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HEARING TO REVIEW RURAL DEVELOPMENT PROGRAMS IN ADVANCE OF THE 2012 FARM BILL

HEARING

BEFORE THE

SUBCOMMITTEE ON RURAL DEVELOPMENT, BIOTECHNOLOGY, SPECIALTY CROPS, AND FOREIGN AGRICULTURE

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

JULY 20, 2010

Serial No. 111–55

Printed for the use of the Committee on Agriculture
agriculture.house.gov

U.S. GOVERNMENT PRINTING OFFICE

58–018 PDF WASHINGTON : 2010

For sale by the Superintendent of Documents, U.S. Government Printing Office
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HEARING TO REVIEW RURAL DEVELOPMENT PROGRAMS IN ADVANCE OF THE 2012 FARM BILL

TUESDAY, JULY 20, 2010

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON RURAL DEVELOPMENT,
BIOTECHNOLOGY, SPECIALTY CROPS, AND FOREIGN AGRICULTURE,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Subcommittee met, pursuant to call, at 10:00 a.m., in Room 1300, Longworth House Office Building, Hon. Mike McIntyre [Chairman of the Subcommittee] presiding.

Members present: Representatives McIntyre, Bright, Kissell, Minnick, Peterson (*ex officio*), Conaway, Thompson, and Cassidy.

Staff present: Claiborn Crain, Liz Friedlander, Tyler Jameson, John Konya, Scott Kuschmider, Clark Ogilvie, James Ryder, Patricia Barr, Mike Dunlap, Tamara Hinton, Jamie Mitchell, and Sangina Wright.

OPENING STATEMENT OF HON. MIKE McINTYRE, A REPRESENTATIVE IN CONGRESS FROM NORTH CAROLINA

The CHAIRMAN. Good morning. Welcome here today to the Agriculture Committee room. As Chairman of the Subcommittee, I want to welcome everyone to this morning's hearing.

I am Mike McIntyre from North Carolina. I am glad to have you all here with us today.

We want to start our meeting promptly on time so that we can finish on time with today's very busy voting schedule. We also want to honor the time, of course, of our witnesses who have come, as well as others who have come to hear the important testimony of the two panels that we have.

The first panel today, I would like to thank Under Secretary Dallas Tonsager for taking the time to come and be with us and to bring his various Administrators with him, who I will ask him to introduce when you are called upon to begin your testimony. The Administrators themselves will not be presenting testimony today, but they are at the witness table to answer questions from the Members.

This is, of course, the Subcommittee on Rural Development, Biotechnology, Specialty Crops, and Foreign Agriculture; and today our topic is on rural development.

I also want to thank our second panel of witnesses that will be coming forward, and they will be recognized as they come in a little while.

Today, we continue to examine the farm policy programs in advance of the 2012 Farm Bill. This process started back in April, during the spring, with full Committee hearings and has continued through the spring and the first half of the summer with field hearings across the country, including one that I was able to conduct on behalf of the entire Agriculture Committee in my home State of North Carolina just last month. So I am excited to have had the opportunity to have been out in the field myself to hear from folks, as well as to be here in Washington in our nation's capital.

The Subcommittee has already begun diligent oversight and hearings with regard to rural development during this session of Congress, not only looking at implementation from the last farm bill of various programs, but also examining the Recovery Act funds targeted to five rural development loan and grant programs within the water, housing, business, and telecommunications mission areas.

While this Committee remains very much interested in the process by which Recovery Act funds are moving from the agency to uses to which they were intended, I would like to focus on the future of these programs once the Recovery Act is passed. So we don't want to only be dealing with the current situation, but we want to have an eye toward the future as well and where we are headed.

Now, while the backlog of some of these programs is expected to be significantly reduced, the infrastructure development and financing needs in rural America will not disappear. We want to make sure that as we look ahead today from our government and non-government witnesses we talk about the strengths and the weaknesses in the areas of rural development where we need to focus, given our current resources.

We also want to know how the Recovery Act has helped or where it may have hindered administration of your programs. So please be honest and candid with us so that we can do the best honest and candid assessment ourselves.

We want to make sure, also, that new regulations on the Broadband Loan Program and Grant Program are being—we are moving ahead. We know there has been some delay, but we want to make sure those awards that are due out by the end of September are in proper order.

Also, if there is anything that the USDA is applying to the new regulations, given what it has learned in administering a large amount of Recovery Act funds and in the short amount of time we have today, we still would like to hear about that.

The interim final rule for the Microenterprise Assistance Program, something that emanated from this Subcommittee that I have a great interest in, helping write that piece of legislation, the interim final rules were finally published after lengthy delay. We know there are some questions that have already arisen regarding the interest rates, grants, and matching requirements. We want to make sure that program gives us the strongest bang for our buck to help small business.

We know the fastest job generator today in America is small business and that in particular the very small business or microenterprises that employ less than ten people, which the Microenterprise Assistance Program is targeted toward. A program like this can be a vital incubator for small businesses and startups in parts of the country where they are needed most. So we want to make sure today that we hear what you have to say and we hear it in the most candid way possible, and that we make sure that—we all know we have anecdotal stories. We want to make sure that those stories have the broadest application possible as we look ahead.

I would remind our witnesses today to use the 5 minutes provided for their statements to highlight the most important points in your testimony. Please do not read your statement unless you know you can read it within the 5 minutes allotted. We would like for you to highlight. That way we will have more time to discuss with you the questions that may be asked.

Members are also reminded that they can submit additional questions for the record for up to 10 calendar days after this hearing.

Also, if there is information that a particular witness cannot provide immediately today, please know that you have up to 10 calendar days to provide that and please affirm that you will in your testimony if, for some reason, you cannot provide the exact or accurate information today.

With that, again, thank you all for coming. We thank you for the good work that you do.

[The prepared statement of Mr. McIntyre follows:]

PREPARED STATEMENT OF HON. MIKE MCINTYRE, A REPRESENTATIVE IN CONGRESS FROM NORTH CAROLINA

As Chairman of the Subcommittee, I want to welcome everyone to this morning's hearing. I would like to thank Under Secretary Dallas Tonsager for appearing before our Committee once again. He is accompanied today by program Administrators from across the RD mission: Jonathan Adelstein, Judy Canales, and Tammye Trevino. The Administrators will not be presenting testimony today, but they are at the witness table to answer questions from Members.

I also want to thank our second panel of witnesses as well, as some of you were able to make it on relatively short notice. On behalf of the Committee, I thank you for your attendance and I look forward to your testimony.

My name is Mike McIntyre, and I represent the rural Seventh District of North Carolina. I will be as brief as possible because another Subcommittee will be holding a hearing in this room later today, so it is imperative we keep things moving.

We are here today to continue the House Agriculture Committee's examination into farm policy programs in advance of the 2012 Farm Bill. This process started in April with full Committee hearings, it continued throughout the spring and early summer with field hearings across the country, including one that I was proud to chair in my home State of North Carolina, and it continues this month with review of farm bill titles at the Subcommittee level.

This Subcommittee has already been diligent in rural development oversight during the 111th Congress. Not only have we looked at implementation of programs since the last farm bill, but we have examined Recovery Act funds targeted to five Rural Development loan and grant programs within the water, housing, business, and telecommunications mission areas.

While this Subcommittee remains very much interested in the process by which Recovery Act funds are moving from the agency to the uses for which they were intended, I would like to focus on the future of these programs once the Recovery Act has passed. While the backlog in some of these programs is expected to be significantly reduced, the infrastructure, development, and financing needs in rural America are not going to disappear.

Chairman Peterson kicked off the farm bill hearing process when he did in order to encourage stakeholders to think about new ways of doing things if they could get a better result with the same amount of resources. Keeping that in mind, I look forward to today's discussion from both our government and non-government witnesses about the strengths and the weaknesses of our rural development programs given their current resources. Has the Recovery Act helped or hindered program administration? And what can be done better in the future keeping in mind the budget constraints we will face in writing the next farm bill?

And while we are do not want to spend as much time looking backwards and looking forwards, the implementation of current programs is of great interest to this Subcommittee. I understand the new regulations on the broadband loan and grant program have been delayed until the Broadband Initiatives Program awards under the Recovery Act are due to be made by the end of September. If there is anything the USDA is applying to the new regulations given what it has learned in administering a large amount of Recovery Act funds in a short amount of time, we would love to hear it.

In addition, the interim final rule for the Rural Microenterprise Assistance Program—a program I helped write and strongly support—was recently published after a lengthy delay, and some are already questioning whether the levels of interest rates, grants, and matching requirements will give that program the strongest bang for its buck. Especially in today's economy, a program like RMAP can be a vital incubator for small business startups in parts of the country where they are needed most.

Finally, I would note that not every program in rural development is under this Subcommittee's jurisdiction, or even within the full Committee's jurisdiction. Nevertheless, we are interested in the administration and capability of all rural development programs because they are vitally important to many of our constituents, which is why I have asked for all three Administrators to join us today.

When I chaired a farm bill hearing in North Carolina last month, I heard from more than one witness about how USDA Rural Development is an essential partner in developing, promoting, and implementing strategies to bring new homes, businesses, infrastructure, and technologies to small North Carolina communities. Many of us can tell similar stories and point to examples in our own districts where USDA has helped private individuals, businesses, or nonprofits leverage public resources into something tangible that improved the quality of life in their town. Ensuring that these opportunities remain for rural America are the goals we want to meet in writing the next farm bill.

I would remind our witnesses today to use the 5 minutes provided for their statements to highlight the most important points in their testimony if they cannot read their entire statement in less than 5 minutes. As always, Members will be permitted to submit additional questions for the record for up to 10 calendar days after the hearing.

At this time, I would yield to Ranking Member Conaway for any opening statement he would like to make.

The CHAIRMAN. I will now call on our Ranking Member, the other Mike, Mr. Mike Conaway.

OPENING STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN CONGRESS FROM TEXAS

Mr. CONAWAY. Thank you, Mr. Chairman; and, witnesses, thank you very much for being here this morning.

Today's hearing is intended to review rural development programs in advance of our next farm bill work. I believe that while that is important in discussing it to find out what is working, I think it is even more important to hold a hearing where programs are not working as Congress intended. Unfortunately, there are several significant issues in the way our programs are being implemented, and I hope they can be addressed today. I am glad that Mr. Tonsager has brought with him his Administrators to provide timely and thorough answers to the questions.

From the days of first notice of funding, it was clear that significant problems existed in the specific approach USDA has used to

implement broadband provisions of the stimulus bill. A year ago, this Subcommittee was assured that changes could and would be made to address the concerns that we had, and those that our industry partners shared. However, USDA instead decided to forge ahead with a rule that would prove deficient before the application period even opened. As a result, only 13 remote projects were funded using half the funds set aside for these remote areas.

This Subcommittee previously expressed concern over the Davis-Bacon provisions and how they might be applied to the infrastructure projects under the stimulus spending. Our fears were confirmed when the USDA acknowledged that these provisions would increase project costs by 20 percent above the farm bill programs. When small rural towns are struggling to find ways to pay for critical water and sewer needs, and when grants are being sought for rural broadband projects because a loan is not a viable option, these artificial cost increases simply do not make sense.

I am hoping Mr. Tonsager can demonstrate that USDA has done everything in their power to put out guidance in a timely manner to applicants and has exercised every bit of flexibility afforded by statute to minimize artificial costs on the stimulus bill.

On several occasions, we were assured that RUS had sufficient resources to implement the stimulus bill without detracting from other obligations, and yet 2 years have passed without implementation of the Broadband Loan Program under the 2008 Farm Bill, even though we were assured that rules would be published well before now.

Furthermore, Secretary Vilsack has since stated that USDA has no intention of implementing the loan program before Fiscal Year 2011. I look forward to a rational explanation for why USDA has failed and now refuses to implement a loan program that I believe is the cornerstone to some of the efforts to connect rural America.

We are also aware that USDA is pursuing a project called the Know Your Food, Know Your Farmer initiative. Only a select few of our rural development programs contain any authority that might support this initiative, and that authority includes very limited funding. And yet USDA seems to be drawing nearly every program that exists into an initiative that could ultimately disadvantage meritorious projects that favor certain size entities beyond the intent of Congress and the scope of the law. I look forward to an explanation of this initiative and how much of our scarce Rural Development resources USDA will try to divert to this initiative.

This Subcommittee has previously highlighted the need for interagency cooperation. There are 16 Federal agencies administering over 88 programs that target rural development. While I look forward to hearing more about what USDA is doing to effectively coordinate the rural development efforts and use taxpayer funds initially, I am also looking forward to the testimony from our second panel of witnesses to get an update on how programs are being implemented out in the countryside. I appreciate the time our witnesses took today to share their insights with us.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

The chair would request that any other Members who would like to have opening statements submit them for the record so that wit-

nesses may begin their testimony. We can ensure that there is ample time for questions from all the Members that may be present.

[The prepared statement of Mr. Peterson follows:]

PREPARED STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA

Thank you, Chairman McIntyre for calling today's hearing. I want to commend you for the work you have done on this Subcommittee in conducting oversight of rural development programs, and in particular, those programs that received funding through the Recovery Act.

Since 1980, USDA has been designated as the lead Federal agency in promoting rural economic development. It administers the greatest number of Federal rural development programs. The Federal role in rural economic policy will only be as effective as the programs USDA provides.

As with other programs in the farm bill, I want to hear today, both from USDA and from our second panel, about implementation of farm bill rural development programs: what can be done to get more out of them, which programs need improvement, and how well current funding is being utilized.

Considering the tough budget climate we are operating in, we need to be sure that rural development programs justify the taxpayer investment in them. The best way for us to do that is to spend wisely and show how these programs help everyday rural Americans.

While there are a lot of moving parts to Rural Development programs, their various missions are all focused on serving the rural areas of greatest need through loans, grants and technical assistance, in areas that lack sufficient private investment. Many of these vital programs are oversubscribed, so I would like to hear from USDA to what extent the program backlogs have been reduced in the wake of the Recovery Act.

These programs finance basic infrastructure in rural America that most urban and suburban residents take for granted. Reliable, affordable broadband Internet service, for example, is one of the most important needs facing rural America today. It is vital to job creation and retention, economic development, entrepreneurship, education, and medical technology. The Recovery Act provided a large infusion of funds to the Rural Utilities Service to deploy broadband to rural, unserved areas, and I look forward to hearing from Under Secretary Tonsager and Administrator Adelstein on their progress to date, and how they expect USDA's rural broadband loan and grant program will operate in the future once all the Recovery Act awards are made.

Ever since I was elected, I have employed staff in my district office to work full time on economic development issues. A lot of that work happens in consultation with USDA's Office of Rural Development, and we have accomplished a lot with the help of the Department's programs. So I know firsthand the value that these programs provide and the potential return on investment that exists.

Along those lines, I welcome the witnesses today who hopefully will provide some good insights on how Rural Development funds work on the ground out in rural America.

I yield back my time.

The CHAIRMAN. Today, we do welcome our first panel of witnesses now, the Honorable Dallas Tonsager, Under Secretary for Rural Development with the U.S. Department of Agriculture.

Thank you, sir, for joining us. And, also, if you would please introduce the Administrators that we greatly appreciate taking their time to join us as well; and then you may proceed with your testimony.

Mr. TONSAGER. Thank you, Mr. Chairman. We, too, appreciate the opportunity to be here today.

I would introduce my Administrators, Tammye Trevino, the Administrator of the Rural Housing Service; Judy Canales, the Administrator of the Rural Business and Cooperative Service; and Jonathan Adelstein, the Administrator of the Rural Utilities Service.

The CHAIRMAN. Thank you, and thank you to each of you for your service as well.

You may proceed, Mr. Under Secretary.

STATEMENT OF HON. DALLAS P. TONSAGER, UNDER SECRETARY FOR RURAL DEVELOPMENT U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY HON. JONATHAN ADELSTEIN, ADMINISTRATOR, RURAL UTILITIES SERVICE, USDA; JUDITH CANALES, ADMINISTRATOR, BUSINESS AND COOPERATIVE PROGRAMS, USDA; AND TAMMYE TREVINO, ADMINISTRATOR, HOUSING AND COMMUNITY FACILITY PROGRAMS, USDA

Mr. TONSAGER. Thank you, Mr. Chairman, Ranking Member Conaway, and the Members of the Committee. We would like to thank you for the opportunity to discuss the implementation of Title VI of 2008 Farm Bill and the Recovery Act.

I would like to express my appreciation for the collaboration we enjoyed with you, Mr. Chairman, and the Subcommittee over the past year and a half. We share a deep commitment to rural America and an understanding of its unique challenges and opportunities. We look forward to continued partnership with you to bring those opportunities to fruition.

USDA Rural Development is committed to the future of rural communities. Rural America includes some of the nation's most dynamic, rapidly growing areas. But the aggregate statistics tell another story. Rural America on average is older, less educated, and has a lower income than the nation as a whole. The average per capita income is approximately $11,000 below the urban and suburban average. Unemployment and poverty rates are higher; nine out of the ten nation's persistent poverty counties are rural.

USDA's strategic plan published earlier this year by Secretary Vilsack focuses squarely on these challenges. The Secretary has identified five pillars to support a new foundation for growth and opportunity in rural communities.

The first is development of new markets to provide additional income opportunities for farmers and ranchers by promoting exports abroad and supporting domestic, local, and regional food systems that keep wealth in rural communities.

Second, provide new opportunities for prosperity and small business growth by investing in rural broadband access.

Third, create green jobs that can't be exported by promoting the production of renewable energy in communities across the country.

Fourth, stimulate rural economies by promoting outdoor recreation like hunting, fishing, and other activities that create jobs as well as conserving the national resources we cherish.

And, finally, create new income opportunities for rural landowners by facilitating the creation of ecosystem markets that reward them for taking care of the environment.

This is a challenging agenda. It is also a necessary one. The implementation of the last farm bill has coincided with the most severe economic crisis since the 1930s. In response, the Congress provided $4.36 billion in ARRA budget authority to support an estimated $21.2 billion in investment in broadband, single family hous-

ing, community facilities, water and waste, and business development.

As of July 2nd, Rural Development has committed over $17.4 billion of this total; and my written testimony details the numbers. We are on track to fully obligating our Recovery Act dollars by September 30th of this year. I cannot express highly enough my appreciation for the job done by our staff in rising to the occasion.

I appreciate as well the additional S&E funding that Congress provided which was invaluable in allowing us to address critical staffing issues on the accelerated basis necessary.

In closing, we look forward to working with you on the 2012 Farm Bill. Let me briefly note a few key areas for further discussion.

First, the ability under ARRA to provide a flexible mix of loans and grants to broadband applications has been extremely important. The Farm Bill Loan Program does not have this flexibility. This was an issue that was discussed at length during consideration of the last farm bill, and it is a question that will surely be revisited.

Second, we would be eager to discuss with you options for streamlining and rationalizing program delivery. Rural Development administers over 40 programs. Many of them are small and overlapping. This is a complex issue. We understand that Members often have very targeted objectives in mind in crafting program authorities, but there may well be significant administrative efficiencies to be gained through consolidation, provided that there is no negative impact on the service we provide. We are open to discussion on this question.

Another important initiative for the Obama Administration is regionalism. We are encouraged that the President has chosen to seek pilot funding for a regional initiative in the 2011 budget, and we look forward to continuing the discussion as we move towards the 2012 Farm Bill.

Finally, I expect that the definition of *rural* will be as contentious in this next farm bill as it was in the last. We have in draft a report to Congress on this question and will submit it to you later this summer.

It is easy to describe the difficulties with the existing definition of *rural.* The challenge is to identify a different definitional scheme that does not create as many problems as it solves.

This is a difficult question, as this Subcommittee fully appreciates, and I know that we will have extended discussions with you as we move forward.

These are sensitive questions on which we want to work collaboratively with stakeholders and the Congress before proposing significant changes. I am glad the Subcommittee is beginning the discussions now in order to provide time for thoughtful consideration. I know that you share our commitment to improving the services to rural America; and I welcome your thoughts, comments, and questions as we begin this discussion.

Thank you, sir.

[The prepared statement of Mr. Tonsager follows:]

PREPARED STATEMENT OF HON. DALLAS P. TONSAGER, UNDER SECRETARY FOR RURAL DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Chairman McIntyre, Ranking Member Conaway, and Members of the Committee, thank you for this opportunity to discuss implementation of Title VI of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). I would like at the outset to acknowledge and express my appreciation for the close working relationship we have enjoyed with you, Mr. Chairman, and the Subcommittee over the past year and a half. We share a deep commitment to rural America. We understand, as do you, the unique challenges faced by rural communities. We recognize the remarkable new opportunities for rural America now on the horizon, and we look forward to a continued partnership with you to bring those opportunities to fruition.

Rural America is the backbone of our great nation. It comprises ¾ of the nation's land area and is home to more than 50 million people. Rural America is our farms and forests; our mountains, deserts, and plains; our small towns and smaller cities. Agriculture has historically been the iconic industry, but today more than 95 percent of rural income is earned off the farm, with manufacturing, mining, forestry, tourism, and services sustaining employment and driving growth in most rural counties.

USDA Rural Development is committed to the future of these rural communities. Rural America includes some of the nation's most dynamic, rapidly growing areas. But the aggregate statistics tell another story. On average, rural America is older, less educated, and lower income than the nation as a whole, with an average per capital income approximately $11,000 below the urban and suburban average. Average unemployment and poverty rates are higher. Nine out of ten of the nation's persistent poverty counties are rural.

Three generations after the mechanization of agriculture and the onset of mass farm consolidation, too many rural communities have yet to find the diversified economic base to replace the jobs that have been lost. The consequence continues to be the loss of population due to out-migration as young people question the prospects for finding employment and raising families in rural areas. Far too many rural communities remain unable to offer economic opportunity to their young people, especially highly educated young people. The young, educated, and upwardly mobile leave rural areas in disproportionate numbers, and the cycle of decline continues. Reversing that dynamic and transforming rural America for the next Century is our mission.

USDA's Strategic Plan published earlier this summer by Secretary Vilsack focuses squarely on this challenge. The Secretary has identified five pillars to support a new foundation for growth and opportunity in rural communities in a rapidly changing 21st century economy:

- Develop new markets to provide additional income opportunities for farmers and ranchers by promoting exports abroad and supporting domestic local and regional food systems that keep wealth in rural communities;
- Provide new opportunities for prosperity and small business growth by investing in rural broadband access;
- Create green jobs that can't be exported by promoting the production of renewable energy in communities across the country;
- Stimulate rural economies by promoting outdoor recreation like hunting, fishing and other activities that create jobs as well as conserving the natural resources we cherish; and
- Create new income opportunities for rural landowners by facilitating the creation of ecosystems markets that reward them for taking care of the environment.

This is a challenging agenda. It is also a necessary one. USDA Rural Development is at the heart of it, and I welcome this opportunity to discuss implementation of the Title VI provisions of the 2008 Farm Bill, and the impact of the American Recovery and Reinvestment Act (ARRA) on these programs as we look ahead to the 2012 Farm Bill.

The implementation of the last farm bill has coincided with the most severe economic crisis since the 1930's. In response, the Congress provided an additional $4.36 billion in ARRA budget authority to support an estimated $22 billion in investments in broadband, single family housing, community facilities, water and waste services, and business development. As of July 9, 2010, Rural Development has committed over $18 billion of this total, which includes:

- Business and Industry Guaranteed Loan Program (B&I): As of July 9, 2010, the B&I program has approved 485 loan guarantees to rural businesses in 49

states. One hundred percent of recipients have been small businesses, and these investments have created or saved an estimated 29,469 jobs. As of July 9, 2010, the B&I program had obligated 92.3 percent of its projected $1.572 billion in ARRA program level funding.

- Rural Business Enterprise Grant Program (RBEG): The RBEG program assists rural businesses in creating or retaining rural jobs. A total of 189 projects, have been approved including at least one in every state. About $19.25 (99.2 percent) million of the available ARRA funding has been obligated as of July 9, 2010.
- Broadband: The Rural Development Broadband Initiatives Program (BIP) authorized by ARRA provides both loan and grant assistance. Since the Farm Bill Broadband Loan program does not include a grant component, BIP required the development of a new program, and initial awards were not made until December 2009. As of July 9, 2010, the BIP program has awarded $1.413 billion to construct 102 broadband projects in 37 states and one territory. These projects will serve approximately 600,000 rural households, 102,000 businesses, and nearly 5,000 anchor institutions (hospitals, schools, community centers, and libraries). The $1.458 billion awarded to date is 43.5 percent of the total projected program level of $3.35 billion.
- Water/Wastewater Infrastructure: As of July 9, 2010, the Rural Development Water and Waste Disposal Loan and Grant program has obligated 726 loans and grants totaling $2.62 billion to rural communities in 52 states and Territories, many of which had long been backlogged for this perennially oversubscribed program. The $2.62 billion obligated to date represents 80.3 percent of the available funding. An additional $245 million in Water program funding has been announced but not yet obligated, which brings the total funding commitment to date to 88 percent of the available funds.
- Community Facilities: As of July 9, 2010, the Rural Development Community Facilities program has obligated over $891 million in ARRA funding to recipients in 48 states. Including projects announced but not yet obligated, the Community Facilities program has provided ARRA funding totaling just over $1 billion to 1,282 rural communities for libraries, emergency services facilities, critical access hospitals, courthouses, and other essential community services. This represents 81.1 percent of the total funds available.
- Single-Family Housing (SFH): As of July 9, 2010, the Rural Development Single Family program has assisted more than 90,000 families in purchasing or refinancing their homes. The SFH-Guaranteed program has obligated 99.6 percent of the available $10.1 billion in ARRA funds. The SFH-Direct program has obligated 69.4 percent of the $1.562 billion available.

