

**Statement of
Dallas Tonsager
Under Secretary for Rural Development
U.S. Department of Agriculture**

**Before the Subcommittee on Rural Development, Biotechnology,
Specialty Crops, and Foreign Agriculture
U.S. House Committee on Agriculture**

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Mr. Chairman, Members of the Subcommittee, thank you for your invitation to testify on USDA Rural Development's programs. This is the first time I have appeared before you, and I trust that it will be the beginning of an ongoing dialogue. I know that you share our commitment to increasing economic opportunity and improving the quality of life in rural America, and I look forward to many more opportunities to continue this discussion in the future.

USDA Rural Development next year will celebrate our 75th anniversary, dating back to the creation in 1935 of the Rural Electrification Administration and the Resettlement Administration, which later became the Farmers Home Administration. Since that time, rural America has changed. So have our programs, our organizational structure, and even our name. We have adapted with the times. But rural America continues to face unique challenges, and we continue to stand ready to assist in meeting them.

The onset of a new Administration is always an opportunity for reevaluation and change. Today is no exception, and in this case reevaluation and change are driven not just by a new Administration, but by implementation of a new Farm Bill and the Recovery Act as well.

Let me emphasize at the outset, however, that I have the highest regard for the vision, energy, and commitment of both my predecessors and our approximately 6,000 dedicated employees. USDA Rural Development is a going concern. We have been “at this” for a long time. Even at a time of transition, it is important to recognize that there is a deep continuity in the work that we do. I had the privilege of serving as a Rural Development State Director during the Clinton Administration. Eight years, two Farm Bills, and another Administration have intervened, but for me, this still feels like coming home.

Nonetheless, there are some things that we intend to do differently. I have been on the job for three weeks, so I must put this in terms of goals rather than accomplishments -- but I believe that we can and should do a better job of reaching out to underserved constituencies and devoting more energy and resources to the poorest of the poor.

I would hope, two or three years from now, that when one maps our investments, there will be less of a concentration in exurban areas and a greater presence in more rural jurisdictions.

Similarly I would hope, again two or three years from now, that we will see less clustering of investments in close proximity to our field offices, and that we will be doing a demonstrably better job of getting out of the office and providing technical support in more remote areas.

I would hope that we will not only sustain, but accelerate, the remarkable progress that we have begun to make in the deployment of renewable energy, and that we will have reinvigorated a number of our traditional programs that may not be new ... that may not have been the focus of

innovation, and change in the Farm Bill ... but that continue to provide a critically important foundation for economic and community development in rural America.

The Value-Added Producer Grant program, for example, is a very powerful, highly flexible, but yet underutilized tool. I recognize that most rural Americans don't farm and that most rural income, including most farm family income, is earned off the farm. But I also know that the farm and rural economies are interdependent and that value-added agriculture drives sustainable development across the board in rural communities. The Value-Added program has proven itself over the years to be effective, cost-efficient, and productive. This is another area in which I anticipate that we will place a renewed emphasis in the years ahead. We serve all of rural America and we will work aggressively and on an equal opportunity basis with all comers.

But in terms of outreach, marketing, technical assistance, and the allocation of scarce staff resources, I do anticipate that there will be a shift in priorities. This will be a point of emphasis with our new State Directors as they come aboard in the coming weeks, and I look forward to continuing discussions with you on these topics as we move ahead.

I will focus today on two urgent priorities: economic recovery, and implementation of the new Farm Bill. Economic recovery is the first order of business for the Obama Administration and USDA Rural Development is a full partner in that effort.

The American Recovery and Reinvestment Act of 2009 (ARRA) provided \$4.36 billion in Budget Authority to Rural Development to support a projected Program Level of more than \$28 billion. Loans, loan guarantees and grants will be awarded to build high speed broadband infrastructure, construct or improve rural water and waste disposal systems, finance homes for rural families, build critical community facilities, such as rural hospitals, community centers and public safety facilities, and to fund new rural business ventures. We have a full plate.

To support the goals of the Recovery Act, it is important that these funds be deployed rapidly. But it is equally important that they be spent smart, and right. We will take the time and invest the resources required to ensure that these objectives are met. ARRA is also being implemented with unprecedented transparency and accountability. I would direct your attention to the geo-spatial mapping tool on the USDA homepage, which will show the location of every ARRA investment nationwide. We will also in the near future be deploying an RD-ARRA “dashboard,” another online tool that will provide a wealth of detailed program information in an accessible, easily searchable format. While these tools have been developed as part of the ARRA initiative, they are clearly adaptable to Rural Development’s other programs as well, and that application is already under discussion for the future.

