

Rural Development
Statement of Dallas Tonsager, Under Secretary for Rural Development
United States Department of Agriculture

**Before the House Committee on Appropriations, Subcommittee on Agriculture, Rural
Development, Food and Drug Administration, and Related Agencies**

Chairman Kingston, Ranking Member Farr, and members of the Subcommittee, it is my privilege to present the Administration's priorities for rural America in the 2013 budget. Today, I am accompanied by Mr. Jonathan Adelstein, Ms. Judith Canales and Ms. Tammye Treviño, Administrators for Rural Development's Utilities, Business and Cooperatives and Housing and Community Facilities Programs. I ask that their statements be included in the record.

We are proud to represent an agency that is working tirelessly to realize the President's vision for America: "a country that leads the world in educating its people; an America that attracts a new generation of high-tech manufacturing and high-paying jobs; a future where we're in control of our own energy; and our security and prosperity aren't tied to unstable parts of the world. An economy built to last, where hard work pays off and responsibility is rewarded." Undoubtedly, Rural Development has a key role to play in this effort, for the continued revitalization of our American economy will depend upon a prosperous rural America.

And as you know, rural America has unique challenges and assets. Rural communities are characterized by their isolation from population centers and product markets and benefit most

from initiatives that integrate local institutions and businesses with state and Federal agencies that have intimate knowledge of their local needs. Delivering effective programs to rural America, that comprises over 75 percent of the total land mass of the United States, is a continual challenge. USDA is the only Federal Department with the primary responsibility of serving rural areas and that has a field office structure in every state that helps us serve the specific needs of local rural communities. The long-standing relationships established through direct personal contact with these communities have allowed us to deliver our programs with great success. Our footprint in the field allows us to provide critical technical assistance and credit counseling, among other services that might otherwise be unavailable in rural areas. Our partnerships with local public and private institutions allow us to fund local and regional business development, expand infrastructure and provide access to affordable credit in rural areas. The employees who deliver Rural Development's suite of programs work alongside farmers, ranchers, homeowners, schools, businesses, nonprofits, cooperatives, tribes and local governments to strengthen local economies. They are members of the communities they serve and possess expert knowledge of the economic challenges and opportunities that exist in their particular regions.

Since 2009, Rural Development has provided homeownership opportunities to more than 435,000 families. In 2011 alone, Rural Development allocated almost \$29 billion nationwide to upgrade community facilities like schools and hospitals, boost the reliability of the electric grid, fund renewable energy projects, provide affordable and reliable Internet access and create homeownership opportunities for more than 140,000 families. Sixty-three percent of 2011 funding supported loan guarantees that enabled private lenders to safely increase the pool of

capital available in rural areas for credit-worthy businesses, communities, and homebuyers without direct cost to the government. About 34 percent of our investments were secure, affordable direct loans that will be paid back with interest.

When I had the opportunity to appear before this subcommittee last March, the Chairman expressed his desire to work with Rural Development to reduce the Federal budget. We at Rural Development have long recognized the responsibility we share with the rest of the Federal government to reduce the burden on future generations created by recurring budget deficits, and we have pursued continual process improvements to ensure that our agency operates as a responsible steward of taxpayer dollars. Since 2004, Rural Development's portfolio has doubled, and now stands at \$165 Billion. Today, I am pleased to report that the principal dollars delinquent more than 1 year remains at less than 2 percent of the principal.

Such results are the product of consistent and proactive servicing of the loan portfolio and working with trusted borrowers to restructure their loans and avoid foreclosure. Rural Development also has a longstanding record of streamlining its programs, which has consistently provided the mission area with the ability to successfully implement new programs and to meet increased demand for financing in multiple industry sectors with an unprecedented level of funding, even as staff levels steadily decreased.

Efficiencies

Past streamlining efforts are best exemplified by the work we have done at our Centralized Servicing Center (CSC). Rural Development created CSC in 1996, which centralized the

servicing of Single Family Housing (SFH) Direct Loans in St. Louis. Since 1996, efficiencies at CSC have been implemented that enabled a reduction from 2,400 staff years in the field to 449 staff years at CSC. At the same time, CSC has also decreased the burden on customers, allowing for customer-initiated online payments, online access to account statements, and translation services, among others. And in an effort to build upon this successful track record, this year I made the decision to centralize the processing of our Single Family Guaranteed Housing loans.