Although authorized by the Recovery Act, these investments flowed through our regular Title VI programs, with a number of additional ARRA requirements. These included prevailing wage and Buy American provisions as well as rigorous recipient reporting requirements to increase transparency and accountability. Including our regularly appropriated, non-Recovery Act dollars, our total investment in rural America in Fiscal Year 2009 exceeded $31.4 billion. We are on track to have obligated all of our Recovery Act funding by September 30, 2010. I cannot express highly enough my appreciation for the tireless work of our staff in managing a workload that was literally doubled overnight with the passage of ARRA.

At the same time our dedicated staff worked to implement ARRA, they faced the challenge of implementing a number of new provisions in non-ARRA programs mandated by the farm bill. In the interests of time, I will limit my comments today to the Title VI programs that are either new, that have been significantly changed, or that have been the object of particular interest by this Subcommittee.

- **Broadband Loan Program:** The Recovery Act provided an opportunity to make significant investments to bring broadband to rural communities and has drawn new interest from across the country. We have studied the applications and awards under BIP in order to improve the pending new regulations for the farm bill program. The two programs are not directly comparable: the farm bill program is loan-only, while BIP provides the flexibility to provide a competitively awarded mix of loans and grants. Nonetheless, we believe that there will be valuable insights to incorporate into the final Broadband Loan Program rule, which we now anticipate publishing by the end of this calendar year.
- **Rural Microentrepreneur Assistance Program (RMAP):** The RMAP program is one of the most exciting new initiatives from the 2008 Farm Bill. It provides funding through community based intermediary institutions to make small loans and technical assistance to microentrepreneurs. This holds great

promise for targeting assistance to startup and home based ventures, which are often particularly important in rural communities. I would also note that there is a clear synergy between RMAP and the rural broadband program, which will give even the smallest rural entrepreneur access to regional, national, and even global markets.

The Interim Rule to implement RMAP was published in the *Federal Register* on May 28, 2010. A Notice of Funding Availability (NOFA) was published on June 3. A total of $45.1 million is available in FY 2010 for loans, grants, and technical assistance. The initial application window closed July 16, and we are beginning to evaluate the responses. We anticipate announcing initial awards by late summer.

- **Value-Added Producer Grant Program (VAPG):** The VAPG program is a tool for enhancing producers' incomes and encouraging wealth creation in rural America. The 2008 Farm Bill made significant changes related to minority and socially disadvantaged producers and mid-tier value chains. These issues are complex and, in response to comments from stakeholders and our own internal analysis, the initial FY 2009 NOFA implementing this program was withdrawn. A revised NOFA for Fiscal Year 2009 was published on September 1, 2009, with the application window closing on November 30. Rural Development received 550 applications in response to the FY 2009 NOFA and, on June 3, 2010, we announced approximately $22.5 million in funding for 195 projects.

  To implement new permanent regulations for the VAPG program, USDA published a proposed rule on May 28, 2010. The public comment period closed on June 28, 2010. We anticipate publication of an interim final rule in the Fall and publication of the FY 2010 NOFA shortly thereafter.

- **SEARCH Grants (Special Evaluation Assistance for Rural Communities and Households Program):** The SEARCH Grant program is an important enhancement to the Rural Development Water and Wastewater Program. It will provide predevelopment planning grants for feasibility studies, design assistance, and technical assistance to financially distressed rural communities of 2,500 or fewer inhabitants for water and waste disposal projects. This will remove a significant barrier to many of our neediest communities as they seek to provide essential community services to their residents. A Final Rule for the SEARCH Grant Program was published on June 24, 2010, although no funds are available in the current fiscal year. SEARCH Grants will be available in FY 2011 if Congress provides funding.

Our topic today is Title VI, but in closing I wish to acknowledge as well the dedication and effort of our Business Programs and Energy Division staff in implementing the important new energy initiatives created or expanded in Title IX of the farm bill. We have testified on that subject separately, and I know that we will have many opportunities to revisit Title IX with you. Renewable energy is one of Secretary Vilsack's five pillars for rural development, and for good reason: It provides an extraordinary opportunity for rural producers, landowners, businesses, investors, and utilities as we build the production capacity and smart grid necessary to transition America to a new, cleaner energy system in the decades ahead.

As we look ahead, we also look forward to your continued counsel as we seek to apply the lessons learned in ARRA to the administration of our "baseline" non-ARRA programs. In particular, ARRA has afforded us an opportunity to observe the impact of a loan component in the rural broadband program. I anticipate this will be an ongoing topic of discussion in the months ahead.

The ability under ARRA to provide a flexible mix of loans and grants to broadband applicants is worthy of study and discussion. The existing farm bill loan program does not have this flexibility. This was an issue that was discussed at length during consideration of the last farm bill, and it is a question that may be revisited as we consider the next one.

Looking ahead, we would also be eager to discuss with you options for streamlining and rationalizing program delivery. Rural Development administers over 40 programs. Many of them are small and overlapping. We understand that Members often have very targeted objectives in mind in crafting program authorities, but there may well be significant administrative efficiencies to be gained through consolidation. We would of course wish to ensure that any reorganization preserves and enhances our outreach and service to rural communities.

Another important initiative for the Obama Administration is looking at how communities can work together in regions. We are encouraged that the 2011 budget proposed to explore smart regional approaches within the current farm bill programs, and we look forward to continuing this discussion as we move towards the 2012

Farm Bill. Broadband, renewable energy, the smart grid, transportation, water and wastewater services, and many essential community services such as hospitals and emergency services are inherently regional in character. It is clear that a holistic multi-community and multi-county approach leverages resources and rationalizes planning, and we look forward to working with you to find ways to move rural communities in this direction.

Finally, I expect that the definition of rural will be as contentious in the next farm bill as it was in the last. We have in draft a report to the Congress on this question and will submit it to you in the coming months. It is easy to describe the difficulties with the existing definitions of rural; the challenge is to identify a definitional scheme that does not create as many problems as it solves. This is a difficult question, as this Subcommittee fully appreciates, and I know that we will have extended discussions with you as we move forward.

These are sensitive questions on which we want to work collaboratively with stakeholders and the Congress before proposing significant changes. I am glad that the Subcommittee is beginning this discussion now, in order to provide time for thoughtful consideration. I know that you share our commitment to improving our service to rural America, and I welcome your thoughts, comments, and questions as we begin this discussion. Thank you.

The CHAIRMAN. Thank you, Mr. Under Secretary.

Can you explain the notice in the *Federal Register* yesterday regarding the Microenterprise Assistance Program, why nonprofits have previously been excluded, and if this change was made in response to concerns of the stakeholders involved?

Mr. TONSAGER. The Microenterprise Assistance Program we are very excited about. I just want to put that on the table. We think it is an extremely useful tool in rural communities, especially the ones we are trying to get to the most.

I will ask Administrator Canales to comment on your question.

The CHAIRMAN. Welcome, Ms. Canales.

Ms. CANALES. Good morning, Mr. Chairman, and good morning, Ranking Member Conaway.

Indeed, yesterday we published a notice in the *Federal Register* that makes clear the eligibility for nonprofits, both public and private, that can be participants in the Rural Microenterprise Assistance Program. This was something that was not an intentional exclusion, over the long run, these organizations, nonprofits, have been a big participant of all of our rural business programs. In making that correction, we are also going to look at extending our first round so that those organizations can have the opportunity to apply if they thought they could not initially.

The CHAIRMAN. Do you expect revisiting the interim final rule again this fiscal year? I know there have been concerns that have been raised about interest rates, grant rates, and the addition of some of the unauthorized provisions limiting Federal assistance to the rural loan, and requiring some credit test—of the total loan and requiring some credit test.

Ms. CANALES. We are taking a look at this. I know there has been a concern in regards to the timing, but this is a new program, and this is also a very new opportunity for us to delve into the microlending at the level that it is. So we want to make sure that the rule fully relates to the Congress' intent, as well as listens to the various stakeholder groups from around the United States that have commented. So, for that reason, we will be looking very closely at the comments that these organizations have communicated to us.

The CHAIRMAN. Thank you.

Mr. Under Secretary or Mr. Adelstein, one of you may want to address the concern that we have with the Broadband Loan Program, what it will look like in the future, especially if there is the growing concern about when grants may no longer be part of a mix. In your testimony you stated that you studied the applications and awards in order to improve the pending new regulations for the program. Can you share with us anything you have learned so far, or anything that might be useful to this Committee on the statutory side of things, as we now consider a new farm bill and its effect on broadband?

Mr. TONSAGER. First of all, we are very pleased about the ARRA Broadband Program. We have spent a significant amount of time, of course, implementing that program; and we are rapidly approaching the round two announcements. We will be involved with the round two announcements in the very near future.

We of course arrived here a little over a year ago collectively, so that is the only time we have had to deal with the farm bill broadband program.

I think it does make sense that we look closely at what we have learned with this mix of grant-loan combinations. Obviously, we have wanted to address the most difficult, challenging parts of rural America in this grant-loan combination mix. We want to use every resource we can have to address broadband.

I am going to turn it over to Administrator Adelstein to talk about the farm bill program broadband issue, and maybe he can address your questions directly.

The CHAIRMAN. Welcome, Mr. Adelstein.

Mr. ADELSTEIN. Thank you, Mr. Chairman.

One of the lessons, as the Under Secretary indicated, is that it is very difficult to have a business case in some of the most remote rural areas for a loan-only program. One of the concerns that was raised in previous Congresses was that RUS was making loans in areas that were not sufficiently rural, that weren't the most remote. That is why we attempted in the first round of the ARRA Broadband Program to go to the most remote areas.

As the Ranking Member said, in the first round of ARRA funding we are still continuing to do that. But in serving the most difficult to serve areas, we, of course, still want to make sure the taxpayer is paid back. In many cases, the business case is the most difficult in the areas that are hardest to serve. We found the broadband program has been essential in order to provide a grant component that has enabled those businesses to balance out the project so they can take on a loan and responsibly service the debt for those loans. We sometimes need to reduce that loan amount, just as we do in the water program, where we carefully calibrate the amount of grant *versus* the amount of loan.

This has been very successful in the Recovery Act Broadband Program to get broadband to places that otherwise wouldn't be possible. We have literally transformed communities by providing broadband to these areas.

The other big lesson we have had is the importance of flexibility. We learned in the first round and we have learned in the Farm Bill Broadband Program in the past that there is a need for additional flexibility for us to work with our borrowers, to work with our

grantees to ensure that we can meet their needs in a way that allows them to continue to operate their business as they have.

The CHAIRMAN. Thank you, sir.

I am going to now proceed to our Ranking Member for questions he may have.

Mr. CONAWAY. Thank you, Mr. Chairman.

Let me just preface remarks by I know you guys have a spectacularly difficult job. Congress lays on all kinds of new initiatives and new programs and new, "Gee whiz, this is a great idea things," on you. You also come up with those ideas yourselves. I understand there is a tension with limited resources to do everything everybody wants to get done, your side, our side; and somehow you parse that out and figure out how to get it done.

These examples of the definition of *rural*, that is, the study, is late. By statute, it should have already been here. Our frustration, of course, is that we have some things we think are a good idea. We have no leverage whatsoever to make that happen, other than to drag you in here and explain to the world that that study is not done.

You said, late this summer—this summer—that you think that you will have that study done?

Mr. TONSAGER. Yes.

Mr. CONAWAY. With respect to stimulus spending, there are lots of differences of opinion as to whether or not that is the right way to go. But is there any doubt in anybody's mind that money in the stimulus program that has not yet been spent is stimulative? Anybody remotely think that money that hasn't been spent yet is doing anything that those who favor the stimulus plan said it does or would do?

Mr. TONSAGER. If I understand—forgive me, but——

Mr. CONAWAY. That was a terribly phrased question. The idea that, unless you spend it, it can't possibly be stimulative, that view.

Mr. TONSAGER. Right. We very much feel we are on track to use all of the funds.

Mr. CONAWAY. Okay. With respect to the broadband issues, 13 projects—and maybe you don't have the detail of the granularity to tell us, but could you walk us through, say, three of those projects than have actually broken ground where it is moving forward? We are 19 months into this session and well into 17 months of stimulus activity. Can you talk to us briefly about a specific project that has actually broken ground?

Mr. TONSAGER. Go ahead, Jonathan.

Mr. ADELSTEIN. Well, certainly. There is a project in Kansas, a Kansas rural telephone company, that is a large project that already has broken ground. A number of these projects have done a lot of pre-engineering work. We have many of them that have broken ground. The one in Kansas, in particular, is a very large project, 4,600 square miles in rural Kansas, that they have already begun to do work on.

There are other examples of that. Those that haven't broken ground are already engaged in pre-construction activities, which have involved hiring and job creation.

Mr. CONAWAY. The stimulus money has got to be spent by the end of September.

Mr. ADELSTEIN. Correct.

Mr. CONAWAY. And you are on track to get all of that money spent?

Mr. ADELSTEIN. Absolutely, we are on track. We have met all of our milestones. There are a large number of announcements coming up very shortly.

Mr. CONAWAY. So the projects will be finished, the taxpayer will be able to get a completion certificate that the project is throwing out broadband service by September 30?

Mr. ADELSTEIN. No, by obligation we mean that the funds have been committed by the Federal Government. The actual projects take a longer period of time.

Mr. CONAWAY. Yes. Those commitments, though, have to be something beyond just an Executive Branch commitment. You have to have signed a contract with somebody, right?

Mr. ADELSTEIN. Yes, that will be a full contract, signed, sealed, and delivered that they will deliver what it is the taxpayer is funding.

Mr. CONAWAY. Okay. Back to the conflict between you guys doing what Secretary Vilsack and what the President wants to you do *versus* what Congress wants you to do.

Know Your Food, Know Your Farmer, that doesn't appear to have a lot of authority for it under the law. Yet you have pushed that one forward. You have not done a study on the definition of *rural*. You have not done a lot of things we can list. But you have decided that Know Your Food, Know Your Farmer is a big deal. How much money are we spending on that?

Mr. TONSAGER. I am going to ask the Administrator to speak to that, but first I want to talk about Know Your Farmer, Know Your Food a little bit.

One of the great struggles in rural America is local economics, developing businesses locally that do generate local activity. I think Know Your Farmer, Know Your Food addresses that very well. I think it does create an economic opportunity in a lot of rural communities that is hard to generate at times.

Mr. CONAWAY. Before this initiative, folks in rural America didn't realize they could grow things and sell it to local markets?

Mr. TONSAGER. No, of course they did. They understood that. I think that there has been a movement that has grown for some years relative to local foods, and our hope is to enhance that and encourage that.

Mr. CONAWAY. How much resources have you put against that program?

Mr. TONSAGER. I will ask the Administrator to speak to that specifically.

Ms. CANALES. Yes, sir, Mr. Conaway. There are a couple of programs specifically that I am responsible for within the Rural Business and Cooperative Programs. Our flagship program, the Business and Industry Loan Guarantee Program, had a five percent set-aside for local food usage; and we surpassed that in Fiscal Year 2010. Actually, 14 percent of our entire Business and Industry loan portfolio went to some type of local food activity.

Mr. CONAWAY. What is the dollar amount on that?

Ms. CANALES. The dollar amount on that particular amount was $188 million in loan guarantees. Remember these are local businesses that get that loan—the bank has to make the loan with that loan guarantee. So that is our contribution, and that was 14 percent.

The previous year, in Fiscal Year 2009, it was 7.7 percent. So there is additional activity to that.

So, in total, over Fiscal Year 2009 and 2010 to date—because, as you know, we are not done yet with Fiscal Year 2010—and we are still making loans, by the way—it is $276 million.

Now also——

Mr. CONAWAY. That is gross loans. That is not——

Ms. CANALES. Right, because you are not looking at all the other leveraged amounts. Because there are other monies that go into projects. There may be a local contribution. There may be an SBA loan. That is a deal-to-deal scenario.

The other part that I wanted to mention to you is the Value-Added Producer Grant Program which, as you know, has been a very, very active program. We are very pleased that we were able to reach 45 states to make it a truly national program: $22 million, 195 projects throughout the United States. So if you look at that combined amount, $22 million and the $276 million, you are reaching almost $300 million.

Mr. CONAWAY. Okay, thank you.

The CHAIRMAN. Thank you, Mr. Conaway.

Mr. Kissell.

Mr. KISSELL. Thank you, Mr. Chairman.

Welcome to everybody here, and I especially want to say hello to Ms. Canales. She was good enough to come visit. Chairman McIntyre and I, our districts are side by side; and we share a lot of common challenges in our rural development opportunities. And Ms. Canales was good enough to come to a joint session of the Chairman's worst counties and some of the worst counties in my district coming together; and she was able to come in, talk to folks. We really appreciated that visit immensely, and the follow up that has come out of that.

My question, Mr. Under Secretary, it really relates to the reason why we needed Ms. Canales to come visit us. In large part—there are other reasons, too, but in large part there are areas within our nation, especially my district and, as I mentioned, Chairman McIntyre's district where trade deals in effect took away certain industries from places, and really put those areas at disadvantages before the national economy went down. Those areas saw their economy had already gone down because they lost their industry so fast, especially in textiles, furniture making, so forth and so on.

We almost have seen where the winners and losers in certain industries have created winners and losers within areas. My question is, as we look towards the new farm bill, how can we address those areas? As Ms. Canales came and visited those areas that were suffering before, and it is more than just an economic downturn for the nation, that there are certain inherent problems not of their own making where you—how do you attract new industry? How do you attract the upturn in the economy when you are facing the situation that these areas have faced because they just don't have

anything to build on? The traditional agriculture is doing well, but the infrastructure to a certain degree has been lost.

So in that area of our rural economy how can we look towards—give a little extra attention to them so that we can kind of recognize, as Ms. Canales came down, recognize these areas are trying to overcome more than just a downturn in the economy. When everything starts going again will they be okay, because they weren't okay before?

Mr. TONSAGER. That is a challenge faced by many rural communities, and I appreciate the question regarding that.

I think especially as we go into the 2012 discussion we should focus on those very stressed areas that you described. We do have tools, and as an agency we like to think of ourselves as a problem-solving agency. So we want to engage in a problem-solving way in the long term in this case, as you described it to me.

On the northern plains, we developed an ethanol industry. That is not necessarily the solution for everybody. We hope energy can be the solution for a lot of areas in development. But we brought together farmers, private investors, and others in two groups that created these ventures, that created the jobs. I think we have to look a lot to ourselves for the investment and for the capital necessary to build these kinds of ventures.

We think that the Secretary's approach to regionalism makes a lot of sense. The idea is to try to get communities to work together that may have been competitive with each other in the past, and spend some time together and see if they can find mutually beneficial strategies. We like feasibility studies, we like business plans, we like Value-Added Producer Grant Programs that causes those kinds of things to happen.

Because local economies really have to be built by local people, and the more they understand about their opportunities the better opportunity they have to be successful.

I think we have a lot to talk about about the tools that we can possibly provide to help the communities that you describe. From our staff perspective we do want to form groups and efforts that help regions like yours be successful.

Mr. KISSELL. Thank you, sir.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Kissell.

Mr. Thompson.

Mr. THOMPSON. Thank you, Chairman, Ranking Member, and Mr. Under Secretary. I really appreciate everyone's testimony today.

Mr. Under Secretary, you mention that prevailing wages are required to qualify for stimulus funding in your testimony. I have a specific project in mind in my district, actually, a visiting nurse agency building that typically would qualify under the program prior to the stimulus. It certainly qualifies today under the provisions of the stimulus.

But the situation that happened, though, was they found that they had to find other alternatives to pursue that project. Because when it came down to it, they knew they could afford the project until all the new conditions with the stimulus monies, which specifically was prevailing wage, was imposed; and prevailing wage

was enough to put them over—beyond the resources that would be available to be able to do that project. They couldn't afford that increased cost because of the prevailing wage requirement. Is there anything—or what can be done to address this?

Mr. TONSAGER. We certainly would want to continue to work with them to see if we can develop strategies that would help them do the project. We have a complement of laws that we have to deal with regarding the stimulus money and our normal programs. So, in that case, what we would attempt to do is sit down with them—and I am not quite sure which program area you are referring to, probably Community Facilities.

Mr. THOMPSON. Community Facilities and rural economic development specifically. It just struck me, though, that stimulus was supposed to be above and beyond; and these folks applied early. This was a very early project that was brought to my attention, a great project. This is an agency that touches a lot of lives in rural communities, a very rural area. And it just struck me that if stimulus was above and beyond, why, because they were pursuing Community Facilities monies, where was the baseline of the program that always has been here?

And, frankly, let me say USDA does a great job with that, the Commonwealth of Pennsylvania, the state office, the regional offices, we are very proud of the work they do in our rural communities. This part was very, very frustrating not just certainly to those folks in that rural community, but to me, that we added the prevailing wage component that essentially priced the project out of affordability.

Mr. TONSAGER. If I could, I would ask Ms. Trevino to offer any ideas she might have regarding the project.

Ms. TREVINO. Thank you, Mr. Chairman and Members of the Committee.

We were instructed to use prevailing rate wage rates with all our CF projects, and so with the ARRA money it was something we had to impose. So there was no getting around that.

Mr. THOMPSON. Was there a rationale why that was? I don't believe—just a point of clarification, prior to the ARRA stimulus money, was prevailing wage a required component within a Community Facilities program?

Ms. TREVINO. Well, I believe it was something that was imposed just on ARRA. So, many of the projects that were difficult to fund based on the prevailing wage increase went through fiscal year money instead of the ARRA funding.

Mr. TONSAGER. I would add that this is statutory for us. What we do in the regular program it would not be a critical element. That is for the existing program, the non-stimulus program.

Mr. THOMPSON. Yes. Certainly a part that makes—that part of what was added to statute puts our rural communities just at a tremendous disadvantage.

I also know this project was really looking to use local contractors. They wanted to hire local folks to stimulate those local rural communities, and yet for many different reasons prevailing wage priced them out of that market, and projects that they would have to go to bigger cities, much further away than Clarion County, Pennsylvania.

Mr. Adelstein, just real quickly, because I am running out of time, in November 2009, 20 of my colleagues actually on the Small Business Committee and I sent you a letter, which I am submitting for the record, describing our concern with the implementation for funding for rural broadband within the stimulus.

[The document referred to is located on p. 67.]

Mr. THOMPSON. Specifically, our letter suggests giving prioritization to rural areas with the greatest need, improving the website, the complexity of the application process, the difficulty of requiring the 10 year limitation on the sale or lease of ARRA-funded facilities, matching contributions and a definition of a *remote area*—and my time is limited. Actually, it has expired. But I guess what I would ask, it would be great to get a follow up now that it has been—I know that we have an initial follow up, and I appreciate that. But, now that we are many months down the line it would be great to kind of get a follow up and see where we are with all those.

Mr. ADELSTEIN. Thank you. I would be happy to respond, if I could, now.

Basically, we have addressed all the issues that have been raised by you and others in terms of the second round of funding that we did. In the second NOFA, we eliminated the requirement that there be a *remote* definition but instead prioritized funding toward the most remote rural areas. We did provide for more flexible funding for the grant, we changed the way that we focused on last mile, and we had the Commerce Department focus on the middle-mile projects, splitting those up. We tried to be more flexible. The website has been updated since then. We have attempted to address all those issues. I would be happy to go line by line in response to the record, if that would be helpful.

Mr. THOMPSON. I appreciate that. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Thompson.

Mr. Cassidy.

Mr. CASSIDY. I came in late so I am not sure to whom to address my questions, but I will try to throw it out and let you pick, if you will.

In my office, there is someone who helps communities with grant applications. She tells me the process is complex, that it can take up to a week of a full-time worker for a community which, by definition almost, has few resources to apply. Indeed, sometimes they have to a hire professional grant worker, grant writer, in order to get their grants, which we are depriving a minimally resourced community of resources in order to get the resources, if you will. Any thoughts? How can we make this better?

Mr. TONSAGER. We do have challenges relative to our application processes, and we do seek to try and make those work as well as we can. There are also technical service providers, such as planning districts and other parties, who will assist communities with development of those grant applications.