With the exception of the ARRA broadband program and ARRA Business and Industry, all USDA Recovery Act funds are being administered through our regular program channels, subject to the additional ARRA statutory provisions related to prevailing wage standards, Buy American requirements, and recipient reporting requirements. Our more than 450 State and

area service centers are fully engaged, providing us with an unmatched ability for outreach and to provide technical support.

We are also working to ensure that funds are available to rural communities that need them the most. In doing so, we are considering factors such as unemployment, outmigration, rural population, income level, areas of persistent poverty, lack of service, aging infrastructure and health issues. While we are just getting started, ARRA is already making a tangible difference in rural communities:

**USDA Rural Development
ARRA ACCOMPLISHMENTS TO DATE: As of June 3, 2009**

Program Area	Funding Received (Program Level)	Total Project \$ Announced	Total Project \$ Obligated
Broadband	\$9.1 billion	\$0	\$0
B&I Guaranteed	TBD	\$0	\$0
Community Facilities	\$1.197 billion	\$57.75 million	\$13.34 million
RBEG	\$19 million	\$0	\$0
SFH Direct	\$967 million		\$134.6 million
SFH Guaranteed	\$10.250 billion		\$4.3 billion
Water and Waste	\$3.7 billion	\$758 million	\$451 million

The numbers don't tell the full story. The ARRA funds obligated through the end of last month translate into over 37,000 new homes financed in rural communities across all 50 States. They include 252 water and waste disposal infrastructure projects in 34 States that will improve the quality of life for more than 424,375 residents. They include 279 essential community facilities projects – for health care, public safety, educational and cultural facilities -- that will help communities in 39 States.

And that's just the beginning. ARRA was signed into law on February 17, less than four months ago, and it required a substantial amount of work to implement. Funds are just beginning to flow. We have already obligated more than \$539 million, and we have established even more aggressive goals for the next 100 days.

- The Rural Business Enterprise Grant Program (RBEG) has not yet obligated any ARRA funds, but 191 applications from the first application window were in hand as of May 18. We anticipate awarding \$19.4 million in RBEG grants by Labor Day. These funds will support a variety of activities including adult distance learning programs, job retraining programs, and business incubators to provide support and guidance to new rural small businesses. We anticipate publication of a ARRA Rural Business Enterprise Grant NOFA this summer
- We also anticipate publication of the ARRA broadband NOFA by early summer. I understand that the subcommittee expects to hold another hearing later this summer on the broadband program. I look forward to discussing this in detail with you at that time.
- The Single Family Housing Program is on track to provide an additional \$1.4 billion in new guarantees for rural home loans between now and Labor Day, enough to support 50,000 residential mortgage loans to rural residents.

- We expect to provide an additional \$120 million for 1,900 new direct housing loans to low and moderate income families.
- These investments will bring the total by Labor Day to more than \$5.7 billion in guaranteed home loans and \$250 million in direct housing loans since ARRA began.
- Finally, the Rural Development Water and Waste Program will provide an additional \$585 million in new loans and grants by Labor Day to construct and upgrade approximately 200 water and waste systems in rural America. With these new applications, we will reach the \$1 billion mark for total ARRA funding of water and waste programs by Labor Day, and approximately 150 projects funded under ARRA will be into construction.

Implementation of ARRA has entailed a very heavy additional burden on a very talented and dedicated USDA Rural Development staff. We are not in the business of block granting large lump sums to States, municipalities, and other governmental entities. We are a direct lending agency; we lend to individuals, rural small businesses, and non-profits; and our portfolio largely consists of relatively small loans and loan guarantees. The increased workflow is very substantial, and I am very proud of the way in which our people have risen to the challenge.

We face different but no less important challenges with regard to the new Farm Bill. In 2002, the Farm Bill contained for the first time an Energy Title and a rural broadband program.

These initiatives reflected the fundamental structural changes and new opportunities emerging

in rural America. It is not surprising that Congress revisited both of these issues in 2008, and we recognize that broadband and renewable energy are key priorities going forward.

As with the ARRA broadband initiative, I will withhold detailed comment on the Farm Bill broadband program until our next meeting. I know that this is of great interest to you, and I look forward to discussing it in detail.

With regard to renewable energy, the 2008 Farm Bill strengthened and expanded an already robust Rural Development program area. Since 2002, Rural Development has emerged as a leader in the deployment of renewable energy. We have assisted agricultural producers and rural small businesses in improving the energy efficiency of their operations and in investing in ethanol, biodiesel, wind, solar photovoltaics, solar thermal, digester anaerobic and geothermal energy production. We are excited by the opportunity to build upon this record of success.