Looking to the future, Rural Development is in step with the Department of Agriculture's broader efforts to improve the reliability and efficiency of the services we provide. In January, Secretary Vilsack unveiled USDA's Blueprint for Stronger Service. Under this initiative, the Department identified 379 recommendations for improving USDA's office support and operations, which includes ways to streamline the provision of administrative services, such as civil rights, information technology, finance, human resources, homeland security, procurement, and property management. To realize further efficiencies, USDA has proposed closure of 259 domestic offices, facilities and labs across the country, as well as 7 foreign offices, while ensuring that the vital services they provide are not diminished. Rural Development alone plans to close 43 offices. In some cases, offices are no longer staffed and many are within 20 miles of other USDA offices. In other cases, technology improvements, advanced service centers, and broadband service have reduced some need for brick and mortar facilities.

Salaries and Expenses

While Rural Development continues to seek out ways to improve, we also confront significant budgetary challenges. With the enactment of the 2011 and the 2012 appropriations

acts, Rural Development has experienced a \$62 million reduction in funding for Salaries & Expenses from the 2010 Enacted level. To accommodate this reduction, we have streamlined our workforce by implementing a hiring freeze and by offering early retirement and buyouts. At the same time, program levels increased from \$26.9 billion to \$37.8 billion this year. In 2011, Rural Development reorganized agency structures to accommodate new authorities for renewable energy, broadband, and business development activities, preparing adequate staff with the requisite knowledge and expertise to originate, process and service this new and expanding portfolio.

Information Technology

Improvements to our information technology infrastructure remain a central part of Rural Development's strategy for managing a growing portfolio with reduced resources. Our Comprehensive Loan Program (CLP) is an IT modernization project designed to improve the service we deliver to citizens in rural communities while achieving reduction in costs and resources over the long-term. In the past, when Rural Development needed to set up new loan and grants programs, it could take up to six months; now we have the ability to do it in less than a month. With CLP, outdated software technologies have been retired and a consolidation of hardware has provided immediate savings for RD. While significant strides have been made, we are still in the early stages of CLP and of fully implementing online loan and grant processing. Employees need to be able to complete their mission anytime and anywhere to support our customers when our local office presence across the Nation is being significantly reduced. Due to the recent loss of several hundred field staff, it is even more critical that we continue to

develop CLP than when the project was first conceived. But such improvements in the long-term require continued up-front investments.

The President's Fiscal Year 2013 budget reflects his commitment to jobs, growth, and opportunity for rural America. With a proposed budget authority of \$2.2 billion and a proposed program level of about \$38 billion, the three agencies of Rural Development are fully engaged in efforts to increase opportunities and address the challenges unique to rural America. After two years of significant cuts, the proposed budget maintains our 2012 salaries and expenses level related to carrying out RD's programs at \$654 million. We now need time to manage these reductions and to streamline our programs wherever possible. I strongly recommend that this level be maintained to enable us to service our existing portfolio and maintain its low delinquency rate. I take particular pride in noting that four of our largest programs at Rural Development operate with no appropriated budget authority. The Electric, Telecommunications, Community Facilities Direct Loan, and the Single Family Housing Guarantee programs are all operating at a negative subsidy rate. The performance of these programs, particularly in an extremely challenging economic environment, is a win for taxpayers, rural residents and communities working to enhance their quality of life.

Regional Efforts

Rural Development's innovative rural initiatives are important support mechanisms for President Obama's "Blueprint for America" and building a prosperous American economy that is "Built to Last." Through a number of regional efforts, USDA is supporting rural communities

that are building durable, multi-county coalitions that foster economic development on a regional scale. In addition to providing direct economic benefits, regional collaboration allows rural communities to capitalize on economies of scale in infrastructure and public services, to encourage the development of specialization in industrial sectors that would make them more competitive, and to locate facilities and services where they provide the greatest benefit at the lowest cost.

Conclusion

Rural Development is resolutely pursuing President Obama's vision of an America that leads the way in the development of renewable sources of energy, reinvigorates a sustainable manufacturing industry, and promotes the economic well-being of all Americans. In the rural communities we service, we support innovators and entrepreneurs, individual families and entire communities. We do so by financing housing for families and the elderly, connecting leading doctors to rural clinics and hospitals, and encouraging new business startups and expansions. We know these investments will pay dividends for years to come.

I appreciate the opportunity to work with members of the Subcommittee to build a foundation for American competitiveness. The President has offered a responsible, balanced budget that continues to meet key priorities. Winning the future will require hard work and sacrifice from everyone, and RD is committed to doing its part. The President's Budget reflects those realities while also providing funding to out-innovate, out-educate and out-build a rural economy that works for everyone. Thank you for your support of Rural Development programs. At this time, I am happy to answer your questions on the budget proposals.