Sometimes it is a matter of degree. Sometimes the projects are very large, involving a significant amount of money, and do require a significant amount of work to get there.

I do appreciate the concern expressed, that we have 40 some programs, with an application process that is, in many cases, different for each. And so is there opportunity to take a look at that? Yes, there probably is.

I guess, coming into the farm bill, we would want to have a dialogue with you about streamlining some of the programs, not to eliminate anybody from getting a program, not to seek to reduce the funding for a program, but to look exactly at that. Because some of these——

Mr. CASSIDY. Can I ask staff, both sides, to make a meeting with your office so that it becomes an action point, as opposed to a thing we could do? Is that okay, Mr. McIntyre?

The CHAIRMAN. Yes.

Mr. CASSIDY. Because I can tell you from the front lines folks are having a difficult time navigating this.

I know of one rural community that hired someone to do a grant application for the broadband. The contractor screwed it up, and they have lost their opportunity, even though later review showed they had a strong application. So, again, it becomes almost a feed-in, if you will. So can we work that out?

Mr. TONSAGER. We would very much look forward to it.

Mr. CASSIDY. Next—and I don't know this. You can tell me I perhaps should, and I apologize if I should. You have specific funds within the Business and Industry program for loans, loan guarantees to rural food enterprise entrepreneurs that process and distribute through locally and regionally. In my community, both Southern University and LSU have ag extension stations which do some of this, but they are, frankly, cash strapped right now. Is it possible for these ag extension stations to apply for some of these funds, either directly, or through a subsidiary, in order to bring this process to the people whom they serve?

Mr. TONSAGER. We would certainly be happy to meet with them and explore every program we have that may potentially be used for them in some way. Of course, whether it is debt service, or whether they have the capacity for debt service would be a question for them. We do have some grant programs that maybe could be beneficial through themselves or a subsidiary, but we would want to go through it with them to make sure we get them on the right track.

Mr. CASSIDY. Just so—I have an example. I was in Birmingham, Alabama. They have taken a plot of ground which was unused next to a housing project and set up an urban garden. The people that run this urban garden then sell their organically grown food to high-end restaurants in town, as well as consume it themselves.

Now it is a consortium of private individuals that put it together initially. But, again, within these ag extension stations we have folks whose full-time job is to implement such. So just as an example, is that something that could potentially access grants or funding through this program?

Mr. TONSAGER. Well, we would want to explore it with them and make sure we could help. I would ask the Administrator, Judy, to comment as well.

Ms. CANALES. Thank you, Mr. Cassidy.

In fact, I attended a Value-Added Producer Grant Program conference held in Biloxi, Mississippi, 2 weeks ago that was all extension folks. They were coming from around the United States, and they have been very keen on exactly what you are talking about. And many of them have been able to provide technical assistance, assist with feasibility studies and so forth, for clients to be able to access the Value-Added Producer Grant.

Another group which is actually also in your state are the 1890 organizations, educational institutions. They, too, have also received some support from USDA, from my organization to provide technical assistance to businesses in their service area.

And then the other part I wanted to make sure you were mindful of is the Rural Microenterprise Assistance Program that we are launching—we are deep into the application process now—also includes technical assistance monies to organizations. Universities are eligible entities to apply, to be able to assist with technical assistance. So we would love to have this conversation with you and become more familiar with the groups that you know of that would want to get involved in this.

Mr. TONSAGER. I am reminded as well we have to make sure it is a rural project and also reference you to the ag marketing service that could also potentially be helpful on the project.

Mr. CASSIDY. Thank you.

The CHAIRMAN. Thank you, Mr. Cassidy.

Mr. Under Secretary, Secretary Vilsack identified increasing populations in rural communities as a goal for the next farm bill. Can you identify what, if any, programs in Rural Development could be better utilized to meet this goal, or how they might be changed in any way to meet this goal?

Mr. TONSAGER. That is a pretty broad challenge to me. I think the Secretary is very frustrated with the out-migration we see in a lot of rural communities. He really has pressed us hard to look at our programs to see what programs specifically can be helpful to bring that growth back, or to at least mitigate the decrease in population in rural areas.

I tend to focus on the business-related programs and those that help enterprises create jobs, because without job creation, without wealth creation, the migration is difficult to stop. Many of our programs support rural communities and services that help attract people to rural communities—good community facilities, good housing, and so forth—but you have to have a component of that that pays the bills. For example, the programs related to bio-energy that might help us create projects that create economic growth, job creation, use of local materials for new product production, are really fundamental keys. I offer that as an opinion from my perspective about what really has to happen for jobs, for communities to be created and that is job creation.

The CHAIRMAN. Thank you, sir.

Mr. Conaway, do you have an additional question?

Mr. CONAWAY. I do have one other one real quick, actually two, kind of a follow up on Mr. Thompson's conversation with you about prevailing wage or Davis-Bacon.

If projects cost 20 percent more than they would have otherwise cost without the Davis-Bacon provision, does that mean the

projects then are 20 percent smaller than they would have been, or that communities have to find that 20 percent somewhere else? How does that work?

Mr. TONSAGER. Generally speaking, the whole project would be eligible for the grant-loan combination. So I don't think that they would be necessarily 20 percent smaller.

Administrator Adelstein would like to comment about it.

Mr. ADELSTEIN. Yes, in terms of Davis-Bacon, the ARRA Broadband Program initially referred to it. The applicant is able to bid for the full price of the project, including the wages. So they would submit to us in their application what their anticipated wage rates would be, and if they were higher then they would be eligible for a larger overall grant-loan combination.

Mr. CONAWAY. So the grant which is provided by taxpayers across this country to fund that piece of it, or they would be required to borrow more money than they would have otherwise had to borrow. Is that a fair assessment?

Mr. ADELSTEIN. I would say so. The Act requires Davis-Bacon wage rates. The idea was to create high-paying jobs, make sure that these jobs that were created under this are good jobs you can sustain your family with and earn a good living.

Mr. CONAWAY. Yes, I have heard that argument.

One final thing, under section 6110 of the farm bill which was signed in May of 2008 there is a provision for access to the Rural Broadband Loan Program that Secretary Vilsack has announced that some 3 years into the deal we will finally implement it in 2011. There has already been a requirement that one of those pesky annual reports to Congress be made. And if the loan program is not functioning that report would be relatively quick for 2009 and 2010, I guess. But could you give us the rationale, Dallas, as to why the continued delay in this loan program under the farm bill?

Mr. TONSAGER. We are addressing the loan program, and we want to move forward with it. We do believe we have learned a lot, as talked about previously, going through this grant-loan process. Of course, that grant-loan mix has predominated under the circumstances for the last 18 months on the application process.

Jonathan, can you add to that?

Mr. ADELSTEIN. That is right. We have seen very little interest in the Farm Bill Loan Program while the ARRA Program has been in place, and we are taking the lessons from ARRA into account.

We also learned from the FCC's National Broadband Plan what their plan is, and we wanted to make sure we had a program that fit in with what the FCC had in mind. So we are moving quickly now to get those regs done, get them done right.

I actually worked on the original farm bill when I was on the staff for the U.S. Senate on that, so I understand the importance of it. We are certainly working on that.

Mr. CONAWAY. Sure. The provision authorizes some $25 million a year for each year. Do you know off the top of your head, since we have lost 2½ years of that authorization, does it carry forward? Does the full $125 million that was authorized over the 5 years, will your program have access to that? Or is it just $25 million per year from this point forward?

Mr. ADELSTEIN. Those were multi-year monies, so in fact, those funds can be rolled over into the next year, which was another consideration. Because we are likely to get a larger demand for the Farm Bill Loan Program as ARRA expires, I think the interest is going to quickly rise on that. We want to transition people into that program that didn't make it in ARRA and have other loan needs; and so having those additional funds will be very useful for that purpose.

Mr. CONAWAY. Thank you, Mr. Chairman.

Thanks, everybody. I appreciate you being here today.

The CHAIRMAN. Do any of the panelists have a remaining question?

You do, Mr. Cassidy?

Mr. CASSIDY. Now, you may or may not be able to answer this. I am not quite sure how broad your kind of authority is. But you mention on page three of your testimony that USDA's core support—core goal is to support rural communities, providing incentives to help the environment. And yet I gather that the President's budget calls for using conservation funds for other purposes. And so it is seems as if we are at cross purposes. We desire to strengthen the ecosystems, if you will, and yet the President's budget is diverting conservation funds. Any comments, thoughts, illuminations, disabusements?

Mr. TONSAGER. That core goal is not part of my mission area. I do not have an intimate knowledge of the conservation programs or the directions they are moving. Clearly, the Secretary wants conservation and believes ecomarkets are an important part of the economy that we are moving into in the future, but, beyond that, I really couldn't comment.

Mr. CASSIDY. I yield back.

The CHAIRMAN. Thank you very much.

I want to thank all of our panelists and the excellent job that you have done and the service that you give to our country. Thank you for your commitment.

Mr. Tonsager, thank you especially for bringing all of your Administrators with you. And, to the Administrators, we look forward to our continued work with you. God bless each of you.

We will now just take a momentary break to in order to change panels. You may stand up and stretch if you are in the audience and need a break.

[Recess.]

The CHAIRMAN. The second panel should be seated. We need to proceed.

We want to welcome today our second panel of witnesses. We'll let each of you describe exactly what your position is.

Is Dr. Ayers in the room?

Not seeing him in place yet, Mr. Higginbotham, we will proceed with you, if you would like to proceed.

STATEMENT OF THOMAS HIGGINBOTHAM, EXECUTIVE DIRECTOR, NORTHEAST NEBRASKA ECONOMIC DEVELOPMENT DISTRICT; MEMBER, BOARD OF DIRECTORS, NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS, NORFOLK, NE

Mr. HIGGINBOTHAM. Good morning, Mr. Chairman, Ranking Member Conaway, and Members of the Subcommittee.

My name is Tom Higginbotham. I am the Executive Director for the Northeast Nebraska Economic Development District, headquartered in Norfolk. I also serve on the Board of Directors for the National Association of Development Organizations. I thank you for the opportunity to testify today on USDA Rural Development programs in advance of the 2012 Farm Bill.

My goal today is to offer some concrete examples about the effectiveness of USDA's rural business programs and to provide suggestions as you look toward the next farm bill.

This morning, I will limit my remarks to three main points:

First, USDA's business loan, grant, and technical assistance programs for the Rural Business and Cooperative Service are essential resources for rural communities as they try to create economic opportunities and improve the quality of life for their citizens. With USDA's assistance, rural communities across the nation are now better positioned to pursue new jobs and wealth-generating opportunities.

Together with our 501(c)(3) nonprofit, Northeast Economic Development Incorporated maintains a rural business grant and loan portfolio of $2.2 million, which comprises more than 45 percent of our business. Since 2001, these funds have helped to create or retain more than 450 jobs throughout our region.

Second, USDA's Rural Business Enterprise Grant Program and Intermediary Relending Program are highly effective sources that allow intermediaries to assist rural entrepreneurs, business leaders, and local officials as they pursue innovative development strategies and business opportunities.

I would like to highlight one instance where USDA RBEG funding was crucial for the operation of four small businesses in our region.

After 2008 flooding that occurred in Platte County, Colfax, and Butler County, NED, Inc. received $200,000 of rural RBEG funding to assist these businesses to rebuild. After using these funds, it was able to provide assistance to four businesses: Kracl Funeral Chapel, John's Tire Sales and Service, Grubaugh Machine, and Creative Touch.

With the help of these funds, Kracl Funeral Chapel retained five full-time employees and continued operations as usual; John's Tire Sales and Service retained two full-time employees and changed their business focus to tire sales, which increased their profitability; and Creative Touch retained four full-time positions. Finally, Grubaugh Machine, a family owned business, retained three full-time positions and purchased some new equipment, which helped them expand their business.

Without the assistance of USDA's RBEG program provided to help these businesses get back on their feet after the flooding, they might not be in operation today.

It is important to note that, while these types of programs are taken for granted in a more urban setting, in a highly rural area such as ours there may only be one tire center and one funeral home. The loss of these specialized services to our citizens could be great.

But my region is not the only one benefiting from USDA's programs. My written testimony includes examples from around the nation that the USDA funding has helped toward the job and wealth creation of many businesses and entrepreneurs.

Finally, Mr. Chairman, the Administration's newly proposed Regional Innovation Initiative will make USDA's infrastructure investments more efficient and effective by rewarding regional approaches to rural development. The initiative will allocate funds competitively among innovative regional economic development projects tailored to local needs and opportunities. The initiative's new approach will lead to increased efficiency as rural community capacity is enhanced through greater coordination and leveraging of regional funds.

NADO supports the goal of moving rural development towards commitment to regional strategies designed by local leaders. We urge the Subcommittee to support this promising initiative.

Mr. Chairman and Members of the Committee, thank you for the opportunity to testify today; and I welcome any questions.

[The prepared statement of Mr. Higginbotham follows:]

PREPARED STATEMENT OF THOMAS HIGGINBOTHAM, EXECUTIVE DIRECTOR, NORTHEAST NEBRASKA ECONOMIC DEVELOPMENT DISTRICT; MEMBER, BOARD OF DIRECTORS, NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS, NORFOLK, NE

Thank you, Chairman McIntyre, Ranking Member Conaway and Members of the Subcommittee, for the opportunity to testify today on U.S. Department of Agriculture (USDA) Rural Development programs in advance of the 2012 Farm Bill.

My name is Thomas Higginbotham. I am Executive Director of the Northeast Nebraska Economic Development District, headquartered in Norfolk. I also serve on the Board of Directors of the National Association of Development Organizations (NADO).

Before I begin, let me first thank the Subcommittee for your leadership and support of rural development programs. The broad portfolio of USDA Rural Development programs for business development, community facilities, broadband and telecommunications, and value-added agriculture production and marketing are essential to the long-term economic competitiveness of our nation's small urban and rural communities.

My goal today in covering this important topic is to offer some concrete examples about the effectiveness of USDA's rural business programs and to provide suggestions as you look toward the next farm bill. As debate begins on the rewrite of the farm bill, I strongly encourage Members of this Subcommittee to make rural business, and rural development programs in general, a central theme of the proposal. These programs are critical to economic expansion in rural America.

About the National Association of Development Organizations

The National Association of Development Organizations (NADO) provides advocacy, education, research and training for a national network of 520 regional development organizations. NADO members—known locally as councils of governments, economic development districts, local development districts, planning and development districts, regional councils and regional planning commissions—are focused on strengthening local governments, communities and economies through regional solutions, partnerships and strategies.

This morning, I would like to focus my remarks on three key points.

1. **USDA's business loan, grant and technical assistance programs provided through the Rural Business and Cooperative Service (RBS), are**

essential resources for rural communities as they strive to create economic opportunities and improve the quality of life for their citizens. With USDA's assistance, rural communities across the nation are now in a better position to pursue new job and wealth-generating opportunities, whether in traditional sectors such as agriculture and natural-resource based industries or emerging science and technology fields.

2. **USDA Rural Development's Rural Business Enterprise Grant (RBEG) program and Intermediary Relending Program (IRP) are highly effective resources** that allow intermediaries to assist rural entrepreneurs, business leaders and local officials as they pursue innovative development strategies and business opportunities. NADO encourages the Committee to look at ways to increase funding resources for these small yet invaluable programs.

3. **The Administration's newly proposed Regional Innovation Initiative will make USDA's infrastructure investments more efficient and effective by rewarding regional strategic approaches to rural development.** The Regional Innovation Initiative will provide incentives and resources for the enrichment of rural development strategies on a regional and local basis to implement area-wide priority projects and initiatives. NADO urges the Subcommittee to support this promising initiative.

First, Mr. Chairman, USDA's vital business loan, grant and technical assistance programs provided through the Rural Business and Cooperative Service (RBS) are essential resources for rural communities as they strive to create economic opportunities and improve the quality of life for their citizens.

The ability to create and sustain viable small businesses and generate wealth is the core of successful community and economic development. However, rural and small metropolitan communities face special challenges, such as limited access to capital and technological infrastructure and a depleted employment base that restricts their ability to attract and retain these new businesses.

Through its portfolio of over 18 different loan, grant and technical assistance programs, RBS provides rural businesses and entrepreneurs the tools needed to overcome some of those challenges, harness their independent spirit and better position themselves to pursue innovative opportunities. These opportunities result in new job creation and wealth generation for their communities, whether in traditional sectors such as agriculture and natural-resource based industries or emerging science and technology fields.

The Northeast Nebraska Economic Development District (NENEDD) covers a 17 county region of our state. The total population of the region is 214,271, of which nearly 70,000 is concentrated in our three largest communities. Of the 117 communities in the NENEDD footprint, 110 have a population less than 2,500. Our region faces many of the economic challenges common to rural communities throughout the country. The University of Nebraska-Lincoln, Bureau of Business Research Service Population Projections forecasts a population loss in our region of 20,251 from years 2000 to 2030. From 1999 to 2009, the State of Nebraska documented a net job loss of more than 11,000, of which, 2,000 were from our 17 county region.

Our local governments do not qualify for direct grant assistance offered through programs such as the HUD Community Development Block Grant program. As USDA Rural Development is one of the few Federal agencies focused on providing resources for rural business and community development, our communities depend on USDA to provide the assistance they need.

For this reason, USDA Rural Development is one of NENEDD's key grant and loan partners. NENEDD, together with our 501(c)(3) nonprofit organization, Northeast Economic Development, Inc. (NED, Inc.), maintains a USDA rural business grant and loan portfolio that is worth $2.2 million and comprises more than 45 percent of our organizations' total business. Since 2001, these funds have helped to create or retain more than 450 jobs throughout our region.

The ever-changing character of rural America's economic drivers requires that Federal assistance programs incorporate a level of flexibility that allows the programs to grow with the changing needs of its recipients. According to recent U.S. Census data, in 1990 Northeast Nebraska's two biggest industries were Retail Trade and Agriculture. By 2000, the two biggest industries had switched to Manufacturing and Education/Health/Social Services. Today, Manufacturing is the only industry that employs more than 20,000 people. Educational Services, Agricultural Services and Retail Trade industries employ more than 10,000. The Wholesale Trade industry employs the second-fewest number of people at 3,881, and Public Administration employs the fewest at 3,215.

In Northeast Nebraska, the flexible nature of the USDA RBS programs allows our lenders and intermediaries to respond to the evolving nature of the region's economy and the changing needs of our businesses and entrepreneurs. As the Subcommittee works to evaluate USDA rural business programs, NADO encourages you to ensure this flexibility is maintained.

Second, Mr. Chairman, USDA's Rural Business Enterprise Grant (RBEG) program and Intermediary Relending Program (IRP) are highly effective resources that allow intermediaries to assist rural entrepreneurs, business leaders and local officials as they pursue innovative development strategies and business opportunities. When traditional banks are not interested in financing rural companies, these funds fill that gap. NADO encourages the Subcommittee to look at ways to increase funding resources for these small yet invaluable programs. In addition, we encourage USDA Rural Development and Congress to provide as much flexibility as possible in these programs to allow intermediary investments in new and emerging knowledge-based firms which often lack the traditional collateral required by Federal lending programs.

As one of the smaller USDA initiatives, the RBEG program is often overlooked. However, the broad nature of RBEG assistance combined with its focus on small business development makes the program an indispensable tool in many rural regions across the country. In total, RBEG investments have helped to create or retain more than 180 jobs in our region.

After the 2008 flooding that occurred in Platte, Colfax and Butler Counties, Northeast Economic Development (NED), Inc. received a $200,000 Rural Business Enterprise Grant (RBEG) for the establishment of a disaster assistance revolving loan fund (RLF) to assist local businesses rebuild. Under the disaster assistance RLF, businesses were provided a zero percent interest loan for up to 90 percent of the total project cost.

Using this funding, NED, Inc. was able to provide assistance to four businesses: Kracl Funeral Chapel, Inc. (Schuyler, NE), John's Tire Sales & Service (Schuyler, NE), Grubaugh Machine, Inc. (Platte Center, NE) and Creative Touch, Inc. (Schuyler, NE). With the help of these funds, Kracl Funeral Chapel, Inc. retained five full-time employees and continued operations as usual; John's Tire Sales & Service retained two full-time employees and changed their business focus to tire sales instead of a gas service shop, helping them become more profitable; and Creative Touch, Inc. retained four full-time positions. Finally, Grubaugh Machine, Inc., a family-owned business, retained three full-time positions and purchased a new piece of equipment which has helped them expand their operation.

Without the assistance USDA's RBEG program provided to help these businesses get back on their feet after the flooding, they might not be in operation today. While these types of businesses are taken for granted in more urban settings, in a highly rural area such as ours, there may be only one tire center or one funeral home in a community or county. Their closure would result in a complete loss of vital and specialized services to our citizens.

USDA Rural Development's Intermediary Relending Program (IRP) is another invaluable and often overlooked resource for rural regions. Since 2001, NENEDD and NED, Inc. have been awarded a total of $1.5 million in USDA IRP funds through three separate awards. Using these funds, we made 58 loans, generated more than $23 million in leveraged funds and helped to create or retain more than 435 jobs throughout our region.

Recently, IRP gap financing was the key ingredient needed to complete a medical expansion project. Dr. Randall Hedlund owns and operates The Family Chiropractic Center, a successful chiropractic clinic in Albion (Boone County, NE). The business, which began in 2000, was operated in a 1,400 square-foot space that Dr. Hedlund leased. However, in 2008, due to the tremendous growth of his business and the desire to offer an improved health care facility, Dr. Hedlund embarked on an expansion project.

At the same time, the Boone County Economic Development, the City of Albion and other business leaders in town saw the need to recruit a dentist to Albion to replace two retiring dentists. Community leaders encouraged Dr. Hedlund to expand the scope of his project to include additional office space that would accommodate the needs of one new dentist and one other professional business, such as an attorney or accountant. Through a combination of bank financing and IRP loan funds, Dr. Hedlund was able to finance a new three-bay professional office building.

Through its loan program, NED, Inc. staff provided key technical assistance in business plan preparation and $100,000 in IRP loan funds to help finance the project. Since its completion, this project has retained two and created ten full-time positions.

But my region is not the only one benefiting from USDA's critical business program assistance.

Holley's Sweets, a small rural business in **Coffee County, Alabama** was able to expand its operations due to assistance from the **Southeast Alabama Regional Planning and Development Commission** and USDA Rural Economic Development Loan and Grant (REDLG) investments. Holley's Sweets began baking flavored cakes in a small house using two ovens. The cakes were sold to local grocery and convenience stores. The company continued to grow and needed more space, a larger freezer and a loading dock. In 2001, a new 15,000 square-foot bakery facility was constructed with financing that included a $450,000 REDLG loan. After this critical expansion was completed, the company's sales grew to over $1 million annually and they were able to add 56 new jobs.

In 1995, the **Androscoggin Valley Council of Governments (AVCOG) in Auburn, Maine** secured an RBEG award of $500,000. Of this total, $425,000 was for microlending and $75,000 was dedicated for technical assistance. To date, AVCOG has lent over $900,000 that has leveraged an additional $14.8 million in owner equity and private funds. The average RBEG loan amount is approximately $27,000, and the program has helped AVCOG and its partners create or retain 350 jobs in its rural region. AVCOG has also been awarded three IRP loans for a total of $3.5 million. To date, the AVCOG IRP program has lent nearly $8.4 million that has leveraged over $43.7 million in other capital investments.

The **Southern Georgia Regional Commission in Valdosta** was the first recipient of IRP funds in the nation in 1989. Since then, the commission has received four additional IRP awards for a total of $2,899,790. The commission also received RBEG funds totaling $268,400. Combined with RLF recapitalized funds and private leverage, over $17 million has been injected into the commission's 18 county area and 1,291 jobs have been created.

The North Central Pennsylvania Regional Planning and Development Commission (North Central) in Ridgeway administers five separate IRP loan pools with an aggregate value of over $4.3 million. North Central used this loan portfolio to assist DuBrook, Inc., a concrete manufacturer owned and operated by Rosemary Barber. DuBrook, Inc. operates at four facilities in Pennsylvania: one in St. Marys (Elk County), one in DuBois (Clearfield County) and two in Butler County. To remain competitive and efficient, DuBrook needed to upgrade its equipment to include the acquisition of four advance front discharge mixers. With the commitment of $200,000 from the North Central IRP loan pool, Rosemary was able to leverage additional loans from the Clearfield County Industrial Development Authority and the local bank. These new mixers will enable DuBrook to run a more efficient and technology advanced service and retain 70 jobs.

North Central also facilitated the preparation of two RBEG awards that provided additional opportunities for economic growth in its rural six-county area. One grant was for $99,000 to establish a small revolving loan program in the **Coalport area of southern Clearfield County.** North Central submitted the successful application, established a local loan intake committee, provided the essential staff training of the local industrial development corporation, and monitored the activity of the initial loans. As a result, the Glendale Industrial Development Corporation now has a small loan pool that can give their local businesses access to capital.