Renewable energy and energy efficiency are urgent national security, economic security, and environmental imperatives. They are a priority for the President, and for Rural Development. America needs to diversify our energy supply. We need clean, sustainable, alternative energy to reduce our dependence on oil. We urgently need to support, and indeed to lead, a strong international effort to reduce greenhouse gas emissions. And we cannot afford to miss the historic opportunity for valued-added agriculture and sustainable rural economic development offered by renewable energy.

I am pleased to report today that Rural Development has now completed the initial rollout of our new Farm Bill energy programs, with the sole exception of the Section 9009 Rural Energy Self Sufficiency Initiative for which no funding is available.

Section 9003: Biorefinery Assistance Program.

The Section 9003: Biorefinery Assistance Program provides loan guarantees for the development, construction and retrofitting of viable commercial-scale biorefineries producing advanced biofuels. The Fiscal Year 2009 NOFA was published November 20, 2008. Two application windows were announced. The first closed on December 31, 2008.

From Round 1, the first award was made in January, 2009, for an \$80 million loan guarantee for the production of cellulosic ethanol. A second application is currently under review. This is an application for a \$25 million loan guarantee to retrofit a biodiesel refinery to produce second generation biofuel. A decision is imminent.

The Round 2 application window closed April 30, 2009 of the 12 applications received, only five were determined to be complete applications. Of these five applications two are currently under review. These involve second generation biofuel technologies to produce cellulosic ethanol, biodiesel, and methane gas and electricity. Awards for the second round are projected for September 15, 2009.

Section 9004: Repowering Assistance.

The Section 9004: Repowering Assistance Program provides for payments to biorefineries (that were in existence at the time the 2008 Farm Bill was passed) to replace fossil fuels used to produce heat or operate biorefineries with renewable biomass. The NOFA was signed this Monday, June 8, and has been submitted for publication in the Federal Register. We anticipate publication within the next several days.

Section 9005: Bioenergy Program for Advanced Biofuels.

The Section 9005: Bioenergy Program for Advanced Biofuels provides for payments to eligible agricultural producers to support and ensure an expanding production of advanced biofuels. A Notice of Contract Proposal (NOCA) was signed this Monday, June 8, and has been submitted for publication in the Federal Register. We anticipate publication within the next several days.

Section 9007: Rural Energy for America Program.

The Section 9007: Rural Energy for America Program expands and renames the program formerly called the Renewable Energy Systems and Energy Efficiency Improvements Program (formerly Section 9006). Since the enactment of the first-ever Energy Title in a Farm Bill in 2002, this program has provided grants and loan guarantees to agricultural

producers and rural small businesses for more than 2,140 energy efficiency and renewable energy projects ranging from biofuels to wind, solar, geothermal, methane gas recovery, and other hybrid projects. While not limited to biofuels, the Section 9007 Program is nonetheless available on a competitive basis to biofuels producers (agriculture producers and rural small businesses).

Four percent of Section 9007 funding is reserved for Energy Audits and technical assistance. A Notice of Solicitation of Applications (NOSA) for the Energy Audit and technical assistance funding was published March 11, 2009 with an application deadline of June 9, 2009. This is a competitive grant program and we are now beginning to review and score applications. We anticipate announcing awards by August 1, 2009.

The remainder of Section 9007 funding will be awarded on a competitive basis and will finance feasibility studies along with investments in energy efficiency and renewable energy production. The NOFA was published on May 26, 2009.

Two non-energy related Farm Bill programs have also elicited a high level of public interest. The Section 6022 Rural Microentrepreneur Assistance Program is an exciting opportunity to target technical assistance and financial support on very small rural businesses, many of them home-based. We anticipate publication of an interim rule later this fiscal year.

And last but not least, the Fiscal Year 2009 NOFA for the Value Added Producer Grant program, initially published on May 6, 2009, has been withdrawn in order to address concerns

raised by this Subcommittee. We will republish a revised NOFA at the earliest possible date. To ensure that potential recipients have the greatest opportunity to apply, we also intend to extend the application period to 3 months, which will push the award date into October. As I indicated at the beginning of my testimony, value-added agriculture is a personal priority for me, and I look forward to working with this Subcommittee to ensure that we maximize the potential of this highly effective program.

In closing, let me again thank this Subcommittee and the Congress for the generous support you have provided over the years to USDA Rural Development. We administer a plethora of programs, but in the end, our mission is simple. We are here to serve rural America, to create economic opportunity, and to improve the quality of life in rural communities. I am both honored and humbled by the opportunity to return to Rural Development as the Under Secretary, and I regard it as a privilege and an opportunity to work with you on behalf of the 60 million Americans who call rural America home. Thank you.