

RURAL DEVELOPMENT
Statement of Jonathan Adelstein, Administrator, Rural Utilities Service
United States Department of Agriculture
Before the Subcommittee on Agriculture, Rural Development, Food and Drug
Administration, and Related Agencies

Thank you, Chairman Kingston, Ranking Member Farr, and Members of the House Agriculture Appropriations Subcommittee. I appreciate the opportunity to appear before this subcommittee about the Rural Utilities Service (RUS) and its vision for serving rural Americans in the coming years.

Overview

RUS is uniquely positioned to play a strong role in our country's effort to win the future by out-educating, out-innovating, and out-building our global competition. Our mission is to provide sustainable long term investment through loans and grants to fund rural utilities projects. These cover front line energy investments such as grid modernization, environmental upgrades, energy efficiency, smart grid technology, demand management; investments in clean, safe drinking water and sanitary systems; and investments in telecommunications, including rural broadband access.

Rural Development infrastructure projects facilitate economic development, foster sustainable job creation and revitalize rural areas. These investments enhance community resources, including education, which will equip a greater share of young people and adults with high-

demand skills and education for emerging industries. For example, broadband networks expand educational and job training opportunities that provide rural Americans with the skills necessary to compete in the global economy. We also encourage American innovation through investments in the job-creating industries of tomorrow such as domestically-produced alternative and renewable energy. RUS investments help rebuild America's infrastructure so that U.S. companies can market their products and ideas from every corner in America to anywhere in the world, which is essential to rural economic development and American economic growth.

Whether funding renewable energy or smart grid projects, delivering broadband to unserved and underserved communities, or improving local water and waste systems, RUS programs allow communities to invest in the services needed to build sustainable economies.

America's rural communities are on the forefront of the renewable energy movement. By increasing the national supply of home-grown American renewable energy, we can reduce our reliance on foreign energy. RUS is proud to help rural areas continue their leadership in this arena by supporting additional investments in the development of domestic generation and transmission of renewable energy. These efforts will help position rural America to produce more renewable power than ever before and create thousands of new jobs across the country.

Modern telecommunications technology is vital for the expansion of business, education, and health care opportunities in rural areas, and it also enhances the competitiveness of the Nation's small towns and rural communities. Rural broadband networks create jobs and economic opportunity. Broadband availability allows business owners to expand their distribution

channels and enables a new generation of entrepreneurs to thrive in rural areas. America's farmers and ranchers can use broadband to monitor commodity prices, obtain weather forecasts, buy and sell commodity futures, and find new markets for their produce and livestock. We live and work within an economy that is both global and digital, and in order for the benefits of broadband to be fully realized, we need the participation of all Americans – no matter where they live.

Reliable access to water is the foundation on which rural communities are built and prosper. With reliable water and waste infrastructure, the establishment of core community services is made possible, supporting existing residents and attracting new economic development. Access to reliable sources of water is a critical factor for many local businesses, manufacturers and producers when determining their costs and where to locate. RUS investments in the repair and reconstruction of rural water and wastewater infrastructure help ensure that rural residents have affordable, clean water and adequate systems for handling waste. Our water programs safeguard the health of rural residents and the environment, and they ensure that rural water systems can reliably meet 21st century demands. Facilitating reliable and affordable access to water is a necessary underpinning for business development in rural America that helps create jobs, and strengthens our Nation's economy and our ability to compete in the global marketplace.

The current budget environment demands that the RUS continues to focus on maximizing the impact of our public dollars. The Administration has proposed a budget for RUS that would allow the agency to invest wisely, efficiently and effectively in rural America. By carefully leveraging our programs – with a keen eye on the soundness of our agency's portfolio – the RUS

will be able to contribute to USDA Secretary Tom Vilsack's goal of rebuilding and revitalizing rural America.

The President's budget requests an investment of just over \$8 billion, leveraging \$537 million of budget authority to fund electric, telecommunications and water and wastewater programs in rural areas. By stretching each tax payer dollar into nearly \$16 dollars of investment, this proposed budget recognizes the need for infrastructure modernization throughout the country. We use the term "investment" because the capital provided for loans, for the most part, is repaid. The Rural Utilities Service portfolio is over \$56 billion and the current delinquency rate is 0.22 percent. We are very proud of our customers' repayment history.

Electric Funding

The President's budget requests \$6.1 billion in funding for direct loans for rural electric utilities. No budget authority is necessary to deliver this level of assistance; accordingly this investment in rural infrastructure can be accommodated at no cost to taxpayers. These funds will be utilized for distribution, transmission and generation facilities. The budget provides for the construction, acquisition, or improvement of renewable energy plants and fossil fueled plants with carbon capture sequestration systems. Generation facilities financed can include fossil fuel technology that operates in conjunction with intermittent sources of renewable energy. The budget will also finance environmental upgrades, energy efficiency, smart grid, and demand management. No funding is requested for the High Energy Cost Grant program.

The demand for electricity in rural areas is growing at 2 percent annually. Prior to the recession, demand was growing at 4 percent annually. We must be ready to meet the growth in demand that is sure to come with the recovery of the economy. Meeting the growth in demand for electric power generation is capital intensive and takes time from concept to completion. RUS will continue to work to ensure that our projects are good for the environment, good for the economy, and good for electric consumers.

Telecommunications Funding

The budget supports \$690 million in direct loans for the Telecommunications Infrastructure Loan Program that is sufficient to meet rural telecommunications demands, based on estimates made at the time the budget was developed. This USDA program is the only Federal program that offers telecommunications loans to rural areas.

The broadband program, created under the 2002 Farm Bill and revised by the 2008 Farm Bill, has helped deliver broadband services to rural areas for nearly a decade. With the publication of new regulations, RUS is accepting applications for new broadband projects this spring. I am pleased to report that these new regulations, along with additional steps RUS has taken, have addressed all of the USDA Office of Inspector General findings raised about the program.

The President's budget does not include new funding for broadband loans, as sufficient carry-over funds remain available to bring broadband to unserved and underserved rural areas in 2012. However, various 2011 appropriations proposals still under consideration could undermine this assessment.

To further broadband in rural areas, under ARRA, RUS made 320 awards totaling in excess of \$3.5 billion. These awards, a combination of grants and loans, will bring broadband service to nearly 7 million people, 364,000 businesses, and 32,000 community anchor institutions across more than 300,000 square miles. These projects have a service area that includes 31 tribal lands and 124 persistent poverty counties. This budget includes \$30 million for the Distance Learning and Telemedicine Grant Program and \$18 million for Community Connect Grant Program, which funds rural communities without broadband service.

Water and Wastewater Funding

The budget requests \$489 million in budget authority for the water and wastewater program to support approximately \$1.2 billion in loans and grants to address the critical water and waste disposal needs in rural America. These funds will build upon the prior investments rural communities have made through this program to replace aging infrastructure, make necessary repairs and extend service to areas without access to public water and waste service. Through ARRA funding and annual appropriations over the last two fiscal years, USDA has invested \$6 billion in loans, grants and guarantees that will provide 4.5 million people access to new or improved water and waste disposal services. These investments are working to revive local economies and improve the quality of life for those who call rural America home.

Conclusion

The RUS loan portfolio remains very strong. As mentioned previously, the RUS delinquency rate is a very low 0.22 percent. However, we do not rest on our laurels, we are working every

day to improve program delivery. No other Federal program has a more rural focus or is more capable of working with local leaders to deliver funds to address critical infrastructure needs which are fundamental to the quality of life and economic future of rural America.

In closing, I would like to thank the subcommittee for the opportunity to appear before you today. I look forward to your questions.