Since opening in 1994, **Big Equipment Company of Havre, Montana** has sought the financial assistance of the **Bear Paw Development Corporation** to help start the business, purchase a building for the business operations, and purchase additional equipment and inventory as it grew. Bear Paw Development Corporation has provided $450,000 in IRP funds, combined with other Federal dollars and Montana Department of Commerce micro-business loan funds to meet the financing needs of Big Equipment over the years. Since opening its doors, the company has grown from one employee and $200,000 in sales to 15 employees and over $4 million in sales.

In 2005, the **Catawba Regional Development Corporation (an affiliate of Catawba Regional Council of Governments in Rock Hill, South Carolina)** provided $112,000 in IRP loan funds to J&S Enterprises (the real estate holding company of an operating company called Davis Neon). Davis Neon is a contract commercial sign manufacturer in **Heath Springs, South Carolina,** population 1,044. The company had outgrown its former manufacturing plant and acquired a 150,000 square foot former textile distribution facility. At the time the loan was made, Davis Neon employed 95 people, making the company one of the largest employers in the small town of Heath Springs. Through the building, machinery and equipment acquisition, the company was able to add 25 new manufacturing jobs.

Finally, Mr. Chairman, the Administration's newly proposed Regional Innovation Initiative will make USDA's infrastructure investments more effi-

cient and effective by rewarding regional strategic approaches to rural development. This reflects the reality of today's marketplace where rural communities are not only competing statewide and nationally, but more likely, internationally. The Regional Innovation Initiative will provide incentives and resources for the enrichment of rural development strategies on a regional and local basis to implement area-wide priority projects and initiatives. NADO urges the Subcommittee to support this promising initiative.

The Regional Innovation Initiative is designed to provide a new framework for USDA to promote economic development and job creation in rural communities. The initiative's new approach will lead to increased efficiency as rural community capacity is enhanced through greater coordination and leveraging of regional funding. We strongly support the goal of moving rural development toward a commitment to regional strategies designed by local leaders.

To support this regionally based, locally driven approach, USDA requested a set-aside in the FY 2011 Budget of more than $280 million of existing program funds, roughly five percent of the funding from approximately 20 existing USDA programs, including USDA's rural business programs. The initiative will allocate funds competitively among innovative regional economic development projects tailored to local needs and opportunities.

NADO was encouraged by early reports indicating the draft FY 2011 Department of Agriculture Appropriations bill approved by the House Agriculture Appropriations Subcommittee includes $176 million to support the Regional Innovation Initiative. We urge Congress to finalize its commitment to fund this program and adopt provisions included in the President's FY 2011 Budget request giving USDA authority to set aside funding needed to begin the initiative.

We applaud the Secretary for advancing the importance of regional approaches to rural competitiveness. We also understand the immense pressures on the Federal budget. At the same time, we encourage Congress to dedicate new resources for rewarding and promoting regional economic development across rural America, not just the proposed carve-out of existing programs.

The Regional Innovation Initiative will help address one of the most important but under-funded parts of rural community and economic development-rural development strategies and institutional capacity to implement priorities.

Most rural local governments simply lack the financial resources to hire professional economic development practitioners, and few Federal programs are specifically designed for their needs. Our rural regions are lagging behind in economic development, job creation and growth, but not because they lack the assets or willingness needed to strengthen their communities. Whether through the timber, agricultural, natural resources, energy or manufacturing industries, rural regions truly are key drivers of America's economic and national security. What they lack are the resources to successfully leverage those assets into economic growth opportunities for their own citizens.

The Regional Innovation Initiative will provide these regions with resources and a framework to examine their strengths, move beyond current program stovepipes, and develop a structure leveraging those assets to addresses challenges in their local economies. The initiative also recognizes the value of working regionally. No community will have to "go it alone" but by the same account, no community can thrive alone. In order to benefit from this new initiative, communities will have to work together to address their common priorities and goals.

Ultimately, the proposal will provide rural regions with the resources necessary to build their workforce and strengthen their existing community infrastructure, creating prosperous rural communities where people want to live and raise families. The Initiative will also provide much-needed incentives and resources for the enrichment and implementation of regional rural development strategies. NADO urges the Subcommittee to support this promising initiative.

In closing, I urge your continued support of USDA Rural Development programs, especially vital business loan, grant and technical assistance programs. USDA Rural Development is an essential partner and funding source for rural regions. It is also a vital tool for regional development organizations such as NENEDD as we strive to provide assistance and build capacity for the communities that rely on us for expertise and assistance. I urge you to support enhanced funding for USDA Rural Development programs in the next farm bill and increased emphasis on regional development strategies through initiatives such as the Regional Innovation Initiative.

Thank you again, Mr. Chairman and Members of the Subcommittee, for the opportunity to testify today on the views of NADO and our members. I welcome any questions.

The CHAIRMAN. Thank you. Thank you for the good work the National Association of Development Organizations does. I know many of us are quite familiar with the good work that you do, and we thank you.

While we are on that end of the table—I believe you may also have been the second one to sit down—Mr. Ed Miller from Mechanicsville, Virginia, if you will tell us what you do and proceed with your testimony, please.

STATEMENT OF ED MILLER, DIRECTOR OF ECONOMIC DEVELOPMENT, KING AND QUEEN COUNTY, VIRGINIA, MECHANICSVILLE, VA

Mr. Ed MILLER. Yes, sir.

Mr. Chairman, first of all, I would like to thank the Committee for giving me the opportunity to be here today. My name is Ed Miller, and I serve as Director of Economic Development for King and Queen County, Virginia.

King and Queen County is located in the middle peninsula of Virginia. We are a very rural farming community with a population of approximately 6,600 people. The County has no public water or sewer systems and no broadband infrastructure, so we truly are very rural.

Because of the lack of public utilities and high-speed Internet, economic development, and specifically working on business attraction efforts in our County, is very difficult. One of the difficulties we have is our state in particular basically has a lot of incentives for bigger projects, manufacturing projects, if you will, office projects, but none that deal with very rural type projects. So we depend a great deal on the rural development programs of USDA.

I would like to mention a few programs that we have used.

We have been assisted in our efforts to help small startup businesses with the RBEG program, the Rappahannock Tribal Council, and that is a non-recognized tribe in Virginia. They are located in King and Queen County, and they have received USDA funds for a market study for a water bottling facility they are looking at on tribal land.

Grant-loan funds from USDA have also been obligated for a library building in King and Queen. Right now, our library building is a double-wide trailer that is 15 years old, so we were very appreciative of that, and construction will start on that very soon.

We also requested funding from USDA for some kitchen equipment for our schools and a new hangar for our regional Life Evac medical helicopter. There is only one Life Evac evacuation system in our region, it is located in King and Queen, and they haven't had a hangar since their inception. So we are working with USDA on getting that.

My experience with USDA and with the Rural Development programs have generally been very favorable. I do have a couple of comments, though, that I would like to share on some things I think that might be improved.

For example, with startup businesses, and particularly in rural areas, some of the information that is requested under the RBEG program is quite difficult for them to put together and particularly as a startup business. It requires a great deal of paperwork and

they have to hire people to help them to do it, and it is just very hard on them, particularly when you are looking to start up a business.

I think the other thing that needs to be remembered in those programs is that if these businesses could go to a bank and get the funding, they probably would. I think the process needs to be a little easier for them than if they would go to a bank and have to try to get those loans.

One question that I know that we don't quite understand in King and Queen County, when we are doing the applications, why things are asked for, like the charter for the county. It would seem to me that it is pretty obvious if you are a county in Virginia you are chartered, and we have been there since the 1600s.

There are other issues with the applications, because they seem to be geared both towards the public sector and the private sector, and there are some questions that private sector applicants might need to answer where the public sector might not. So I am just asking that maybe in the future those things could be looked at and perhaps simplified just a bit.

I noticed when I was going and inputting information into the system the other day for the ARRA, to put in the system about what has been obligated to us, it was interesting because when you go in, it will ask you the same thing several times, like your address and all that identifying information. It would seem to me you could put that in once and be done with it and move on.

The other interesting thing was, at least as I understood it, if you received a loan-grant for a program, you had to do two separate reports. It would seem to me there would be a place that would say loan and grant, you could put the information for both and just do one. Those are some things I have seen in working on those applications.

Finally, and I know a lot has been said here about broadband, it was very interesting in King and Queen, as I say, we are quite rural, and we were basically told in round one that we were not considered to be a rural county. So we were very confused with that. Now, I understand that some of the rules changed in round two and we did apply in round two, but it was just an interesting thing for us to see.

I certainly appreciate the time you have afforded me to give this testimony. If there are any questions, I would be glad to answer them.

[The prepared statement of Mr. Ed Miller follows:]

PREPARED STATEMENT OF ED MILLER, DIRECTOR OF ECONOMIC DEVELOPMENT, KING AND QUEEN COUNTY, VIRGINIA, MECHANICSVILLE, VA

Good morning. My name is Ed Miller and I serve as Director of Economic Development for King and Queen County, Virginia. I would like to thank the Committee for giving me the opportunity to appear before you today. King and Queen County, located in the Middle Peninsula of Virginia, is a very rural farming community with a population of approximately 6,600 people. The County has no public water or sewer system and no broadband infrastructure. Because of the lack of public utilities and high speed Internet, economic development and specifically business attraction is difficult to achieve. Also, economic development incentives from the Commonwealth of Virginia are generally geared toward office headquarters or manufacturing projects with large capital investments and a large number of employees which generally do not look at rural areas like King and Queen. That is why the United

States Department of Agriculture (USDA) and its Rural Development Programs are critical to economic development efforts in rural communities in Virginia.

We have been assisted in our efforts to help small "start-up" businesses by receiving a Rural Business Enterprise Grant (RBEG) from USDA. The Rappahannock Tribal Council, located in King and Queen County, received USDA funds for a market study to determine if a natural spring water bottling project on tribal property should proceed. Also, grant-loan funds from USDA have been obligated for a library building in King and Queen and we have requested grant-loan funds to upgrade kitchen equipment in our schools. Our regional public use airport, which is located in the County, has submitted an application to USDA for grant-loan funds for a hangar for its regional Life Evac helicopter. USDA rural development programs are very important to King and Queen County.

My experience with the administration of the Rural Development Programs has generally been favorable. However, the amount of information that a small "start-up" business is required to submit as part of the RBEG Revolving Loan application can be overwhelming. Also, it needs to be remembered that if these firms could get funding from a bank they would. The process and the requirements for the loan need to be simplified. Also, I do not understand why a local government has to submit its organizational documents, including its charter, as part of an application process. Finally, the ARRA reporting should be simplified.

Again, thank you for the opportunity to address the Committee.

The CHAIRMAN. Thank you very much.

Mr. Beaulac.

STATEMENT OF WILLARD L. BEAULAC, JR., SENIOR VICE PRESIDENT, PATHSTONE CORPORATION, ROCHESTER, NY

Mr. BEAULAC. Mr. Chairman, Mr. Ranking Member, my name is Lee Beaulac. Thank you very much again for inviting me to share a few thoughts here this morning.

My name is Lee Beaulac. I am the Senior Vice President for Community and Economic Development at PathStone Corporation. We are a 45 year old nonprofit community development finance institution certified by the U.S. Department of Treasury to work in seven states and in Puerto Rico.

PathStone is an intermediary lender for both the SBA and USDA under the Intermediary Relending Program and we have deployed about $16 million, mostly to very small and micro-businesses, and mostly in New York and to some extent in Ohio and in Puerto Rico. These funds have further leveraged $41 million in private sector financing.

Small firms in rural areas need capital finance startup, as well as expansion costs, but research still indicates that SBA's per capita spending is significantly less in rural areas than in urban communities. This is leaving a significant financing gap for nontraditional lenders like PathStone to address, and this gap has widened over the last 2 years as conventional banks have begun to cut back on their small business lending.

According to the FDIC, bank lending is down $30 billion, or four percent, from where it was last year, and the SBA reports its lending through conventional banks is at its lowest level in 2 years.

The upheaval in the financial services industry has resulted in credit drying up for businesses in low-income communities, loan-to-value ratios are falling, lines of credit are disappearing, and commitments are evaporating.

As a result of the precipitous decline of the availability of credit from private financial institutions, demand is increasing for the entire range of local, regional and national loan funds, micro-loan programs, venture capital and intermediary organizations.

The tremendous increase in demand for loans and services experienced by PathStone over the past 2 years comes at a time when access to operating and grant programs is beginning to dry up. In this environment, USDA programs, like the Intermediary Relending Program and the Rural Business Enterprise Grant Program become even more critical as we work to provide the financing for rural businesses needed to stay afloat and maintain jobs.

Through the IRP, USDA makes loans, as you probably know, to public and nonprofit intermediary lenders, who then in turn make loans to private enterprises in rural communities. In many cases, the loan made available through IRP is one of the few sources of fixed-rate term financing available to small businesses for working capital, lines of credit and equipment. With an average size of $100,000 a loan, an upper limit of $250,000, the IRP is targeting small businesses that are the backbone of the rural economy.

You may know this, but USDA has administered IRP since 1988. There are currently 400 intermediaries across the country, and USDA has not suffered a single default under the IRP program in the 20 years it has been administering the program. That is quite a record.

A typical intermediary revolves IRP funds three times over the life of the 30 year loan. It is also a huge leveraging factor from the IRP, something like $7.30 for every dollar loaned through the IRP program. We have been using IRP since 1995, and it has been critically important for us, particularly as we identify certain sectors within the economy that have traditionally not had access to conventional credit and capital.

We have several sector intervention strategies. The IRP is a very integral part of that. So has been the RBEG, the Rural Business Enterprise Grant program. The RBEG has allowed us to essentially work in the Adirondack region of New York to help microentrepreneurs who have very limited markets based on low density of population, remote rural locations and bad weather, have access to a worldwide market through the Web. RBEG has been able to fuel the training and technical assistance to move microentrepreneurs onto the Web.

I also wanted to mention very quickly, it is very important, the rural entrepreneurship relending—I am sorry, the assistance program. We supported the RMAP as part of the 2008 Farm Bill. We believe it is critically important for USDA to have a program that addresses microlending. The programs we talked about here before, B&I and all the other ones, really don't serve microloan entrepreneurs.

We are disappointed it has been 25 months since the enactment of this law for Rural Development to actually issue its rules. It has been very frustrating for us, because on a number of levels the rules they have issued have not really conformed to the direction this Committee gave them; and that is, issues of the interest rate that the borrower will borrow from USDA on, the amount of technical assistance that will be paid for.

There is a limit on 75 percent of the total financing need from the RMAP program. It is limited to 75 percent of the total deal. These are really problematic issues, and especially problematic for smaller organizations in more remote rural areas of this country.

So I would urge the Committee to again support IRP, RBEG, certainly the B&I program, but really direct USDA to essentially come full circle, issue these rules and get the money out in the street. In our opinion, there is nothing more important to rural development than access to credit and capital, and USDA is a critical component of that.

Thank you very much.

[The prepared statement of Mr. Beaulac follows:]

PREPARED STATEMENT OF WILLARD L. BEAULAC, JR., SENIOR VICE PRESIDENT, PATHSTONE CORPORATION, ROCHESTER, NY

Thank you, Chairman McIntyre and Ranking Member Conaway for the opportunity to testify as a witness regarding the Unites States Department of Agriculture's (USDA) rural development programs and specifically our experience at PathStone in working with the USDA programs to support economic development efforts and finance small businesses throughout Upstate New York.

My name is Lee Beaulac. I work for PathStone Corporation where I serve as Vice President for Community and Economic Development. PathStone is a private not-for-profit organization based in Rochester, New York that provides business finance, training and technical assistance to small and micro-businesses as well as a myriad of housing activities including homeownership assistance and multi-family development. We also develop and finance community facilities. Founded in 1969, PathStone is active in the states of New York, Pennsylvania, New Jersey, Ohio, Indiana, Vermont, Virginia and Puerto Rico.

PathStone is a Community Development Finance Institution, certified by the U.S. Department of the Treasury. In this capacity, we provide financing to existing and start-up businesses, primarily in rural communities and small towns. Our loan capital comes from both the private and pubic sectors. Commercial finance institutions invest funds in our organization which, in turn, makes loans to businesses in hard to reach markets. With respect to public sources of capital, PathStone is an "intermediary" lender for both the Small Business Administration (SBA) and for the Department of Agriculture. We have deployed approximately $16 million in loan capital into over 450 businesses in New York State and Puerto Rico since 1992, these funds have further leveraged over $41 million in additional investment.

The Importance of USDA Business Financing Programs

Small businesses, defined by the Small Business Administration (SBA) as firms with 500 or fewer employees, make-up 90 percent of all rural businesses and more than 75 percent of these rural firms have 20 or fewer employees.

Small firms in rural areas need capital to finance start-up as well as expansion costs and yet research indicates that SBA's per capita spending is significantly less in rural areas than in urban communities.

This leaves a significant financing gap for non-traditional lenders like PathStone to address and this gap has widened over the last 2 years as conventional banks have cut back on their small business lending. Since 1992 PathStone has averaged $500,000 per year in new lending. Over the past 2 years we've averaged over $2.3 million in new loans, which is further evidence of the dramatic increase in demand for loans and services from a "non-traditional" lender like PathStone. While in good times non-traditional financial institutions like Path Stone have been viewed as the lenders of last resort we are increasingly becoming a critical sources of capital, if not the only source of capital for a wide range of businesses as the regulatory environment tightens and conventional lenders pull back.

According to the latest figures from the Federal Deposit Insurance Corporation, bank lending is down $30 billion, or four percent, from where it was at this time last year and the SBA reports that its lending through conventional banks is at its lowest level in 2 years.

The upheaval in the financial services industry has resulted in credit drying up for businesses in low income communities—loan to value ratios are falling, lines of credits are disappearing, and commitments are evaporating. As a result of the precipitous decline of the availability of credit from private financial institutions, demand is increasing for the entire range of local, regional and national loan funds, micro loan programs, venture capital and intermediary organizations to fill this expanding void created by the reluctance of private financial institutions to provide credit. At the same time these same mission driven organizations are also facing a liquidity shortage as traditional non-governmental sources of capital—from pri-

vate philanthropic organizations, the bond market, and private financial institutions—are no longer available. The tremendous increase in demand for loans and services experienced by PathStone over the past 2 years comes at a time when access to operating and grant capital is shrinking while demand for these funds by nonprofit institutions has increased dramatically.

In this environment USDA programs like the Intermediary Relending program (IRP) become even more critical as we work to provide the financing the rural businesses need to stay afloat and maintain jobs.

Intermediary Relending Program (IRP)

Through the IRP, USDA makes loans to public and private nonprofit intermediary lenders that in turn make loans to private business enterprises in rural areas. In many cases the loans made available through the IRP are one of the few sources of fixed rate, term financing available to small rural businesses for working capital, lines of credit and equipment. With an average loan size of $100,000 and an upward limit of $250,000, the IRP is targeting small businesses that are the backbone of the rural economy.

USDA has administered the IRP since 1988 and currently USDA has some 400 intermediary lenders participating in the program and these lenders have made over $700 million in IRP loans to rural businesses across the country. The USDA has not suffered a single default under the IRP in the 20 plus years that it has administered the program.

Beyond the importance of the patient, flexible capital provided by the IRP, there are three other factors of note:

1. Job Creation—The average IRP loan is $100,000 and according to USDA, on average, each loan for that amount creates or saves 76.5 jobs. A recent survey of the community development corporations that administer IRP funds reported $3,000 cost per job;

2. Continuing Source of Capital—A typical intermediary revolves IRP funds three times over the life of the 30 year loan to an IRP lender which means that every dollar in Federal funds lent to an IRP intermediary translates to $3 lending to a rural business; and

3. Leverage—a recent survey of IRP borrowers indicates that projects financed with IPR are able to leverage significant additional capital largely from conventional lenders. IRP borrowers surveyed leveraged as much as $7.3 per every $1 in IRP funds loaned to a business.

PathStone has been an IRP lender since 1995. We have found the IRP to be critically important to our efforts to reach businesses that are not being served by traditional lending institutions. As an example, we recently made a loan to a new small farm winery in New York's Finger Lakes region. Ravine's Vineyards, like many of the region's wineries, lacked access to many forms of traditional credit and capital. Not withstanding the fact that Ravine's already was garnering a solid reputation as a successful producer of fine wines for 3 years, and the owner had a proven track record as a wine maker with another of the local award winning wineries in the region. Ravine's had a difficult time attracting capital to complete a major expansion to their facility. This project would have had a difficult time moving ahead without resources from the IRP program. Ravine's has since won many awards for their wines and continues to be a shining star in the winery industry.

The IRP had been and will continue to be an important tool in providing financing to businesses within PathStone's "Sector Intervention" strategy. In 2005, we launched an effort to support entrepreneurs within certain sectors of New York's rural economy that were having difficulty gaining access to conventional financing. Small "farm wineries" in New York's Finger Lakes region of the state, while being one of the greatest economic engines in the regional economy, were not getting the attention from commercial banks that they needed in order to thrive. PathStone set in motion a regional initiative that involve training for both bankers and winery operator/owners, technical assistance and the establishment of special pools of financing directed at supporting the growth of this particular sector. Our efforts led directly to the development of the first "benchmarking" study for small wineries in New York State.

PathStone recently launched its latest sector intervention effort targeted at small scale food and energy producers in western and central New York State. Again, small and micro-scale producers in this sector are having difficulty gaining access to credit and capital they need to sustain and expand their businesses.

The only obstacle to greater use of the IRP in rural America is the limited funding available for the program. Over the last several years, appropriations for the program have dropped from over $40 million to less than $35 million.

The previous Administration took steps to depress the demand for IRP funds. First the maximum for loans to intermediaries was decreased from $2 million to less than $400,000. Second, applications were taken on a quarterly basis confusing applicants about time lines.

Despite this, demand remains strong. Every year, USDA receives requests for at least twice the dollar amount available. At the *start* of the fiscal year, USDA already had on hand over $26 million in requests for $33 million in loan authority.

An increase in IRP to $75 million would create 10,000 jobs and leverage some $500 million in additional lending in rural America. Those funds will be revolved three times over the life of the loan to the intermediary and we would use those funds to leverage bank financing that would not otherwise be available to our rural business owners. Delete period

The Rural Business Enterprise Grant Program (RBEG)

The Rural Business Enterprise Grant (RBEG) program has been extremely helpful to PathStone in its efforts to help businesses that are having difficulty accessing credit and capital, business management training and expanding their markets. The RBEG program is very flexible and lends itself to addressing problems which are specific to different localities. In Puerto Rico, PathStone is currently utilizing the RBEG program to conduct business management training and technical assistance to micro-entrepreneurs in the more remote rural communities on the Island. In New York, the RBEG program has supported efforts to introduce Internet marketing strategies to micro-businesses in the Adirondack region of the state. Limited local retail opportunities, caused primarily by low population densities, remote locations as well as by bad weather for a good part of the year, are being replaced by a global marketplace. The RBEG helped launch a partnership between PathStone, eBay and several area educational institutions that has resulted in material economic improvement for many micro-businesses in the region.

PathStone has entered into four RBEG contracts since 2004 and has, utilizing RBEG resources, provided assistance to 676 entrepreneurs.

The Rural Microentrepreneur Assistance Program (RMAP)

The financing situation facing micro-businesses is particularly difficult because these ventures had difficulty securing financing even before conventional banks started pulling back on small business lending. We generally define a microbusiness as a business with fewer than five employees and many of the microentrepreneurs we finance have fewer than three employees. These businesses are often start-ups and few have the collateral that a conventional bank would require especially in these difficult economic times.

That said, these microentrepreneurs are a critical source of employment in Upstate New York as in most rural areas and during economic downturns we see many individuals turning to self employment. In fact during our last recession, from year 2000 to 2003, employment grew in microenterprise while falling for larger employers. Nationwide employment grew in microenterprise nine percent while employment fell by almost two percent in larger firms.

And yet USDA rural development programs have not traditionally addressed the needs of microbusinesses.

- B&I Loan guarantees that can provide multi-million dollar guarantees;
- Intermediary Relending Program (IRP) that provides capital to nonprofit entities that, in turn make loans to private businesses in rural areas. The average size loan is $100,000, with a maximum of $250,000; and
- There are no resources at USDA exclusively targeted to provide technical assistance or financial assistance to very small businesses.

PathStone supported the creation of USDA's Rural Microentrepreneur Assistance Program (RMAP) as part of the 2008 Farm Bill. We believe it is important that USDA have a program dedicated to supporting rural microbusinesses and ensuring that both financial and technical assistance are available to rural entrepreneurs and particularly those unable to access credit from conventional lenders.

