes grants, loan guarantees, and payment assistance for applicants. We expect an updated rule to be published in winter 2019.

Although not a Farm Bill program, the highly-anticipated first round of Broadband ReConnect Pilot Program applications are now being awarded. ReConnect enables the federal government to partner with the private sector and rural counties to build modern broadband infrastructure in areas with insufficient internet service. These projects are bringing high-speed, reliable, internet service directly to rural residents and critical community facilities. These facilities range from hospitals, schools, libraries, businesses and farms. At USDA, we believe high-speed, reliable internet in the 21st century is just as important to rural America as bringing electricity was in the 20th century. Using both ReConnect and the Rural Broadband program,

we can serve more Americans in rural communities by ensuring they have affordable options for consistent broadband connections.

We have been working closely with the FCC, NTIA, and other federal agencies to coordinate our broadband mapping and other policies. We are analyzing how to best coordinate federally backed broadband programs and activities to promote and support the long-term viability and sustainability of rural broadband infrastructure. In addition, USDA and NTIA serve on the Executive Leadership team of the American Broadband Initiative, the Administration's signature strategy to stimulate increased private investment in broadband infrastructure and services to fill broadband connectivity gaps in America.

In our Water and Environmental Program, we increased the population eligibility from 10,000 to 50,000 in our guaranteed program for Fiscal Year 2020. We will prioritize funds for projects in rural areas of 10,000 or less to ensure that the neediest communities are served. The Farm Bill also made changes to our Rural Energy Savings Program (RESP) to improve the application process and help rural families and small businesses utilize cost-effective, energy efficient measures. We plan to publish a final rule in winter 2020.

Section 6501 of the Farm Bill required a Memorandum of Understanding (MOU) with the Department of Energy (DOE) to allow DOE to provide technical assistance on electric loans financed by RUS. Areas of collaboration include: expanding energy-related technologies, encouraging additional investment in rural America, and supporting cybersecurity initiatives and grid security.

Rural Housing Service

The Rural Housing Service (RHS) offers a variety of programs to build or improve housing and essential community facilities in rural areas. We work with our partners to ensure that rural America continues to be a great place to live, work, and raise a family. The 2018 Farm Bill had several provisions impacting RHS and expanding eligibility for our programs.

The Community Facilities Guaranteed and Direct Programs provide long-term low-interest financing to governments and non-profits in rural areas that have a population of 20,000 or less. These programs can be used to finance healthcare, education, and public service projects. Funds may be used to construct, enlarge, or improve facilities. A rule published in the Federal Register on October 4, provides communities with a population of up to 50,000 the opportunity to apply for the Community Facilities Guaranteed Loan Program. This change in eligibility will allow many more communities to apply for these financing opportunities.

Our Community Facilities programs are also used to provide critical financing to communities that are dealing with substance misuse and other mental health challenges. Section 6101 directs RD to give priority to entities who are applying to use our funds for these purposes. In Fiscal Year 2019, we obligated 47 projects for over \$43 million in opioid-related obligations, and we are looking to increase our investment in Fiscal Year 2020.

We are also working to publish the OneRD Guaranteed rule which is an opportunity for the Rural Development to implement key provisions of the Farm Bill. The OneRD rule will allow us to provide better customer service to our lending partners so that together, we can provide critical access to capital in rural areas. The OneRD rule codifies the changes in the eligibility requirements for several programs by increasing the population limit to 50,000.

Another provision that we are working to implement is partnering with Housing and Urban Development on income verification for rental assistance. The 2018 Farm Bill gave USDA permanent authority to access the data from the National Database of New Hires, and we estimate that it will reduce overpayment of rental assistance. The technology matching agreements are still being developed and coordinated, and we anticipate full implementation by Fiscal Year 2020.

We also know that rural hospitals are struggling across America and they have increasing debt. Section 6103 of the Farm Bill allows refinancing of certain rural hospital debt if it will meaningfully improve the financial position of the hospital. This allows hospitals financed by the Rural Housing Service, as well as hospitals that are not in our portfolio, to refinance existing debt and help keep their doors open. We plan to publish a final rule next spring to fully implement this provision.

Rural Business-Cooperative Service

The Rural Business-Cooperative Service (RBCS) helps provide the capital and support for training, education, and development of entrepreneurial skills that can help those living in rural areas start and grow businesses. Whether it is through our Business programs, which provide much needed financial support to rural areas in partnership with private-sector lenders or community-based organizations, we are making investments in the businesses that help our rural communities grow.

The Farm Bill made changes to the Bioenergy Program for Advanced Biofuels, Renewable Chemical and Biobased Product Manufacturing Assistance Program, and the Rural Energy for America Program (REAP). RBCS expects to publish the rule implementing these changes in Fiscal Year 2020.

We have also coordinated with the Agriculture Marketing Service on the implementation of Farm Bill provisions creating the Local Agriculture Markets Program (LAMP). This program combines and streamlines three existing local and regional food system programs into one and establishes a permanent funding stream. RBCS will continue to administer the Value-Added Producer Grant program under LAMP. This program has an important role in generating new products, creating and expanding marketing opportunities, and increasing producer income. We expect to publish the rule implementing these changes in summer 2020.

The Rural Business Development Grant program was reauthorized by the Farm Bill and continues to allow us to support targeted technical assistance, training, and other activities leading to the development or expansion of small and emerging private businesses. These

businesses must be in rural areas, have fewer than 50 employees, and less than \$1 million in annual gross revenue. The Farm Bill also reauthorized the Rural Economic Development Loan and Grant program, which provides funding to rural projects through local utility organizations.

Finally, the Agriculture Innovation Center Program was reauthorized in the 2018 Farm Bill. We published the Notice of Funding Availability for \$3.5 million on October 16, 2019.

Rural Development has been working effectively and efficiently to implement the 2018 Farm Bill. As the Administrators overseeing these programs, we will continue to work with Members of the Committee to address the unique needs of rural America. We thank you for inviting us before the Committee to share the important work that we do. We appreciate your continued interest and support of Rural Development programs because when rural America thrives, all America thrives.