Under the Rural Microentrepreneur Assistance Program the Secretary is authorized to make one percent loans for a term of not more than 20 years to established Microenterprise Development Organizations (MDO). These MDOs will use the USDA funds to capitalize revolving funds making fixed rate loans of up to $50,000 to start up and expanding rural microenterprises. The terms and conditions of loans made by an MDO to a microenterprise are established by the MDO.

Every MDO that secures a loan under the program is eligible to receive an annual technical assistance (TA) grant from USDA in an amount that is equal to but not more than 25 percent of the outstanding balance of the loans made by the MDO

to microenterprises. The TA grants can be used by the MDO to provide pre-loan as well as post-loan assistance to businesses as needed and may include assistance in developing or refining a business plan, marketing assistance, and management assistance.

Microenterprise Development Organizations that receive a loan under the program are required to establish and sustain a loan loss reserve equal to at least 5% of the outstanding loan balance. In addition, MDOs are required to provide a 15 percent match for any grant dollars secured. USDA can defer principal and interest due on a loan to a Microenterprise Development Organization for a period of 2 years in order to permit the MDO to make microloans to microentrepreneurs.

While we believe the RMAP as authorized in the 2008 Farm Bill holds great promise we are disappointed that for 25 months after the farm bill was signed into law we are still waiting for USDA to implement the program. When USDA issued an Interim Rule on the program in May of 2010, the field has some serious concerns about the rule and how it has strayed from what we believe was intended by the law.

In short, USDA's Interim Rule on the RMAP still gives short shrift to the technical assistance and training component of the program, does not provide the maximum interest subsidy or grant amount authorized in the statute and provides new requirements that are not authorized by statute. Congress enacted the RMAP to improve prospects for job creation in rural areas through microenterprise. However through the rule, USDA has made it unnecessarily difficult and expensive for local organizations like PathStone to carry out a program of technical and financial assistance to benefit micro-entrepreneurs. The result of this rule will be a program that is not widely available as relatively few rural organizations have the financial capacity to absorb the costs required to implement the program.

I would like to submit for the record a letter that we are submitting to USDA with comments on the RMAP rule and application.

Community Development Finance Institutions and the Business and Industry Program (B&I)

We are pleased that USDA has retracted the rule that is had established in 2008 making CDFIs ineligible to participate in the Business and Industry Program (B&I). This program provides guarantees of up to 90% for participating lenders that make loans to eligible businesses. For the same reasons that CDFIs have excelled at administering IRP contracts, CDFIs will safely and effectively deploy their own loan capital into underserved rural communities and benefit greatly from this type of guarantee instrument. Rural communities desperately need the additional credit and capital that "non-traditional lenders" like PathStone will deploy into traditionally underserved areas of the economy.

In closing, I would like to encourage the Committee to support programs, like the IRP, RBEG, and the B&I programs, that have proven track records of success but could use more resources, And second, I would encourage the Committee to work with USDA to see that RMAP program funds are made available soon, as intended by this Committee, so PathStone and others can work to sustain and grow healthy small and micro-businesses in rural communities across the country.

ATTACHMENT

Submitted by Robert A. Rapoza Associates

July 27, 2010

Branch Chief,
Regulations and Paperwork Management Branch,
U.S. Department of Agriculture,
Washington, D.C.

We are writing in response to the Interim Final Rule on the Rural Micro-Enterprise Assistance Program (RMAP) published in the *Federal Register* on May 28, 2010. In general, while the Interim Rule has changed a number of provisions from the proposed rule, published in October of 2009, it does not substantially improve the regulatory structure of the program. The rule still gives short shrift to technical assistance and training, does not provide the maximum interest subsidy or grant amount authorized in the statute and puts in place new requirements that are not authorized. Congress enacted *RMAP* to improve prospects for a job creation engine in rural areas: microenterprise. Through this rule, USDA has made it unnecessarily difficult and expensive for local Microenterprise Development Organizations (MDOs) to carryout a program of technical and financial assistance to micro-entrepreneurs. The result of this rule will be a program that is not widely available, as relatively

few rural MDOs have the financial capacity to absorb the costs required in order to implement the program.

In detail our comments:

4280.311 Loans provisions for Agency Loans to Microlenders

Under the Interim Rule a micro-lender must not only come up with a 15% match for grant funds, it must also come up with 25% of the loan capital borrowed from USDA, or limit loans to 75% of the total. The rule does not permit the use of interest income to defray technical assistance or other related costs, yet the Interim Rule does not permit maximum grant authorized under the law.

The Interim Rule includes a new requirement that limits the Federal share of an 'eligible project' which USDA defines as the loan, to 75% of the total. Our understanding is that this requirement is based on an interpretation of section 379(c) of the RMAP statute, which applies a 75% project cost to the loan made by the MDO. Section 379(c) establishes a cost share for Section 379(B) which authorizes technical assistance grants. It does not reference nor relate to loan.

Beyond including a fundamental misinterpretation of the law, the Interim Rule establishes a framework that will be, in many cases, unworkable. In order to meet this matching requirement, a micro-lender may commit 25% of its capital to the revolving fund, thereby tying up its funds for the term of the loan and forgoing the use of interest income from that capital. Given the restrictions on use of interest income (§ 4280.311) few will do that.

Alternatively, a microlender may require a borrower to come up with the 25% non-federal share. This, of course, flies in the face of the credit elsewhere test (§ 4280.322(d)). If a borrower can secure financing for 25% of its project cost, the borrower is able to secure credit from other sources. This requirement is rendered even more unworkable by the provision in the rule that states "Agency has a first lien position" on all microloans (§ 4280.311(e)(15)). This first lien requirement is without statutory basis and flies in the face of widespread practice by microlenders in the field who frequently take subordinate position to gain the participation of private lenders in microloans. We strongly recommend removal of the "first lien" requirement from the final rule.

Section 4280.311(f)(1) limits the total amount that a MDO can owe at any one time to the Federal Government to an amount not to exceed $2.5 million. The basis for the $2.5 million limit is unclear as it is not in the law and may limit instances in which there is substantial additional demand for microloans that cannot be met because of an artificial and unauthorized limitation put on MDOs.

The law establishes a minimum interest rate of 1% for USDA loans (§ 379E(b)(3)(B)(ii)). Yet, the Interim Rule (§ 4280.311(12)) establishes a 2% rate for the first five years and a 1% rate for those MDOs with satisfactory performance. Again, this raises the cost of the program and is just more government rigmarole. It continues to be our recommendation that USDA (§ 4280.311(d)(13)) simply implement the 1% interest rate as set in the law.

There are other loan provisions that remain unchanged and therefore are impediments to successful implementation:

The Interim Rule (§ 4280.311(g)) requires MDOs to capitalize the loan loss reserve. The intention of Congress on this provision was to allow 5% of the USDA loan to be used for the loss reserve and yet the rule states that "no agency loan funds may be used to capitalize the LLR". MDOs are already required to match 25% of the grant funds. Requiring another 5% match on loan funds would limit the participation of smaller organizations and this would be counteractive to Congressional intent.

The training and technical assistance is authorized under section 379E(b)(4) of the Act and specifically authorizes training as an eligible activity. However, the Interim Rule does not reflect the importance of this training activity. Through ranking criteria the rule penalizes organizations with training programs that focus on providing assistance to businesses and entrepreneurs for whom credit is not the issue, but need assistance in writing or refining a business plan, marketing, developing a website or managing cash flow.

Grant Provisions § 4280.313

Under Subsection B—Grants to Assistance Microentrepreneurs, a MDO is eligible to receive an amount equal to 25% of the outstanding balance. The Interim Rule provides for 25% of the outstanding loan balance on the first $400,000 loaned, followed by an additional 5% on the amount borrowed between $400,000 and the maximum $2.5 million. This is far less than contemplated by the statute. The limitation, when coupled with restrictions on use of interest income, will impede the ability of

MDOs to provide adequate technical assistance because the resources will not be available.

In section 4280.02 "technical assistance and training" are defined as the same thing, and throughout the Final Interim Rule the two terms are used interchangeably. The Final Interim Rule fails to recognize the unique aspects of the two activities. Technical assistance and training are two totally different items. Technical assistance or business counseling is simply working with a client in a one-on-one fashion. Training, whether classroom, web-based, or through another medium, is more about teaching business principles to a group *versus* intensive one-on-one technical assistance. Group training is broad-based compared to intensive one-on-one core counseling. Tying the two items together creates a funding incentive for programs that in the end will leave some entrepreneurs coming up short. We suggest that the Final Rule provide separate definitions for the two activities, and scoring that reflects the importance of technical assistance.

Strong business skills are the key to the success of a microenterprise. Training on how to prepare strong business plans, market goods and services and manage finances is critical to the success of microenterprises. While it is certainly not the only need of struggling microentrepreneurs, in many instances training is the first, most critical and greatest need.

The Interim Final Rule reflects neither the reality of how a successful microenterprise assistance program works nor Congressional intent. The RMAP statute is clear—the program should fund programs to train microentrepreneurs in addition to providing loans and related technical assistance.

We recommend that USDA amend the interim rule to lower the cost of the program to MDOs as well as rural businesses, to remove unauthorized barriers to effective and efficient operations and encourage necessary training and technical assistance for rural entrepreneurs.

Sincerely,

STAN KEASLING, RCAC, West Sacramento, CA;
CEYL PRINSTER, Colorado Enterprise Fund, Denver, CO;
MARK COUSINEAU, Connecticut Community Investment Corporation, Hamden, CT;
BOB RAPOZA, Rapoza Associates, Washington, D.C.;
GRACE FRICKS, Appalachian Community Enterprises, Cleveland, GA;
JERRY RICKETT, Kentucky Highlands Development Corporation, London, KY;
CHRIS SIKES, Western Massachusetts Enterprise Fund, Inc., Holyoke, MA;
RON PHILLIPS, Coastal Enterprises, Inc., Portland, ME;
DENNIS WEST, Northern Initiatives, Marquette, MI;
BERNY BERGER, Southwest Initiative Fund, Hutchison, MN;
MARY MATHEWS, Northeast Entrepreneur Fund, Virginia, MN;
CHUCK HASSEBROOK, Center for Rural Affairs, Lyons, NE;
LEE BEAULAC, PathStone, Rochester, NY;
HOPE CUPIT, Southeast RCAP, Roanoke, VA;
BILL BAY, Impact Seven, Almena, WI;
WENDY BAUMANN, Wisconsin Women's Business Initiative, Milwaukee, WI;
KARL PNZAEK, CAP Services, Stevens Point, WI.

The CHAIRMAN. Thank you, sir.

Mr. Bahnson.

STATEMENT OF MARK BAHNSON, GENERAL MANAGER, BLOOMINGDALE COMMUNICATIONS, BLOOMINGDALE, MI; ON BEHALF OF NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION

Mr. BAHNSON. Chairman McIntyre, Ranking Member Conaway, and Members of the Subcommittee, I would like to thank you for the opportunity to be here today to review Rural Development programs in advance of the 2012 Farm Bill. I am here on behalf of Bloomingdale Communications and NTCA, the National Telecommunications Cooperative Association, which represents more than 580 small rural community-based communications service providers throughout the nation.

Bloomingdale Communications where I serve as the General Manager provides broadband, video, voice and other telecommunications services to about 3,000 customers in southwest Michigan. Along with 1,100 of my fellow rural rate-of-return regulated community-based providers around the nation, we cover more than ⅓ of the nation's land mass, yet our total subscriber base accounts for only about five percent of the nation's total.

Thanks in large part to private-public partnerships between rural independent telecommunication providers, RUS programs and cost-recovery programs, such as Universal Service and intercarrier compensation, Americans who reside in the most rural parts of Michigan and elsewhere throughout America are today enjoying communications services that are comparable in price and scope and quality to those available in urban areas.

Over the course of its history, our U.S. telecommunications lending has stimulated billions of dollars in private capital investment and rural communications infrastructure. That is a remarkable record and a testament to the vision and dedication of this Subcommittee, the leadership and staff of RUS, and the rural sector of the telecommunications industry. It is a model that should be continued, or, at the very least, emulated.

Through the years, NTCA and its members have had a good working relationship with RUS and its financing programs. After all, it was this relationship that was conceived and built around the mutual recognition that, without adequate financing, rural America was unlikely to ever be served in a fashion comparable in price and scope to that which is provided in suburban and urban America. Yet that is not to say that this relationship has not been without problems, and in my written testimony I described several issues that we hope to be addressed. One would be the need to clarify Davis-Bacon Act wage compliance rules and also the often burdensome auditing process.

Serving our nation's rural citizens with telephone service has always been challenging, and bringing broadband to these sparsely populated areas will be even more challenging. However, with a national commitment to ensure all Americans receive comparable, robust communications services, we have been able to overcome the many barriers that otherwise would have left rural America behind.

Unfortunately, it appears, based on provisions in the national broadband plan, we may now be abandoning the approaches that have led to the successes we see today. Even more alarming, it looks as if we may soon abandon the basic principles of Universal Service That Have Ensured Rural America Is Not Left Behind.

While on the surface, the plan's goal of providing broadband to all Americans seems commendable, it unfortunately also sets our country on a path of a digital divide between rural and non-rural. The plan sets a universal goal of 4 megabytes per second, while promoting 100 megabytes per second for 100 million households. By setting these goals, we ensure speeds 25 times slower in high-cost rural areas.

The plan abandons our country's longstanding commitment to providing comparable telecommunications services to all Americans. As you know, without comparable broadband speeds, rural

communities, which are becoming increasingly dependent on broadband, will fall further behind and be unable to compete and receive jobs comparable with health care, educational opportunities and services as urban Americans.

While the Agriculture Committee does not have jurisdiction over telecom policy, we bring our concerns about the plan to your attention because we believe the ripple effect of the plan is already being felt by RUS programs in rural communities throughout the country. The plan may quickly lead to the inability of rural providers like myself to repay billions of dollars in loans extended by RUS as well as the rural primary financiers, CoBank and RTFC.

To avoid putting our RUS telecom programs at risk, NTCA, along with more than 40 concurring national, state and tribal associations, recommends several changes to the national broadband plan that can be found in my written testimony.

We believe that the RUS telecom programs, along with other programs I outlined earlier in my statement, will continue to enable America's rural community-based telecommunications system providers to meet the broadband needs of our nation's rural citizens. As part of this effort, we look forward to continuing to work with this Subcommittee and RUS to provide rural America with affordable and robust communications services.

Thank you again for inviting me to testify. I look forward to answering any questions you may have.

[The prepared statement of Mr. Bahnson follows:]

PREPARED STATEMENT OF MARK BAHNSON, GENERAL MANAGER, BLOOMINGDALE COMMUNICATIONS, BLOOMINGDALE, MI; ON BEHALF OF NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION

Introduction

Chairman McIntyre, Ranking Member Conaway, Members of the Subcommittee, I would like to thank you for the opportunity to be here today to review rural development programs in advance of the 2012 Farm Bill. I am here on behalf of Bloomingdale Communications and the National Telecommunications Cooperative Association (NTCA), which represents more than 580 small, rural, community-based communications service providers throughout the nation.

Bloomingdale Communications, where I serve as the General Manager, provides broadband, video, voice, mobile and other telecommunication services to about 3,000 customers in southwest Michigan. Along with about 1,100 of my fellow rural rate-of-return regulated community-based providers around the nation, we cover more than ⅓ (37%) of the nation's land mass yet our total subscriber base accounts for about 5% of the national total. And therein lies the genesis of the challenges we confront. Throughout our history, we have responded to policies that were developed for the larger segment of the population, but do not work for us. But, I am happy to say that is absolutely not the case with regard to the Rural Utilities Service (RUS) and its tremendous Telecommunications Financing Program.

Brief History of Rural Telecommunications

Like most other rural telecommunications systems, Bloomingdale Communications got its start in 1904 when regular citizens living in rural areas, who were left without telephone service, banded together and created a telephone system to serve their homes and the homes of their neighbors. While their own can-do spirit got them started, it wasn't until after the 1949 passage of the Telephone Amendment to the Rural Electrification Act (REA), which made Rural Utilities Service (RUS) financing available to fund rural telecommunications systems, that communication services in rural American truly began to improve and expand.

Thanks in large part to these private-public partnerships between rural, independent telecom providers, RUS programs, and cost recovery programs such as Universal Service and intercarrier compensation, Americans residing in the most rural parts of Michigan and elsewhere throughout rural America are today able to enjoy

communication services that are comparable in price, scope, and quality to those available in urban areas.

RUS Telecommunications Financing Program

Through the years, Congress has stepped in on many occasions to modify and otherwise redirect the RUS Telecommunications Financing program to ensure it is appropriately fulfilling its mission and effectively responding to the communications financing needs of the current era.

Today, the program consists of many elements including its primary units—the Hardship Account, the Cost of Money Account, and the Guaranteed Account; the Distance Learning, Telemedicine, and Broadband Account; and the short term stimulus related Broadband Initiatives Program. In addition, the rural sector also relies heavily upon two private sector financiers, the Rural Telephone Finance Cooperative, and CoBank, which both closely coordinate with RUS in their financing activities.

There are also two programs available to the industry that are under the Rural Business Cooperative Service—the Rural Economic Development Grants Program and Rural Economic Development Loans Program that are both authorized under Section 313 of the REA for use by RUS borrowers. Nevertheless, today we would like to emphasize the RUS and the programs that are directly under its purview.

Over the course of its history, RUS telecommunications lending has stimulated billions of dollars in private capital investment in rural communications infrastructure. In recent years, on average, less than a few million dollars in Federal subsidy has effectively generated $690 million in Federal loans, grants, and guarantees. For every $1 in Federal funds invested in rural communications infrastructure, $4.50 in private funding has been invested. That is a remarkable record and a testament to the vision and dedication of this Subcommittee, the leadership and staff of the RUS, and the rural sector of the telecommunications industry. It is a model that should be continued or at the very least emulated.

It would not be possible to bring the sorts of advanced telecommunications services to the communities mentioned in this testimony without the assistance of the RUS Telecommunications Financing Program. Funding is often just not available from other sources for many of the project purposes we utilize through the RUS program. As a result of the service provided through RUS financing, rural economies have been stabilized in many of these communities. Small businesses are relocating to our areas once again and young families are moving back to raise their families in the relatively safe and secure environment they dreamed of while having many of the conveniences found only in the cities. This certainly makes the risk of providing service worthwhile.

Considering the dynamic nature of the communications industry, the rapid pace of technological advances, and the fact that legislative and regulatory policymakers alike continue to uniformly advocate the necessity of making advanced broadband services available to every American—including those in the most remote and insular regions of our vast nation, there is no doubt as to the current and ongoing importance of each one of the above named financing elements.

Through the years, NTCA and its members have had a very good working relationship with the RUS and its financing programs. After-all, it was a relationship that was conceived and built around the mutual recognition that without adequate financing, rural America was unlikely to ever be served in a fashion comparable in price and scope to that which is provided in suburban and urban America.

Yet, that is not to say this relationship has never been without problems. Though it is often viewed almost as a lender of last resort, the RUS still has many strong controls in place to ensure taxpayer dollars are not squandered. It may come as a surprise to many that, as a result, we have to jump through significant hoops to secure the various forms of RUS financing. Generally, this so-called red tape is understandable, but the agency does have a rather long history of being perceived as being overly cautious and too slow in its overall approval process.

In 2008, my company spent tens of thousands of dollars with legal and industry consultants to prepare an application for a traditional broadband program loan. Yet the application was not submitted due to unclear rule changes in the program under the new farm bill. Why the rule changes were necessary was unclear to me as the program that funded our 2005 project seemed to be working fine.

We routinely hear from colleagues of instances where long-time borrowers are required to submit significant documentation, including dissected financial statements rather than the consolidated ones they may already have on hand, while first-time applicants are able to obtain approvals under less restrictive project feasibility requirements. Another common complaint revolves around how documentation will bounce between a borrower and the agency numerous times with the applicant, on

each occasion, believing they have provided all that has been asked for only to find out later that the list of required information has changed along the way. Likewise, we often hear how announcements of loans and grants are made to the public with great fanfare, yet it will often be weeks or even months before dollars are ever allowed to flow to the project. We have also heard for years that a good part of the problem in finalizing agreements and covenants lies directly at the feet of the USDA's office of general counsel, which I believe was the case with our 2008 project. My point in raising this is to show that it is not necessarily a problem associated with the RUS, but may be one that is coming from elsewhere within the agency or even the Administration, and as such, may be impacting programs beyond just those under the jurisdiction of the RUS.

Again, we understand that Federal programs of this nature require a solid business plan and more due diligence than might be encountered in the private sector. Having been involved with the traditional RUS Loan Program, its broadband program, and now its stimulus related broadband program, we know what to expect and generally feel we are prepared to satisfy their requirements. But it bears repeating, and particularly with regard to the stimulus related program, that there are hurdles standing in the way of the most efficient application, approval, and fund distribution process.

At any rate, to help with the approval process, rural LECs have typically gone to great lengths, even before making an application with the agency, to ensure they are able to show feasibility for their respective projects. Many have gone so far as to go door to door ahead of submitting their financing application to obtain commitments from a majority of the community they propose to service in order to show the initiative will be financially feasible.

Other independent telecommunications providers have used the broadband loan program to build or compete in communities outside their traditional ILEC territories where broadband deployment may not be as advanced. However, there are also stories in many parts of the country where broadband loans have been approved where broadband services existed through two or three competitors. In the case of a loan in Oregon, a loan was made in communities where broadband deployment was at 99% or greater. This loan was also made over the objections of the RUS Field Representative. While overbuilding and competition is allowed under the regulations, I do not believe this is what Congress intended for the program. Similarly, we have encountered a little of this with regard to the stimulus program, as well, which is not a good use of limited resources. Recently we saw that Congress has given consideration to rescinding a portion of these funds to help pay for the latest supplemental. We truly believe there is a need for these dollars for rural broadband projects. However, if these dollars are going to be used for extreme and unwise overbuilds and duplication, we would almost rather see them rescinded.

As a telco provider, I am well aware of the challenges faced by a Federal agency trying to determine where broadband currently exists. Under the FCC's Form 477, broadband deployment is reported only by a ZIP CODE and does not paint an accurate picture of what is available in rural America. We are hopeful that the congressionally mandated mapping that is underway will help better determine the level of broadband that is deployed and where RUS financing should and should not be utilized, going forward.

Ultimately, we recognize that the painstaking process of an RUS application is designed to protect the American taxpayers. This principle should be reinforced as Congress looks to reauthorize any of the agency's programs.

With regard to the Broadband Initiatives Program (BIP) program, we, as well as many of our industry colleagues, who have received awards, have encountered several issues that leave room for improvement. First, while Davis-Bacon reportedly applies for wages paid on certain jobs, as of today, RUS still has not provided the details on how to apply Davis-Bacon and to what jobs the law needs to be applied. This is critical, since it impacts costs for any stimulus project. And after many months, one would think RUS or the USDA would be reaching out to the Labor Department or elsewhere within the Administration to resolve this question. As a result, we are hearing that cost analyses are likely being inflated in order to avoid violating the law. This results in uncertainty and the extremely high likelihood that our overall project costs are going to be higher on our end without an adjustment on the BIP support side. And, in addition, although we are "shovel ready" with our project we cannot, as of today, send out our bid requests without a clear and RUS approved definition.

We have also encountered extreme problems with the legal forms which are very extensive and in many cases have contained errors—including lien provision errors. Also, many award recipients have encountered situations where their private sector

financiers have issues with provisions of the loan documentation and again, particularly with the language surrounding leins.

I would like to draw your attention to the collateral structure, or lien on assets and revenues, that is required by NTIA and RUS under their respective loan and grant programs. Traditionally, RUS has agreed to share this lien on an equal and rateable (*pari passu*) basis with private lenders that have an outstanding loan to a rural telecommunications provider. This is a prudent underwriting standard and serves to ensure that both the government and the lender are adequately protected in the case of a default.

Under this shared security arrangement, RUS has a very successful track record of partnering with private lenders and leveraging billions of dollars in private capital for rural telecommunications providers to invest in the rural infrastructure. However, it is unclear if RUS will modify its lien sharing requirements. The NTIA has been unwilling to share any collateral on a *pari passu* basis under BTOP. We are hopeful that RUS will not follow NTIA down this path, and will continue its longstanding tradition of working with private lenders to deploy a state-of-the-art communications infrastructure in rural America.

Unfortunately, RUS has not been particularly prompt in their responses to these issues. These sorts of issues combined with the looming uncertainly that continues to surround the FCC's National Broadband Plan and its related proceedings has led many of our industry colleagues to seriously question whether or not to move forward with stimulus funding and other investment proposals.

Audits

As a traditional broadband borrower from RUS, my company is required to supply an independent audit each year. I believe that this is a very good policy even though the process is very burdensome to a company that has an accounting staff of only three members. The process for our company lasts about a month preparing all the documents needed by the auditors. Then staff spends an additional week with the auditors on site. And finally, about a week of follow-up as the auditors complete their process. This 6 week period completely dominates the time of our Accounting Supervisor and some of the time of the other two staff members. During that time we will have three payrolls, accounts payable, accounts receivable and all the other duties usually performed by three staff members now being carried out by one or two.

Last year, after our independent audit, the IRS did an audit of our company—neither audit found any mistakes by our accounting staff. RUS then conducted a third audit for my company with an RUS staff auditor of the Fiber-to-the-Home project in Paw Paw, Michigan. This was a $5 million project, so you can imagine the number of invoices, checks, equipment lists and many other documents that the auditor requested. So once again the accounting staff needed to spend several weeks collecting all the information needed for the auditor. The auditor was in our office for a couple weeks reviewing all the information. He was very professional, very nice to work with and many times complemented my accounting staff and the job they had done both collecting the information he needed and the day-to-day work that they had performed documenting the project. At the end of the day, what he found was that the bank account opened specifically for the project was funded with twenty-five dollars ($25) instead of the one hundred dollars ($100) that was requested in the rules. Should we have funded the account with $100? Yes. At the end of the day did affect the project in any way? No. Did we add an additional $75 to the account? Yes. With all that said, it seems like my company and RUS spent a great deal of time and money to find a $75 error. I would suggest that since we are already having an independent audit, could some additional items be added to the independent auditing firm's list of things to check or could we possibly conduct a combined audit? It bears mentioning that we have encountered these very same issues with a rash of industry audits associated with the universal service program, and again, to date, they have found no waste, fraud, or abuse, yet have spent millions of program dollars and company dollars in arriving at that conclusion. These are dollars that could have gone toward bring broadband to rural America.

Broadband in Rural America

Today, telecom providers and policy makers alike have shifted their primary focus from voice services to broadband, which offers the promise of being the great equalizer between rural and non-rural areas of our nation. With the help of the RUS's broadband loan and grant programs, stimulus funding, and the aforementioned cost recovery mechanisms, rural communications service providers are working to replicate the success of their telephone service build-out by steadily deploying

broadband infrastructure and related services to an increasing percentage of their subscribers.

Listening to the needs of our customers and understanding the ever-growing importance of broadband in everyday life, Bloomingdale Communications is working to provide state-of-the-art communications in our service areas. In addition to being a traditional RUS borrower, Bloomingdale Communications recently applied and was awarded $8.3 million through the American Recovery and Reinvestment Act (Recovery Act) BIP. This award will allow our company to build out our fiber network to over 1,451 homes in our service area, which will enable farmers, students, home-based business, and many others to take advantage of high-speed broadband services. This is a part of our continuous effort to provide the broadband infrastructure that is necessary to support the growing bandwidth needs of our customers.

A typical business plan that would sustain itself simply cannot be constructed for the rural segment of the market. It is in these high-cost areas that support from the RUS will continue to be critical in enabling our systems to overcome the economic challenges of providing broadband to our customers.

While not perfect, the RUS BIP program has yielded tremendous opportunity to expand broadband access to unserved and underserved communities throughout the United States. We wish to thank and congratulate those on this Committee that worked so hard during the crafting of the Recovery Act to ensure the RUS administered at least a portion of the broadband stimulus funding. The RUS' knowledge of rural America and experience with broadband loan programs has proved to be of great value in both the decision making and administering aspects of this important program.

Thanks to the funding made available by RUS telecom programs, many rural communities are now, or will soon be, able to take advantage of all the services and capabilities broadband has to offer. Broadband is the fuel that will power growth in the heath care, education, homeland security, and energy sectors throughout rural America. It has the potential to be the great equalizer between rural and urban regions. In fact, we believe it has the potential to "save" rural America, which continues to shrink in many parts of the country.

According to the Foundation for Rural Service's (a partnership of NTCA) "2009 Rural Youth Telecommunications Survey," 60% of respondents indicated that would consider living in a rural area after graduation, while only 13% ruled out the possibility altogether. Of the survey respondents, 45% said that the availability of a variety of telecommunications services would be an important factor in determining where they will eventually live. Asked what they considered "essential" telecommunications services, 66% of respondents chose broadband Internet. In addition to keeping the best and brightest rural students from leaving for non-rural areas, robust broadband services are also critical to economic development in these areas. According to a January 2010 Public Policy Institute of California report, during the years 1999 to 2006, an area moving from no broadband providers to one to three providers would achieve overall employment growth of 6.4%. Last year, the United States Department of Agriculture released a study entitled "Broadband Internet's Value for Rural America" that confirmed these findings. That study found that "employment growth was higher and nonfarm private earnings greater in countries with a longer history of broadband availability."

Concerns About the National Broadband Plan

Serving our nation's rural citizens with telephone service has always been challenging and bringing broadband to these sparsely populated areas will be even more challenging. However, with a national commitment to ensure all Americans receive comparable, robust communication services, we have been able to overcome the many barriers that otherwise would have left rural American behind. Unfortunately, it appears, based on provisions of the National Broadband Plan (NBP), we may are now abandoning the approaches that led to the successes we see today. Even more alarming, it looks as if we may soon abandon the basic principles of universal service that have ensured rural America is not left behind.

While on the surface the NBP's goal of providing broadband to all Americans seems like a commendable goal, it unfortunately also sets our country on the path of a digital divide between rural and non-rural. The plan sets a universal goal of 4 Mbps, while promoting 100 Mbps for 100 million households. By setting these goals, which will ensure speeds 25 times slower for high-cost, rural areas, the plan abandons our country's long-standing commitment to providing comparable telecommunication services to all Americans. As you know, without comparable broadband speeds, rural communities, which are becoming increasingly dependent on broadband, will fall further behind and will be unable to compete and receive

comparable job, health care, or educational opportunities and services as urban Americans.

We all agree comprehensive reform of telecommunications policy is needed to modernize support for communication services of the future. However, we are asking Congress to address the disruptions the NBP's modernization proposals would have on carriers that have invested and been successful in providing modern telecommunication services in rural areas based on predicable support mechanisms. As you may know, this particular issue has already caused a great deal of concern among legislators, and has led to at least 22 Senators and 45 Members of the House of Representatives signing letters to FCC Chairman Genachowski expressing their disapproval with the NBP's low standards that will cause a digital divide between rural and urban Americans.

We believe the economic future of rural America is at stake. Therefore, we urge you to help modify the NBP's recommendations so businesses and workers can embrace rural areas and to ensure all Americans can benefit from this plan equally.

Impact on RUS Programs

While the Agriculture Committee does not have jurisdiction over most telecom policy, we bring our concerns about the NBP to your attention because we believe the ripple effect of the NBP is already being felt by RUS programs and rural communities throughout the country. The NBP may quickly lead to the inability of rural providers to repay billions of dollars in loans extended by RUS as well as the rural sector's primary financiers CoBank and RTFC. In recent comments submitted to the FCC, regarding the matter of the NBP, CoBank said, "unless there is a sufficient and sustainable cost recovery mechanism, no financing method (*e.g.,* loan, loan guarantee, revolving loan, or one-time grant) will sustain a rural broadband network in the long term."

We would also like to make Committee Members aware that in a December 22, 2008 filing with the FCC, the RUS outlined just how important Universal Service support is to the agency's massive telecommunications lending portfolio. In that filing, the RUS explained how its nearly $4 billion tax-payer financed loan portfolio could be put at risk by proposals that would curtail Universal Service flows. Then RUS Administrator Jim Andrew stated that an analysis of borrowers at the time showed that 35% of loans outstanding would not be feasible were Universal Service funding to be frozen. He went on to say that if toll revenues (interstate and intrastate access revenue, interstate and intrastate Universal Service funding, and end-user subscriber line charges) were frozen; ⅔ of the loans would not be feasible. Specific to my company, last year, about 40% of our revenue came from Universal Service support and access charges. Last year we saw a 14% decrease in access billing. As these revenues continue to diminish, my company will be more than challenged to fulfill its commitments to private and Federal lenders—not to mention to provide adequate service to our customers.

As I noted earlier, the uncertainty created by the NBP and other proposed policy changes have already impacted the rural telecommunications market and RUS programs. Several rural telcos are considering not accepting the stimulus awards in which they have applied or been accepted for. In fact, one rural telco in Indiana has already decided to reject the stimulus award they received from RUS in round one based on the uncertainty created by proposed policy changes.

To avoid putting RUS telecom programs at risk, NTCA, along with the National Exchange Carrier Association (NECA), the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO), the Western Telecommunications Alliance (WTA), the Rural Alliance, and 38 concurring state associations and other groups recommend the following changes to the NBP:

- Not impose an overall cap or freeze on the existing High Cost program for incumbent carriers, or new caps or freezes on rural local exchange carrier (RLEC)-specific mechanisms such as interstate common line support.
- Not require RLEC's to shift to incentive regulation, as it has been demonstrably ineffective in encouraging carriers to provide an evolving level of service to consumers in high-cost areas. In contrast, rate-of-return regulation has a proven track record of success in this regard, and remains fully viable in today's competitive broadband environment.
- Focus on developing simple, reliable and workable methods based on actual costs for supporting broadband in RLEC territories and not pursue efforts to develop complex models or "market based" mechanisms such as reverse or procurement auctions.

- Immediately reform the USF contribution system and, most importantly, expand the contribution base to include, at a minimum, all broadband Internet access providers.
- Move quickly to address certain discrete intercarrier compensation reform issues such as strengthening the call signaling rules to mitigate phantom traffic as well as confirming that interconnected Voice-over-Internet Protocol (VoIP) providers are required to pay access charges.

Conclusion

As applications evolve over broadband, all Americans connected will experience untold opportunities for employment, health care, education, as well as entertainment. As the world is getting increasingly competitive, it is essential that the United States have a ubiquitous national broadband network where all Americans, whether urban, suburban, or rural have access to quality communication services. Although our rural areas are sparse in population, these people are critical in our nation's economy and security.

We believe that RUS telecom programs, along with the other programs I outlined earlier in my statement, will continue to help enable America's rural, community-based telecommunication system providers meet the broadband needs of our nation's rural citizens.

We emerged in these markets where no one else was willing to go. We understand these markets and what their needs are. We are committed to these markets because our systems are locally owned and operated. As part of this effort, we look forward to continuing to work with this Subcommittee and the RUS to provide rural America with affordable and robust communications services.

Thank you again for inviting me to testify. I look forward to answering any questions you may have.

The CHAIRMAN. Thank you, sir.

I want to particularly welcome Eddie Miller, who is from my home State of North Carolina and Director of Community Development with the North Carolina Association of Electric Co-ops. We have worked together often.

Eddie, thank you for coming today. You may proceed.

STATEMENT OF RALPH E. "EDDIE" MILLER, DIRECTOR OF COMMUNITY DEVELOPMENT, NORTH CAROLINA ASSOCIATION OF ELECTRIC COOPERATIVES, RALEIGH, NC

Mr. Ralph MILLER. Chairman McIntyre and esteemed Committee Members, I would like to thank you for the opportunity to speak today about a subject that has been the focus of my professional life for the past 40 years. I would also like to thank Congressman McIntyre and Congressman Kissell for their continued support of USDA Rural Development programs as well as the 26 rural electric cooperatives in our state.

Having worked for USDA Rural Development for 34 years and now the North Carolina Association of Electrical Cooperatives, I have experienced firsthand the positive impact that the Federal commitment has had on our rural areas.

I cannot imagine what conditions would be like without the technical and financial assistance provided by USDA that has enabled rural communities to build essential services to support their populations. For many communities and rural people, USDA Rural Development has been the only reliable source of financing and has been a true partner in their development.

USDA Rural Development State Director Randy Gore and his staff are doing an excellent job serving the people of North Carolina. We at the cooperatives consider him our most important economic partner.

I know that all governmental budgets are under extreme stress, but I hope that the programs that mean so much to our rural communities will be competitive in the decision-making process. I am looking forward to the 2012 Farm Bill and next year's appropriations. I see a continued need for financial and technical assistance in our rural communities.

Most if not all of the programs that are offered by USDA Rural Development were originated to provide affordable capital to our rural communities. Low-wealth communities depend on the funding provided by USDA Rural Development to support essential community services.

I have provided detailed comments on most of the USDA programs in my written statement. Due to time, I will only comment on a few programs.

The Community Facilities Program has supported more critical needs for our rural communities than any other program, with the exception possibly of the Electric Service Program. It has the flexibility to fund first responders, schools, medical and other services that support the quality of life for rural citizens.

The Guaranteed Business and Industry Loans and the Intermediary Relending Programs are critically needed to support the job creation in our rural communities. Funding needs to continue at the current level and increase, if possible.

The program known as the REDLG, Rural Economic Development Loans and Grants, which is made to co-ops, provides an essential economic development tool that they use to help recruit businesses.

Agriculture is the mainstay in most of rural America, and the Value-Added Producer Grant Program helps develop programs to keep more or develop more income for the farmers off of the agriculture. The Rural Utility Service Water and Waste Disposal Program is the main funding source for much of rural America. It allows communities to provide health improvements for its residents and provide support for fire departments.

Very little economic development can be accomplished without proper infrastructure. In the Electrical and Telecommunications Loans and Guarantees, the Federal Government created the partnership between electric cooperatives and the REA to meet the power needs of underserved rural areas. That partnership has been very successful and must continue if electric cooperatives are to meet their goal of providing dependable service at an affordable price.

It is important to maintain the guaranteed FFB Generation Loan Program and its funding, since it is an essential tool used by cooperatives in providing affordable service to rural America and North Carolina.

Without the access to RUS programs, electric generation cooperatives, such as NCMC, will be forced to access more expensive sources of capital for its members' future power supply needs, resulting in an increased cost for its members. Affordable electric power is a key consideration in the location of businesses and job creation. With the assistance of RUS programs, electric cooperatives can continue to support our rural communities' economic development efforts by providing dependable and affordable power.

I have made a lot of comments about the various programs in USDA from my experience with it in my written statement, but that concludes my presentation at this time.

[The prepared statement of Mr. Ralph Miller follows:]

PREPARED STATEMENT OF RALPH E. "EDDIE" MILLER, DIRECTOR OF COMMUNITY DEVELOPMENT, NORTH CAROLINA ASSOCIATION OF ELECTRIC COOPERATIVES, RALEIGH, NC

Chairman McIntyre and esteemed Committee Members, I would like to thank you for the opportunity to speak today about a subject that has been the focus of my professional life for the past forty years. I would also like to thank Congressman McIntyre and Congressman Kissell for their continued support of the USDA Rural Development programs as well as the 26 rural electric cooperatives in our state.

While preparing for this testimony, I came to realize that my life story has been one totally wrapped up in the field of rural development. I was born in Perquimans County, one of many low wealth areas of eastern North Carolina where the greatest export is the children who have to leave home to find good employment opportunities. While I did not know it at the time, the work I performed for my father's building company during summer school breaks was the construction of low income housing financed by the Farmers Home Administration, the predecessor agency to USDA Rural Development.

Upon graduation from NC State University in 1970, I was employed as an Assistant County Supervisor with Farmers Home Administration in Chatham and Randolph Counties. In that role I provided technical and financial assistance to farmers, local governments, businesses, developers, builders, potential home owners, nonprofits organizations and a host of others that achieved the mission of the agency. I left FmHA and returned home in 1976 to become an owner of a Chevrolet Dealership and a small general construction company. While it was great to return home and to contribute to the community, it became apparent to me that there was no future for small businesses due to the crisis in the farm economy and historically high interest rates.

In 1982, I returned to Farmers Home Administration and had the honor of serving as the Assistant to the State Director during five Administrations and four State Directors. In that role, I gained experience in the delivery of all USDA Rural Development programs as well as programs provided by other Federal and state agencies.

With the support of our Congressional delegation, North Carolina continues as a national leader in the delivery of services to our rural communities in all program areas. The USDA Rural Development programs and finance opportunities have evolved over the years to meet the changing needs of rural communities and their residents.

On many occasions, I've used the analogy of a builder who has a large tool box of tools or programs with an annual supply of materials or funding that can be used to build a community. A successful USDA Rural Development employee is one who has knowledge of all agency programs plus those of other resource providers in his toolbox then uses that information to select the best tools/programs to meet the needs of the community.

In April 2009, I retired from USDA Rural Development. I currently serve as the Vice President of Member Services and Community Development for the North Carolina Electric Member Corporation. My responsibilities include the management of community development programs offered by our statewide organization plus I serve as an interface with USDA Rural Development and other organizations that provide economic development programs to North Carolina.

The North Carolina Association of Electric Cooperatives has 26 member cooperatives that provide electric service to nearly a million members over 93 counties in our state. Each of those 26 cooperatives has an economic development program that offers a variety of services including funding and technical assistance in the economic development areas.

In April of this year, NCEMC hosted an Economic Development Resource Conference. USDA Rural Development State Director Randy Gore and his staff worked closely with the electric cooperatives and we have worked together to spread information about the benefits of these programs throughout the state. My goal is to provide information, education, and guidance to the cooperative staffs and their directors regarding the opportunities and resources available from the USDA Rural Development.

Looking forward to the 2012 Farm Bill and next year's appropriations, I see a continued need for financial and technical assistance in our rural communities. Most,

if not all, of the programs that are offered by USDA Rural Development have originated to provide affordable capital to our rural communities. Low wealth communities depend on the funding provided by USDA Rural Development to support essential community services such as water, sewer, and first response services. If Electric Cooperatives are to continue to provide affordable and dependable power to members, they require access to affordable financing for its generation, transmission and distribution systems. For this to happen, USDA Rural Development must continue to support our rural communities in the areas of housing, energy, businesses, utilities, and communications.

I will give my comments by Agency

Rural Housing Service:

The Direct Single Family Housing Program (502). This program has allowed thousands of low and very low income people to become home owners. But due to budget restraints, program funding has not met the demand. For a number of reasons, it appears that the need for housing is being met through the purchase of mobile homes and manufacture housing. While the housing units may meet the needs of the families, the location of the homes has created problems in many communities. Development for manufactured housing sites has not keep up with the demand. There is a great need for a program that would encourage developers to build subdivisions or mobile home parks with quality management and good living environments for low income residents.

The Guaranteed Single Family Housing Program (502). Due to the large expansion of this program and the elimination of the energy standards requirements, the financing of some older housing stock could result in higher energy bills for the borrowers. I would recommend increased review and oversight.

Single Family Housing Grants and Direct Housing Loan (504). This cost effective government program assist very low income home owners. It allows elderly homeowners to improve the health and safety conditions of their home in turn making them more suitable for elder living. This assistance allows the homeowners the option to reside in their homes longer instead of more expensive housing provided by care facilities.

Rural Rental Housing Loans (515). New construction funding has been limited for many years. In North Carolina there are 628 properties containing 22,662 rental units. Of those properties, 395 properties are over 20 years old and 246 properties are no longer bound by restrictive use provisions and could be sold off the program. There continues to be a need for these properties. I suggest that the demonstration program for Multi-Family preservation and revitalization be continued. This will assist in improving the properties and keeping them available for low income housing.

Guaranteed Rural Rental Housing, Housing Preservations Grants, Farm Labor Housing—I have no recommendations.

Community Facilities—North Carolina is the national leader for this program. In my opinion, this program has supported more critical needs for our rural communities than any other program with the exception of the electric service program. It has the flexibility to fund first responders, schools, medical, and other services that support the quality of life for our citizens.

Rural Business and Cooperative Service:

Guaranteed Business and Industry Loans—This is a very important rural jobs program. I suggest continued high levels of funding and reduced fees in high unemployment areas.

Intermediary Relending Program—This is the gift that keeps on giving. The funds are loans that are collected then relent to create more jobs. Jobs are a top priority for all; therefore, I suggest higher funding levels.

Rural Business Enterprise Grants and Rural Business Opportunity Grants—Both of these grants are good programs that could utilize additional funding.

Rural Economic Development Loans and Grants—These are loans and grants made to cooperatives for economic development projects. This is a good program and provides a great tool for the cooperatives. I am working with the North Carolina Electric Cooperatives to expand use of the program along with the NCEMC Development Loan programs.

Value-Added Agricultural Product Market Development Grants—Agriculture is a major industry in our rural areas, it is important that we find ways to expand the income potential. There needs to be increased marketing efforts for the program with emphasis to the limited resource farmers.

Renewable Energy Systems and Energy Efficiency Improvements Loans and Grants—A very good program that has assisted a number of farmers, however, it needs to be adequately funded with more non-farm business outreach.

Rural Utilities Service:

Water and Waste Disposal Loans and Grants—This program is the main funding source for much of rural America. It allows communities to provide health improvements for its residents and provides support for fire departments. Very little economic development can be accomplished without the proper infrastructure providing adequate water and waste disposal service. To support health and job creation, I recommend increased levels of funding.

Rural Broadband Loans and Loan Guarantees—Traditional loan programs will not work in most of the underserved areas of rural America. The programs offered under the Stimulus funding which provide grants up to 75% will be effective. I would like to thank USDA Rural Development for the award to French Broad Electric Membership Corporation. Lumbee River Electric Membership Corporation has recently filed for funding as well.

Electric and Telecommunications Loans and Guarantees—The Federal Government created the partnership between electric cooperatives and REA to meet the power needs of underserved rural areas. That partnership has been very successful and must continue if electric cooperatives are to meet their goals of providing dependable service at an affordable price. It is important to maintain the guaranteed FFB generation loan program and its' funding since it is an essential tool used by Cooperatives in providing affordable service to rural America and North Carolina. Without access to the RUS program, electric generation cooperatives such as NCEMC will be forced to access more expensive sources of capital for its members' future power supply needs resulting in an increased cost for its' members. Affordable electric power is a key consideration in the location of businesses and the creation of jobs. With the assistance of the RUS programs, electric cooperatives can continue to support our rural communities' economic development efforts by providing dependable and affordable power.

This concludes my presentation. Thank you again for the opportunity to address the Committee.

The CHAIRMAN. Thank you, Mr. Miller.

Dr. Ayers.

STATEMENT OF VAN H. AYERS, ED.D., BOARD MEMBER, DELTA LAND AND COMMUNITY; AGRICULTURE AND RURAL DEVELOPMENT SPECIALIST, UNIVERSITY OF MISSOURI EXTENSION, BLOOMFIELD, MO

Dr. AYERS. Thank you, Mr. Chairman.

I am Van Ayers. I am a cofounder and board member of a not-for-profit organization called Delta Land and Community, and also am an Agricultural and Rural Development specialist with the University of Missouri Extension Service.

Delta Land and Community is active in rural development projects, focusing on the Mississippi River Delta region, in which Missouri is a part. My office is located in Bloomfield, Missouri, which is in Stoddard County. I serve the Boot Hill region of the state, which is the extreme southeast corner of Missouri.

The prevalent agriculture is southern, with corn, cotton, soybeans and rice produced in the county. Also my brother and I are partners in a beef farm located in Bedford County, Tennessee.

Over the past 25 years, I have been actively involved in rural development issues in southeast Missouri. I have worked with farmers and farmer groups and applied and obtained for producers several of the grants administered by USDA Rural Development. I have experience with the VAPG, REAP, RBOG and Community Facilities Grants at the grassroots, working with farmer and farmer groups. The nonprofit I helped start is HELP, where farmers re-

ceive nearly all the VAPG grants awarded in the State of Arkansas.

Based on 25 years of working with USDA in Rural Development programs, I have seven specific recommendations to improve Rural Development programs.

First of all, focus more of the VAPG on the planning grants. I am a strong advocate of these type of grants. I prefer that the majority of VAPG funds be made available to this effort *in lieu of* working capital grants. It is my opinion that in most cases if an enterprise is viable, funding is obtainable from an assortment of other sources.

Second, allow the farmer time to be included as a match for VAPG. There is a 50 percent match requirement for funds with VAPG. Securing the match has been problematic. However, I prefer that the match requirement, specifically for the planning grant portion, but not for working capital grants, be altogether eliminated. If it cannot be eliminated altogether, then at the very least there should be a liberal provision for counting the time and expertise of the farmer entrepreneur.

Third, past VAPG grant reports should be assembled in an online reference library. Information obtained through the VAPG grants at this time is now proprietary. If the information from the planning grants is not to be used, which has happened to be the case several times, especially if the project is not feasible, then at least this information should be placed in the public domain.

Fourth, allow REAP to cover 50 percent of the cost and move the VAPG energy feasibility proposals to REAP. Within REAP there is a feasibility grant program. As with all of REAP, the grant will cover 25 percent of the project cost. This will help rationalize limited government resources, allowing VAPG to concentrate on food, fiber, and forestry projects with energy projects supported through REAP.

Fifth, carve out a part of Community Facilities Grants for farmers markets. I suggest that these funds be allocated to Community Facilities Grants specifically for farmers markets. I am here this week in Washington to review the Farmers Market Promotion Program grants. There were over 500 applicants from all corners of the United States, and as I began to review these proposals, it became clear that there is a great need for this program throughout the U.S.

However, those proposals that were written from urban areas with the better grant writers had a greater chance of being funded, or seemed to have a greater chance of being funded. This is not uncommon. This raises the issue of fund distribution inequity for all of USDA grant programs.

Six, a less complex grant application process is needed for both VAPG and REAP. A three-page proposal for REAP and VAPG grants less than $25,000 actually would be ideal.

My final and most important recommendation is to establish a national program to train enterprise facilitators to help farmers in underserved areas develop proposals for these programs. This is what I do within my job position at the University of Missouri Extension.

There is an inequity of grant funds distribution with both VAPG and REAP programs. Local rural development offices are not necessarily versed in these, and other grants offered through USDA through their own agency. The context for these grants is usually at the state office. Neither the Ag Innovation Centers nor the Rural Cooperative Development Centers have had a major influence on my activities.

To develop a good grant application, at the end of the day someone must write it, and the ability and the desire to do so sometimes is often lacking, especially in some rural areas.

USDA should do what it can now to develop a nationally coordinated initiative for enterprise facilitators, and if the Department finds a new authority or dedicated funding is required, Congress should take this up in the next farm bill.

In conclusion, the development of rural enterprises by utilizing commodities and resources at the local level is a sure-fire way to improve the local economy.

With this, I conclude my comments.

[The prepared statement of Dr. Ayers follows:]

PREPARED STATEMENT OF VAN H. AYERS, ED.D., BOARD MEMBER, DELTA LAND AND COMMUNITY; AGRICULTURE AND RURAL DEVELOPMENT SPECIALIST, UNIVERSITY OF MISSOURI EXTENSION, BLOOMFIELD, MO

I am Van H. Ayers, a co-founder and board member of a not for profit organization called Delta Land and Community, and an Agriculture and Rural Development Specialist with the University of Missouri Extension Service. Delta Land and Community is active in rural development projects focusing on the Mississippi River Delta Region, in which Missouri is a part. My office is located in Bloomfield, MO, which is in Stoddard County, MO. I serve the Bootheel region of the state, which is in the extreme southeast corner of Missouri. The prevalent agriculture is Southern, with corn, cotton, soybeans and rice produced in the county. Also, my brother and I are partners in a beef farm located in Bedford County, Tennessee.

Over the past 25 years I have been actively involved in rural development issues in Southeast Missouri. I have worked with farmers and farmer groups and applied and obtained for producers several of the grants administered by USDA-Rural Development. I have experience with the USDA, Value-Added Producers Grants (VAPG), Rural Energy for America Program (REAP) or 9007 grants, Rural Business Opportunity Grants (RBOG) and Community Facilities Grants at the grassroots, working with farmers and farmer groups. I have also worked with other USDA grant and loan opportunities. The nonprofit I helped start has helped farmers receive nearly all the VAPG grants received in Arkansas.

Based on 25 years working with USDA rural development programs, I have seven specific recommendations to improve rural development programs. First, focus more of VAPG on planning grants. The Value-Added Producers Grants, of which I have written five separate proposals, with three funded, is one of the more progressive and effective programs offered by USDA. This program offers to farmers and farmer groups the opportunity to develop an idea, create an enterprise and help the local rural community. Within VAPG there are two types of grants, the planning grant—which is used to plan the enterprise by funding feasibility studies, business plans, attorney fees *etc.*, and working capital grants. I have only worked with planning grants. I am a strong advocate of these type grants. I prefer that the majority of VAPG funds be made available to this effort in lieu of working capital grants. There may be specific legitimate reasons why a VAPG working capital grant makes sense in a given instance, but generally speaking I would lean the program more in the direction of planning grants. It is my opinion that in most cases if an enterprise is viable, funding is obtainable from an assortment of other sources.

Second, allow farmer time to be included as match for VAPG. There is a 50% match requirement for funds with VAPG. Securing match is problematic. We have been able to do so, for the projects in which I have assisted, by utilizing my time, with the University of Missouri as match. At the least, farmers' and participants' time should be allowable to be used as match. The farmer/entrepreneur who develops a new enterprise usually knows more about that industry than anyone else. His/

her time and expertise are crucial to success of each VAPG. However, I would prefer that the match requirement for the planning grant (but not for working capital grants) be altogether eliminated. If it cannot be eliminated altogether, then at the very least there should be liberal provision for counting the time and expertise of the farmer/entrepreneur.

Third, past VAPG grant reports should be assembled in an on-line reference library. Information obtained through the VAPG grants is now proprietary. However, if the information from planning grants is not to be used, especially if the project is not feasible, then at least this information should be placed in the public domain. But I suspect there would be relevant information from other grant programs useful to the public and to academicians that could be in a reference library without compromising any confidential proprietary information.

Fourth, allow REAP to cover 50% of costs and move VAPG energy feasibility proposals to REAP. Within REAP there is a feasibility study grant program. As with all of REAP, the grant will cover 25% of the project costs. An applicant can use the VAPG also for an energy project feasibility study, but VAPG will fund 50% of the project cost. The feasibility study grant program of REAP should be raised to cover 50% of project cost, similar to VAPG, instead of 25%. Energy feasibility grants could then be moved to REAP. This would help rationalize the limited government resources, allowing VAPG to concentrate on food, fiber, and forestry projects with energy projects supported through REAP.

Fifth, carve out a part of Community Facilities Grants for farmers markets. I suggest that funds be allocated in the Community Facilities Grant specifically for farmers markets. Farmers markets are popping up around the United States; they are a local economic activity with low capital investment but with both positive health and economic effect. The Community Facilities grants applications are filed at the local USDA–RD field office. I am here this week in Washington to review Farmers Market Promotion Program grants. There were over 500 applicants from all corners of the United States. Clearly, this is a popular program. As I began to review these proposals, it became clear that there is a great need for this program throughout the U.S.; however, those proposals were written from urban areas, with the better grant writers, had a greater chance of being funded. There were proposals that expressed a great need, but will not be funded because they did not hit all the evaluation components in the writing. This seems unfair and reflects the basic problem of the lack of adequate personnel resources in rural areas. This raises the issue of fund distribution inequity for all USDA grant programs.

Sixth, a less complex grant application process is needed for both VAPG and REAP. A three page proposal for REAP and VAPG grants less than $25,000 would be ideal. For a VAPG grant, it typically takes a full week of work to complete an application.

My final and most important recommendation is to establish a national program to train enterprise facilitators to help farmers in underserved areas develop proposals for these programs. This program could do the greatest to help rural America. There is also an inequity of grant funds distribution with both the VAPG and REAP programs. Missouri did well with VAPG until this year, when the evaluation criteria were changed. Nebraska does very well with the REAP grants. Tennessee does not receive many of either of the grants. Local Rural Development offices are not necessarily versed in these and other grants offered through their agency. The contact for these grants is usually at state office. As part of my Extension duties I have promoted these and other USDA–RD programs, and facilitated grant applications. Neither the Ag Innovation Centers nor the Rural Cooperative Development Centers have had a major influence on my activities. The need for good enterprise facilitators is greater than either of these programs can deliver. To develop a good grant application, someone must write it, the ability and desire is oftentimes lacking. USDA should do what it can now to develop a nationally coordinated initiative for enterprise facilitators, and if the Department finds new authority or dedicated funding is required, Congress should take this up in the next farm bill.

In conclusion, the development of rural enterprise, by utilizing the commodities and resources at hand in a rural community, is a direct and sure fire way to improve the local economy. As we move into a green economy, one needs to remember that green grows in rural America, and not in urban centers or suburbia. Wealth generated by these efforts should stay local. To develop value in rural America, and ensure equity of distribution of USDA grant and loan funds into the poorer rural areas of the United States, there is a need for enterprise facilitators to facilitate locally owned value-added agriculture enterprises. Within Extension, there are some of us doing this. I suggest there be a national effort to fully fund enterprise facilitators, and place these people in rural America charged with working with the local populace to develop enterprises. These facilitators would write and assist in

writing VAPG, REAP and other grants. This is what I do, and I believe it will work and reduce the inequity of grant distribution, while increasing the economic viability of rural America.

The CHAIRMAN. Thank you, sir.

Thank you for your timely presentation, and thanks to all of you.

Most of you, if not all of you, have touched on some difficulty for applying for a Rural Development loan or grant. I know that, in particular, Mr. Higginbotham, Mr. Miller, you all talked about your concerns, and one of you actually mentioned about the process of having to fill out information for the loan and then the grant and not combining it. I believe, Mr. Miller, you referred to that.

Is there an element of the process that you would change if you had the power to do so, and if so, what is it? What would help streamline the process for those applying? I welcome any of you to comment on that.

Mr. HIGGINBOTHAM. One thing I would change, especially for intermediaries that have a proven track record, if we could even streamline the process for them, maybe an abbreviated application. They have a proven track record, they have the reports on time, they can keep the money deployed. Streamline a process for that.

Also other possible changes could be whether that could be considered a zero percent loan on the IRP, or maybe half of it grant, half of it one percent. But just some kind of process, or even maybe a set-aside program, so the individual states could say we have these intermediaries that are successful, they have been doing this for 10 years. Let's set aside some money for them on an annual basis, semiannual, whatever the time-frame may be, to shorten up that time-frame. To say okay, we need an injection of capital now, we have all of our money out. Then the time line to get these next dollars would be quicker. So just basic streamlining.

Thank you.

The CHAIRMAN. Thank you. Anybody else with specific suggestions on ways to make the process easier?

Mr. BEAULAC. I just want to agree with what my colleague said. We have been actually asking USDA to institute what is referred to as a Preferred Lender Program for those intermediaries who have been in the program for a number of years, who don't have to go back through the rigors of being a new applicant each and every time they go back to the program for additional resources. So I absolutely agree with his suggestion.

The CHAIRMAN. Anyone else?

Dr. AYERS. I just want to add once again, a shorter grant process would be desirable. I will state definitely on the REAP proposals, the ones I dealt with in southeast Missouri, essentially the producers hired a grant writer on their behalf to actually submit the proposal. The REAP is somewhat of a difficult proposal to write. It takes several days to do so. The applications I have seen, at least one I know specifically, is about an inch thick and it takes a lot of work to get this thing submitted. So anything they can do to shorten the grant process would be definitely beneficial, and I would also say so for the VAPG. Both of them.

The CHAIRMAN. All right. Would any of the other panelists would like to comment on simplifying the process?

I would encourage the suggestions you have made, for them to be submitted to Rural Development at USDA. I want to ask in the audience, is there anyone still here from USDA Rural Development, or did they all depart with the Under Secretary?

We want to make sure, and I will ask the Clerk if we will make sure the record of this panel is forwarded to the Under Secretary. I am happy to sign a cover letter if staff will prepare that to point out specifically some of the complaints, concerns, and suggestions you have made.

But I would also encourage you on the panel to not just think, "Oh, by my saying it here today, somebody out there somewhere ought to hear this." I would ask if each of you would be willing to make that suggestion directly to the Under Secretary.

Are you willing to do that, Mr. Miller?

Mr. Ed MILLER. Yes.

The CHAIRMAN. Mr. Higginbotham?

Mr. HIGGINBOTHAM. Yes, sir.

The CHAIRMAN. Mr. Beaulac?

Mr. BEAULAC. Yes.

The CHAIRMAN. Mr. Bahnson?

Mr. BAHNSON. Yes.

The CHAIRMAN. Mr. Miller?

Mr. Ralph MILLER. Yes.

The CHAIRMAN. Dr. Ayers.

Dr. AYERS. Absolutely.

The CHAIRMAN. I would encourage you to do that and to do it right away within the 10 day time period that we stated earlier at the beginning of the hearing.

Mr. Conaway, do you have questions?

Mr. CONAWAY. I do. Thank you very much.

Gentlemen, thank you very much for being here today. I appreciate your making the trip to D.C. to visit with us. Just a couple of quick questions.

Mr. Beaulac, you said that there has not been a single default in the program. At what level is that? The intermediary level has not defaulted on any of their applications, or the underlying loans to the intermediary have not defaulted?

Mr. BEAULAC. Oh, no. The USDA that has had this Intermediary Relending Program for a number of years has never experienced a default in terms of the borrowers it has had from its own program. In other words, I have been an intermediary since 1975——

Mr. CONAWAY. So you get funds from USDA and then you turn around and lend them to anyone else. You make enough on the spread to cover your losses and still pay back?

Mr. BEAULAC. That is exactly right.

The CHAIRMAN. Mr. Miller and Dr. Ayers, you both mentioned community facilities. First off, Dr. Ayers, did I understand you correctly, that you are promoting the idea that we take taxpayer money to train taxpayers to write grants to get access to taxpayers' money?

Dr. AYERS. Repeat that again, will you?

Mr. CONAWAY. What I heard you say is that you are pitching this idea that we need to have a nationwide program to teach tax-

payers—we take taxpayer money to teach taxpayers to write grants to get access to taxpayer money.

Dr. AYERS. It already happens. Essentially, when you write a VAPG grant, most of the grant writers, for example, cut themselves in for some type of income, if you will, possibly for facilitating the grant, possibly working a proposal. I work with RC&D and their facilities and grants and so forth. So it is out there.

Mr. CONAWAY. Yes, but—okay. The tension between technical—well, Community Facilities Grants, Mr. Miller, you have said that—well, the issue is should they use—should farmers markets be included at the same level of importance and priority with hospitals and doctors, or first responders and all the other things the Community Facilities Grants are used for? Are farmers markets as important as first responders? Dr. Ayers or Mr. Miller?

Dr. AYERS. I can't answer that.

Mr. CONAWAY. But you asked us to answer that, because you just pitched specifically setting aside, carving out monies under Community Facilities for farmers markets. And in order to set a priority, we have to decide which is more important. Is it more important to take really scarce—and it is going to get much more scarce—taxpayer dollars and fund help for first responders, or a weekly farmers market. Which is better?

Dr. AYERS. Once again, I mean, it is impossible to answer that because you have to go through a process at the local community to determine which one of those they would prioritize. So I am not here to state which one is better.

Mr. CONAWAY. But didn't you testify, Dr. Ayers, that you want a separate set-aside specifically for farmers markets?

Dr. AYERS. Absolutely.

Mr. CONAWAY. Isn't that a tactic decision that they are at least as important? If you are going to carve out a specific money that would otherwise go to first responders, as an example, and do farmers markets? Aren't you telling me that you believe farmers markets are equally important as——

Dr. AYERS. I think farmers markets are important.

Mr. CONAWAY. Everything is important. I don't want to discount that. Okay.

Mr. Miller, did you want to comment on that?

Mr. Ralph MILLER. When I was with USDA, we put higher priorities on first responder projects. Demonstrations have pretty much done that in the past. But we also financed some farmers markets using the Rural Business Enterprise Grant program.

Mr. CONAWAY. Mr. Bahnson, you mentioned in your written testimony an overbuilding issue in Oregon. Could you flush that out a little bit for us, what happened there?

Mr. BAHNSON. I am sorry, can you ask me that again?

Mr. CONAWAY. In your written testimony you made reference to an overbuilding issue with respect to one of the broadband grants in Oregon. Could you just flush that out a little bit for us?

Mr. BAHNSON. I am from Michigan, so this is as best as I understand it. But I understand there were two providers already in that area, and yet it was funded. Even though the field rep recommended it not be funded, it still was funded.

Mr. CONAWAY. Okay. How did that happen? What mechanically went on there? And maybe you have to get back to us for the record. But it seems to me like one of the issues we talked about a year ago in here, we wanted to make sure that we didn't duplicate service or that we didn't advantage someone to step into a market that already had existing coverage, that that was not really the intent of these programs. What I am hearing you say, at least one time across the United States, it looked like that happened.

So if you could get back to us in more detail on how that decision was made and why the decision-maker thought that was appropriate.

Mr. BAHNSON. I would be happy to do that.

Mr. CONAWAY. I thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Mr. Kissell.

Mr. KISSELL. Thank you, Mr. Chairman, and thank you everyone for being here today. A special thanks to Mr. Eddie Miller from North Carolina and the years of dedication and work he has done for our state.

Dr. Ayers, in following up just a little bit with what Mr. Conaway asked, and in your testimony, would you agree with the statement that there is an inequity of resources made available to communities based upon their ability to write grants. Therefore, those that have more resources to write better grants, get more resources in the end game maybe, irregardless of whether there is a balance of that money based upon needs or not.

Mr. Ralph MILLER. Absolutely. Yes.

Mr. KISSELL. I think that is something we need to take into consideration as we look forward, that that ability to write grants doesn't reflect the needs within the communities in balancing that out.

Mr. Miller, you talked about in your written testimony a lot about housing. Are there any additional thoughts you would like to give us there in terms of where we need to go there in the rural areas?

Mr. Ralph MILLER. Well, basically there were three areas.

One, the direct Single-Family Housing 502 Program when I first started with the agency was a growth program. It was a lot of money, subsidized interest rates, and we were able to finance a lot of rural homes. Because of the cost to the budget and the subsidy factor, that program has been cut substantially.

I think we don't like to identify it, but if you ride through rural North Carolina, low-income people will be in manufactured housing and mobile homes. And I have suggested over the years that some program be developed, either by state or Federal Government, similar to the Multi-Family Housing Program where you would have a developer go in and build a quality site where they could put their own mobile homes or whatever on there, and manage it and maintain it with the management company keeping it into a good living environment.

The other thing on the 504 Program, where you are financing health and safety things for the elderly, a lot of times you can make a small grant to improve the health conditions of the home so people can live there longer, not go into expensive rest homes

that the government ends up paying for. So it can be a cost saver for the government *versus* a cost expense.

The final thing on the Multi-Family Housing Program, there is a lot of—there has not been a lot of funding for new construction, and there are a lot of older homes that are manufactured, not manufactured, older apartment complexes that are 20 years old or older. A lot of them are off the required list that they stay on the program. And there is a preservation program. There has been a demonstration pilot for the last 4 years that helps rewrite their loans, to get the reserves up, to do the repairs and to keep those apartments available for low-income rural people. So I would encourage that to be made permanent since we are not putting more money into the program to any extent.

Mr. KISSELL. And Mr. Miller, also in your written testimony you addressed a lot of different individual specific areas. With your experience through the years in many aspects of Rural Development and many programs, and with your affiliation with rural co-ops which means so much in so many areas, especially in North Carolina, especially in districts like mine, in your oral testimony you also talked about a lot of programs that are working well.

Are there some programs you would like to draw our attention to that you just feel like are not working as well and that we should take a little extra time looking at and say, "Hey, how can we make these programs work?"

Mr. Ralph MILLER. The Guaranteed Multi-Family Housing Program, if you are looking at numbers of loans made, it has grown tremendously over the last 2 or 3 years, and it is probably the only 100 percent financing out there. It is a good program. But with that much growth that quickly, plus the elimination of the energy requirements which results in financing a lot of older homes with higher energy costs for the moderate-income homeowner, that might be something that can cause you some problems down the road.

Mr. KISSELL. Thank you, sir. Once again, thanks to everybody for coming.

Thank you, Mr. Chairman.

The CHAIRMAN. I would like to recognize that the Chairman of the full Committee, Mr. Peterson, has joined us. We welcome him to sit in on our Subcommittee. We will proceed with questions from the panelists, but we welcome the Chairman's questions or comments at this time.

OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA

Mr. PETERSON. Well, thank you, Mr. Chairman. Thank you and the Members for doing this.

You know, as long as they brought up this 504 Program, it is hard to keep these numbers straight, but I have been getting a bunch of complaints in my district about this program. I actually, back before I got in Congress, I actually was part owner of one of these deals and did the books for it, so I know enough about it to be dangerous.

But they are having problems in my area, apparently, finding enough people that qualified to get into these deals. They have

apartments sitting empty and they can't do anything about it. They would like to convert the thing because the demographics of the community have changed and they don't have enough low-income people to fill the apartment, but they can't get out of the deal and they are stuck.

They might be in this preservation thing, I don't know; but they are stuck, and the people that own it are 80 years old and nobody wants it. And I have gotten three or four different folks that have been in these things that are saying it is not working the way it should.

Have you got something similar going on in North Carolina or not?

Mr. Ralph MILLER. In North Carolina, I guess because of oversight of the staff, they have been pretty consistent. They have worked with pretty well-respected developers and they do not have the problems with the program that a lot of other states have. Most of our developments in North Carolina were 24 or more units. I think in some of the states they have something like quad-plexes and this type of thing.

Mr. PETERSON. These are eight-plexes that are owned by just ordinary people that maybe have one or two of these in a small community, that when they first built them the community was pretty rural and fairly low income. They were close enough to a growth area where the demographics of the community have changed, and now they are having problems and they can't, because of the rules, they can't make the thing work. They don't know what to do with them.

Mr. Ralph MILLER. There is a processing agency you can go through and determine whether or not it is needed in the community. If it is not needed in the community, they can allow the developer to take it off the program and to pay it off and take it to other housing. In a lot of cases, like you say, elderly owners that have it and they want to get rid of it, there are a lot of management companies and all that are buying up projects and getting Federal and state tax credits to go rehab them——

Mr. PETERSON. Low-income housing tax credits, you mean?

Mr. Ralph MILLER. Yes. There is a process, they can take them off that program if the agency deems they are not needed for the community.

Mr. PETERSON. Who makes the decision? Is it made at the state rural development level, or is it made in Washington?

Mr. Ralph MILLER. It would be made at the state level.

Mr. PETERSON. The State Director has the authority——

Mr. Ralph MILLER. To the best of my knowledge, yes, sir.

Mr. PETERSON.—to deal with this? All right.

Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Chairman, for joining us.

Mr. Thompson.

Mr. THOMPSON. Thank you, Mr. Chairman.

Mr. Beaulac, your testimony cited some reasons, cited some of the reasons credit is not available through traditional banks. Since the banks set guidelines based on sound lending practices, do you see any dangers in the government offering credit where best prac-

tices in the private sector would otherwise prevent loan applications from moving forward?

Mr. BEAULAC. I am trying to understand the question. I am sorry. Could you repeat it?

Mr. THOMPSON. Sure. Businesses applying for loans in the private sector, and, unfortunately, they go to a bank, they go to the bank and based on best practices, they are denied that credit, and yet they would qualify in the public sector. I guess the question is: are there any times that this is actually putting those businesses in kind of a precarious or dangerous situation fiscally?

Mr. BEAULAC. I think just the opposite is true. I think if you talk to a number of commercial bankers where we work, they actually welcome the collaboration between their private capital and what we could bring. For example, in an IRP program or an RBEG program or SBA program, where we might be able to take a second position behind their first-position loan.

So lending has really been constricted lately, and the underlying standards, or the underwriting standards have really become so incredibly strict that banks just don't want to do as much of the deal as they did before. So they welcome some other sort of leveraged participation in the loan.

So the number one source of the growth in our lending portfolio is actually collaboration with banks, and many of those are just referrals from banks, and oftentimes the bank stays in as part of the deal. I think what you are seeing is really a very strong growth in that tradition, where intermediaries, noncommercial lenders, nontraditional lenders, work in collaboration with financial institutions and it is a great model.

Mr. THOMPSON. Thank you.

Mr. Higginbotham, in your testimony you stated support for USDA's Regional Innovation Initiative. What are the specific elements of this initiative that you support?

Mr. HIGGINBOTHAM. I think what I support about this initiative is, first of all, it is going to bring communities together, to work together, to find a way to promote their assets on a regional basis, to better be competitive in the region, in the state, globally. It is just going to force rural areas to come together, work together, manage their assets to be competitive.

Mr. THOMPSON. You also mentioned that the flexibility going into the Rural Business Program helps you expand in dynamic economic conditions. Can you describe in greater detail what provisions help you respond to changing economic needs and how those flexibilities are utilized in practices?

Mr. HIGGINBOTHAM. The USDA funding is flexible enough that, depending on the type of business that needs a business loan, whether it is retail, commercial, the ever-changing economy, those funds are flexible enough that we can go into a lot of different industries and businesses——

Mr. THOMPSON. Thanks.

Mr. HIGGINBOTHAM.—and create jobs.

Mr. THOMPSON. Mr. Ed Miller, Eddie Miller, being specific here, you highlighted—actually, I was kind of interested in the rest of the story. In your testimony you highlighted a grant that you received for Rural Business Enterprise to conduct a market study.

What was the result of that study and has the water bottling project been able to move forward?

Mr. Ed MILLER. Good news on both counts. The result of the study was very favorable. And, of course, they hired a professional to do this study. It came back very positive. And they are now going through the studies, the water studies themselves, to make sure that those are okay, because the Tribal Council is very, very strict about anything being taken from their wells, their property. So they themselves now are making sure that the water quality and availability is there.

But that is what they are doing right now, and they are actually paying for that study themselves. They will get the money themselves to pay for that. And if that comes back positive, then they intend on moving forward.

Mr. THOMPSON. Very good. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Mr. Cassidy.

Mr. CASSIDY. Dr. Ayers, you are the man when it comes to getting grants; yes?

Dr. AYERS. The VAPG we applied for this year was turned down.

Mr. CASSIDY. Well, on the other hand, I am going to disagree with Mr. Conaway's kind of thrust a little bit, because I can actually see that an impoverished, poorly educated rural community *versus* one which is almost a bedroom community for something further away, but of higher-income people, would be at a relative disadvantage. And in fact, when you say that some states, for example Tennessee, didn't get any of these grants, and others, like Mr. Higginbotham's state, do extremely well when it comes to REAP, it is either an indictment or endorsement of the local agents who are the facilitators of these grants. Is that a fair statement?

Dr. AYERS. My opinion is there are not enough people in the rural communities facilitating these grant proposals, and working with groups of farmers and groups of producers to produce good proposals.

Mr. CASSIDY. But on the other hand—and I have looked at your grants—they all seem valid, I am not criticizing that, you seem capable. Not every community has someone so capable, that is obvious; and Nebraska has done a bang-up job. So clearly I accept what you are saying. Not every community has such.

The question is: How do we replicate those who successfully do so? Fair statement?

Dr. AYERS. I think there needs to be some type of national initiative of facilitators.

Mr. CASSIDY. Now, why do we need to focus upon state agents? Because it still seems like I was in Louisiana and I was going to develop more REAP funding, I would go to Nebraska and hire somebody away, offer them a package of some sort, better football games, *et cetera, et cetera.*

To what potential could we just make this online? Why do we have to invest in local officials when that is always going to be subject to who is there, as opposed to something online where folks can do—and we can have some sort of quality control, *et cetera?*

Dr. AYERS. When you are working on proposals, especially if you are working with farmer groups, you engage those people in a proc-

ess to get a good proposal together. One of the inherent problems, especially in a rural community or a rural area, is that even though we have people with like interests maybe pursuing the same idea or the same concept, they don't necessarily know each other. And online, yes, there is a possibility some of that, some of the new technology or whatever is out there possibly has the potential of helping out.

But at the end of the day, you have to sit down with that group of producers and group of farmers, and work together and go through a process, engage them in their ideas and their concepts before you start writing the proposal.

Mr. CASSIDY. Does that require the person to be local, with an organic understanding of what potential lies within the community; or does it just require somebody that has experience at facilitating, to identify resources and to say come together, let's figure out how to do these together?

Dr. AYERS. I would say both. There needs to be some technical ability of the people in the field working with these proposals, and also some skills with those people as facilitators in their roles. However, you can obtain the technical side. That is obtainable. Typically there is expertise all over the United States that you can tap into that exists with that process.

One of the other drawbacks is, especially my experience with VAPG grants—and I worked with the University of Missouri—the University of Missouri doesn't have all the answers. In fact, the majority of our grant funds I wouldn't say were farmed out, but were contracted by the producer groups with outside entities that were private. These people have the expertise, if you will, at times to come up with the type of information that is needed.

So in reality, I have utilized the University of Missouri resources really very little. Most of it has been on the private side of the fence, which actually for a lot of things is better because they themselves have the expertise.

Mr. CASSIDY. Okay.

Now, Mr. Conaway, again, was wondering about the economic potential of farmers markets, and your kind of endorsement of such, I don't know. What is the economic potential of farmers markets? Is it a cottage industry which, yes, it is nice, it makes people feel good, reconnects them, know their farmer, that sort of thing; or is it no, this is a potential booming business where we can bring significant dollars into the rural area locally?

Dr. AYERS. I would say it is more of the latter. Whether it would be significant dollars, I don't know. It depends upon the community. And I am not fixed on farmers markets. It is just I happen to be here reviewing the proposals. But the point is——

Mr. CASSIDY. Can I interrupt you just for a second? Because, again, I am going back to this thing I saw in Birmingham where, again, next to a housing project, they set up something on a vacant lot and now they are providing organic vegetables, home grown, to all the high-end restaurants in town. I don't know what their book of business is.

Has anybody done a study on that so that we can know, is that a valid business model that we want to encourage because it brings—you see where I am going with that?

Dr. AYERS. You are asking me?

Mr. CASSIDY. Yes, sir.

Dr. AYERS. When it comes down to the farmers markets studies, I do not have that knowledge and I do not know the literature on that, if you will.

Mr. CASSIDY. Can anybody else deal with that? Off the top of your head, if somebody has got something to offer on that, I would be interested.

Mr. Ralph MILLER. In part of our state, a gentleman or company came up with a website where farmers hook up with restaurants in the Charlotte area. That seems to be pretty successful. It is like a farmers markets online.

Dr. AYERS. I will reiterate a couple of things. In Missouri, we are having a movement in the state. I am working with farm-to-schools. Actually right now there is a program going on, there are some problems with that, but we are having some people, especially in the metro areas, working to move some of the produce from the local producers into the urban areas, both with restaurants, also with a farmer-owned facility up in St. Louis. There are also some groups out of Kansas City. So some of this is going on.

One of the problems is that we aren't replicating this in some of the rural areas where, in my opinion, it needs to be done. And, quite frankly, I lived in Boot Hill, Missouri, for 9 years, and the quality of produce in Portageville, Missouri, was quite below that of even a place like Cape Girardeau, which is where I am living now. So the inherent question to ask is why, when even when we have some of this production locally.

So there are some problems out there of really moving some of the local produce into both the local schools, and then also for the local consumers. The farmers market is just really one of the ways to do that. It can be extremely simple, or it can be very complex. I think there are some extremely good facilities, for example, in North Carolina, which their state, I know as a fact, have taken up initiatives to promote the farmers markets throughout their state.

Mr. CASSIDY. Okay. Thank you.

The CHAIRMAN. Thank you, Mr. Cassidy.

Mr. Conaway, do you have an additional question?

Mr. CONAWAY. I just have one quick one. Ed Miller, it seems to me like your community is a prototype for the broadband, roll-out stimulus money, whatever it was. Can you give us a couple of seconds on why your community still doesn't have broadband access, even with all the billions of dollars that we provided for rural broadband?

Mr. Ed MILLER. That is a very good question. To give you another idea, our county is 70 miles long. It is a very long county for Virginia. It is long and narrow. And in order to actually do the application for the first round of funding, I actually had to go outside of the county to somewhere that had high-speed Internet in order to input the application. I had to spend a week doing it.

So that is a good question. We are trying as hard as we can. We are working with a major national partner, Cox Communications. And, like I say, we were very surprised when we got the letter from

the first round saying that we didn't demonstrate that we were rural. We don't know how else to demonstrate it.

Mr. CONAWAY. Was it because of the fixed distance between major communities?

Mr. Ed MILLER. I am assuming so. We weren't told that specifically. I am assuming so. When I asked someone in the state office that was very high up in the state office, "What does this mean," I was basically told to attend a meeting of the higher-up folks at USDA that was going to be in Blacksburg, Virginia, and they unfortunately had to cancel that meeting because of the weather. So I have really never been able to get the letter in front of anybody at a very high level to explain that to me. I don't know.

Mr. CONAWAY. But you are in the second round.

Mr. Ed MILLER. Yes, sir. We submitted for the second round.

Mr. CONAWAY. And you will know here soon if you qualified under that?

Mr. Ed MILLER. I am hoping so, yes.

Mr. CONAWAY. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Kissell.

Mr. KISSELL. Mr. Bahnson, you indicated in your talking points that with certain changes in procedures and policy, that in rural areas we would see high-speed Internet that is very slow in rural areas *versus* really high speed in more urban areas. Can you elaborate on that a little bit? Are there specific policies there you would like to identify that we really need to be careful of?

Mr. BAHNSON. I think you are talking about the broadband plan that has been put forward by the FCC. They identify 4 megabytes per second as what they want to provide throughout the country. Then they go on to talk about providing 100 megabytes to 100 million households, and the households they are talking about are in urban areas. So you are starting to set up a digital divide between rural and non-rural areas in the country.

So I mean, the difference between 4 megabytes and 100 megabytes is huge. They are telling us by 2015 people are going to want 100 megabytes in their home as far as how much broadband they want. The applications that are coming in today are going to require that.

So in rural areas if you can only get 4 megabytes, if that is the threshold that is set, you are going to be at a severe disadvantage if you are in a rural area *versus* a suburban or urban area.

Mr. KISSELL. Not having a whole lot of knowledge about the services provided, what would have to be done in the rural areas to make sure that doesn't happen, so that we can have equal access throughout the nation, which is my understanding of what we wanted to do to begin with?

Mr. BAHNSON. I think it is very simple. You just don't create that definition in that plan. You don't say that 4 megabytes is enough. You treat the whole country the same. Just because you are in a rural area—going back to the fifties, when they said everybody ought to be able to have a telephone, so they put together ways to make that happen. I think what we are saying is, "You know what? Everybody ought to have broadband and everybody ought to be able to have the same affordable broadband."

But in this particular document, there is a very clear definition of what is acceptable in rural areas and what is acceptable in suburban areas.

Mr. KISSELL. Thank you, sir.

Thank you, Mr. Chairman.

The CHAIRMAN. Anything else, Mr. Cassidy?

Mr. CASSIDY. Following up on that, I don't understand this, so I am asking this not to challenge but for elucidation. It is my understanding that if you are at prime time in the urban area and you have, however many people accessing it, that really that increased capacity is more because there is an increased population. And if everybody accesses simultaneously, it slows down. It is a pipeline, if you will. And presumably in the rural, almost by definition, in fact by definition, there are fewer people so therefore per capita access would be about constant. Is that an incorrect understanding?

Mr. BAHNSON. I think it depends on the backbone that is serving that particular area. If what you are saying is true in an urban area, it is only because the provider there doesn't have enough backbone to haul back to the Internet.

I can tell you that 4 megabits in a school, or 4 megabits in a library, or 4 megabits in a business is not enough to conduct the kind of quality experience you want on the Internet.

Mr. CASSIDY. Okay. Mr. Eddie Miller, again, this is something I don't know, so I'm asking hoping you do.

I thought in the stimulus package funding there were certain provisions that if you accepted money for energy projects that you are required to have a certain energy efficiency inherent in the housing stock. Now that is about the level of my understanding. Because I am struck by that. That comes to mind, that little tidbit tucked way back there, because you mentioned how the energy requirements have been stripped from the issues you spoke of. Can you connect those to me?

Mr. Ralph MILLER. The 502 guaranteed Housing Program is an ongoing program that has been with USDA for a number of years. There used to be a requirement that they have certain insulation and so forth in the houses if USDA was going to finance it. Approximately 2 or 3 years ago, because of pressures from realtors and so forth, they did away with that requirement. So that means that a home that is 30 years old that doesn't have insulation can be financed with a Federal Government loan. Which means that 115 percent of median income is the maximum income for the applicant. So they will move into that home and have high energy bills.

Mr. CASSIDY. Presumably, though, a lower mortgage as well, correct?

Mr. Ralph MILLER. Lower mortgage maybe. There is not a maximum on the mortgage itself. It is the maximum on what they can pay for based on their income and their ratios.

Mr. CASSIDY. But that is connected into the mortgage amount.

Mr. Ralph MILLER. Right. In other words, their income ability to pay determines how much mortgage they can carry.

Mr. CASSIDY. So if the home is cheaper because someone does not have to retrofit it, then in a sense there might be a balance, right?

You have a little bit higher utility, but you have a lower mortgage, so the aggregate between the two is a constant.

Mr. Ralph MILLER. Well, if they get a 100 percent loan and they don't have much money in the bank and they get a $500 or $600 electric bill, it gets out of balance pretty quick.

Mr. CASSIDY. Thank you. I yield back.

The CHAIRMAN. Thank you very much.

I would like to thank all the panelists and the audience who has been with us and the staff for their good work. Thank you all for your attendance today at this important hearing.

Under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material and supplementary written responses as indicated previously from any witness to any question posed by a Member. Members likewise have the same amount of time to submit any additional comments.

The hearing of this Subcommittee is about to conclude, but let me remind each of the panelists that you did make a commitment to make known your concerns to the Under Secretary of Rural Development. Please copy us so that we will see for the record that you did do that within the next 10 days.

And, again, I remind the Committee staff to please prepare the request I made earlier for my signature as well to go to the Under Secretary.

With that, travel safely. God speed. May God bless all of you.

This hearing of the Subcommittee on Rural Development, Biotechnology, Specialty Crops, and Foreign Agriculture is now adjourned.

[Whereupon, at 12:08 p.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUBMITTED LETTER BY HON. MIKE MCINTYRE, A REPRESENTATIVE IN CONGRESS FROM NORTH CAROLINA

October 7, 2010

Hon. DALLAS P. TONSAGER,
Under Secretary for Rural Development,
U.S. Department of Agriculture,
Washington, D.C.

Dear Under Secretary Tonsager:

On July 20, 2010 the Subcommittee on Rural Development, Biotechnology, Specialty Crops, and Foreign Agriculture convened a hearing on rural development programs in advance of the 2012 Farm Bill. You appeared before the Subcommittee on the first witness panel to discuss the administration of rural development programs. The second witness panel was comprised of rural development stakeholders who discussed the current farm bill and provided suggestions for reauthorization of that legislation.

During the second witness panel, I encouraged those witnesses to communicate their suggestions on farm bill reauthorization as it relates to rural development directly to you and stated my intention to send a transcript of the second witness panel to you, as well, upon completion.

In the meantime, I have included copies of each witness's opening statement for the July 20 hearing* and encourage you to consider their views on the application process and agency response for various rural development programs. I am ready to work with you during the upcoming farm bill to ensure that the concerns of these and other rural stakeholders are addressed.

Thank you for your consideration. I look forward to working with you on these issues in the future.

Sincerely,

Hon. MIKE MCINTYRE,
Chairman.

SUBMITTED LETTER BY HON. GLENN THOMPSON, A REPRESENTATIVE IN CONGRESS FROM PENNSYLVANIA

November 17, 2009

Hon. LAWRENCE E. STRICKLING,
Assistant Secretary for Communications and Information,
National Telecommunications and Information Administration (NTIA),
U.S. Department of Commerce,
Washington, D.C.;

Hon. JONATHAN ADELSTEIN,
Administrator,
Rural Utilities Service (RUS),
U.S. Department of Agriculture,
Washington, D.C.

Dear Assistant Secretary Strickling and Administrator Adelstein:

The Small Business Committee appreciated the testimony provided during the October 28, 2009 hearing on *"The Recovery Act and Broadband: Evaluation of Broadband Investments on Small Businesses and Job Creation."* Your remarks offered critical insight into the importance of broadband for small businesses. The testimony also allowed the Committee to more clearly understand the role of broadband in stimulating the economy and creating jobs.

The strong applicant interest in both the Broadband Initiatives Program (BIP) and the Broadband Technology Opportunities Program (BTOP) suggests that these American Recovery and Reinvestment Act programs offer significant opportunities for expanding broadband throughout the country. However, despite the interest expressed in these programs, many concerns have been raised by small businesses with respect to their implementation. As NTIA and RUS complete the first round

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**Note:* dues to printing constraints the witness's statements will not be reprinted here as an attachment.

of funding and seek comment on the second round rules, we ask that the following recommendations be considered.

Advancing the Recovery Act Objectives and Goals

To ensure that new infrastructure projects reach communities with the greatest need, prioritization should be given to areas without access to broadband. It is the Committee's recommendation that funds should be targeted to areas which are first "unserved" and only then to "underserved" areas, if funding remains.

Second, the Committee urges improvements to the website used to display applications and receive comments from the public, including existing service providers. It is our understanding that the procedures for using this website are confusing and time/resource consuming, particularly for small businesses. Without such changes, the Committee is concerned that awards will be issued with an inaccurate or incomplete picture of existing service.

Additionally, as was raised during the Committee's hearing, Members are concerned by the process that existing service providers must undergo to demonstrate where broadband service is already provided. A formal process should be implemented to reconcile conflicting data received from an applicant and from existing service providers. This will ensure fairness and accuracy for all parties involved.

Challenges Associated with Program Requirements

The nature of the BTOP/BIP application process has created many barriers to small business participation. Among the greatest challenges include the following: the complex application process, a 10 year limitation on the sale of award funded facilities, a matching contribution requirement, and a first lien rule. Before a second round Notice of Funds Availability or NOFA is issued, the Committee suggests that revisions be made to maximize participation among small firms.

It is the Committee's recommendation that NTIA and RUS should examine the challenges associated with the current application process. The significant paperwork and data collection requirements have made the application process very expensive for many small firms. As James Gleason, President and CEO of NewWave Communications testified, the up-front costs included $50,000 to support the data requested in the application and $30,000 to defend his company's existing service territory. These investments come without any guarantee of receiving a grant or loan award.

In addition, the 10 year limitation on the sale or lease of award funded facilities creates a significant barrier for small firms. To ensure that firms can continue to grow and innovate, the Committee believes this provision should be modified. Applicants should also have greater flexibility to use revenue generated through a BTOP/BIP award. The rules currently limit an award recipient from using subscriber revenues to cover expenses such as technician installation costs, marketing costs, advertising costs, and other expenses associated with running a business during the initial 3 years. This serves as a disincentive for many small firms to apply. We hope the agencies will modify this provision to, at the very least, clarify that program income refers to profits and not gross income.

A high matching contribution requirement also seems to serve as a barrier for participation among small firms. Applicants to BTOP are required to provide a matching contribution of at least 20 percent towards the total project cost. The Committee urges NTIA to consider a formal waiver process for small firms, so that the matching requirements could be lowered or eliminated.

Furthermore, the requirement that RUS hold an exclusive first lien on applicant's assets may present a conflict for some firms. The Committee recommends revising this requirement to ensure that an applicant can participate without violating the terms of already existing loan agreements. During the first round of funding, this requirement prevented many companies from participating.

Definition of a Remote Area

The high cost associated with providing service in the most remote parts of the United States is a significant roadblock to many small telecommunications firms. Such costs may be difficult for these companies to justify given the limited return. To address this concern, Congress appropriated funding to support the expansion of telecommunications service into rural America. Under the first round of funding, "remote" is defined as "an unserved, rural area 50 miles from the limits of a non-rural area." Any rural area not meeting the definition of "remote" is eligible for at best, a 50 percent grant and 50 percent loan combination.

As written, the definition of "remote" and the BIP loan-grant cost structure limits the amount of grant funding available to rural providers. The Committee recommends that the rules established in a subsequent round of funding modify or remove the definition of "remote."

The Committee appreciates the willingness of both agencies to address the concerns of small businesses. As NTIA and RUS move forward with the process, we ask that these recommendations be considered as a way to strengthen the program and support the needs of small businesses. Furthermore, the Committee requests that your agencies provide updated statistics on small business participation and once available, data on how much funding is awarded to small businesses.

Sincerely,

Hon. NYDIA M. VELÁZQUEZ (D–NY),
Chairwoman,
House Committee on Small Business;

Hon. SAM GRAVES (R–MO),
Ranking Minority Member,
House Committee on Small Business;

Hon. DENNIS MOORE (D–KS),
Member of Congress;

Hon. ROSCOE G. BARTLETT (R–MD),
Member of Congress;

Hon. HEATH SHULER (D–NC),
Member of Congress;

Hon. W. TODD AKIN (R–MO),
Member of Congress;

Hon. KATHLEEN A. DAHLKEMPER (D–PA),
Member of Congress;

Hon. STEVE KING (R–IA),
Member of Congress;

Hon. ANN KIRKPATRICK (D–AZ),
Member of Congress;

Hon. MARY FALLIN (R–OK),
Member of Congress;

Hon. BOBBY BRIGHT (D–AL),
Member of Congress;

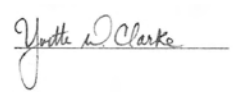
Hon. BLAINE LUETKEMEYER (R–MO),
Member of Congress;

Hon. DEBORAH L. HALVORSON (D–IL),
Member of Congress;

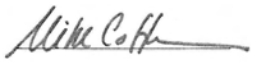
Hon. AARON SCHOCK (R–IL),
Member of Congress;

Hon. KURT SCHRADER (D–OR),
Member of Congress;

Hon. GLENN THOMPSON (R–PA),
Member of Congress;



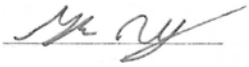
Hon. YVETTE D. CLARKE (D–NY),
Member of Congress;



Hon. MIKE COFFMAN (R–CO),
Member of Congress;

Hon. JOE SESTAK (D–PA),
Member of Congress;

Hon. JASON ALTMIRE (D–PA),
Member of Congress;



Hon. GLENN C. NYE (D–VA),
Member of Congress.

SUBMITTED LETTER BY HON. JONATHAN ADELSTEIN, ADMINISTRATOR, RURAL UTILITIES SERVICE, USDA

January 8, 2010

Hon. NYDIA M. VELÁZQUEZ (D–NY),
Chairwoman,
House Committee on Small Business,
Washington, D.C.

Dear Chairwoman Velázquez:

Thank you for your letter of November 17, 2009, cosigned by your colleagues, to the Rural Utilities Service (RUS) and the National Telecommunications and Information Administration (NTIA) regarding the Broadband Infrastructure Program (BIP) and the Broadband Opportunities Program (BTOP).

On December 17, 2009, the Department of Agriculture's Rural Utilities Service (RUS) issued a portion of its first round of funding awards under the Broadband Infrastructure Program (BIP). Roughly $2 billion will be made available on a rolling basis over the next 75 days to bring high-speed Internet to rural communities that currently have little or no access to advanced services.

Along with NTIA, the RUS issued a Request for Information (RFI) on November 16, 2009, seeking public comment on the first NOFA. Comments received came from a wide cross section of industry, public interest, government, investment and not for profit entities expressing a wide variety of concerns and suggestions for how to construct the second NOFA.

Many of the issues which you raised in your correspondence on November 17 were shared by other commenter's regarding the need to enhance eligibility among small businesses seeking funding. We have taken these concerns into account and they will be addressed in our second NOFA, which will likely be published by the end of January.

We also take note of your concern regarding the need to prioritize those areas currently lacking in broadband service. Proposed broadband projects for unserved areas generally face obstacles in ensuring both financial viability and sustainability. While we work to award funds to unserved areas, we also work to ensure wise and prudent use of taxpayer dollars. We are looking at several funding methods to better address these challenges and welcome any future discussion on this objective.

We also recognize your concerns regarding the eligibility requirements contained in the first NOFA and the potential challenges they may pose on small businesses. The RUS will streamline these requirements to encourage small business participation.

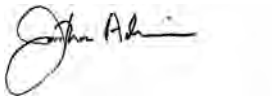
Furthermore, we acknowledge your concerns regarding the limited definition of "remote" in the first NOFA. The primary objective in establishing the parameters of this definition was to maximize funding opportunities for the most rural unserved. However, we will be altering this definition in the second NOFA to reflect the concerns expressed by Congress and the public to ensure that remote popu-

lations of less than 50 miles from an urbanized area are also eligible for 100 percent grant funding.

Again, thank you very much for your comments and your interest in the RUS broadband initiatives program. We look forward to working with you as we continue to invest in rural communities.

A copy of this letter will be sent to your colleagues.

Sincerely,



Hon. JONATHAN ADELSTEIN,
Administrator,
Rural Utilities Service.

SUPPLEMETARY INFORMATION SUBMITTED BY MARK BAHNSON, GENERAL MANAGER, BLOOMINGDALE COMMUNICATIONS, BLOOMINGDALE, MI; ON BEHALF OF NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION

March 9, 2007

Hon. MIKE JOHANNS,
Secretary,
U.S. Department of Agriculture,
Washington, D.C.

Dear Secretary Johanns:

I write today with deep concerns about the Rural Utilities Service Broadband Access Loan and Loan Guarantee Program and the recent awarding of a loan to CTURN Corporation. Knowing of the substantial efforts put forth by NTCA members to deploy broadband throughout Oregon, I fail to see a legitimate public interest in awarding a loan to serve the communities of Philomath, Newport, Canby, Stayton and Sublimity. At a time when the program is under increased scrutiny in the Federal courts and Congress, this loan leads our members to question whether NTCA should continue its support of the program in the future despite almost half of the loans awarded going to NTCA members or subsidiaries.

From its inception as a pilot program initiated by President Clinton, to the legislative effort by Rep. Lamar Smith (R-Texas) to formalize it, to its ultimate authorization through an amendment to the farm bill by Rep. Jerry Moran (R-Kan.), NTCA has been one of the foremost advocates of the broadband program. During debate of the farm bill, NTCA worked as part of a small coalition to ensure this provision stayed in the bill in spite of the jurisdictional objections of Rep. William J. "Billy" Tauzin, then Chairman of the House Commerce Committee. Soon after publication of the program's operational regulations, NTCA and the Rural Utilities Service (RUS) staff hosted a webcast to illustrate how the program would be advantageous to our membership.

Likewise, NTCA has been an honest broker in trying to tighten the program's regulations where they were deficient. Upon publication of the regulations, we believed they were flawed such that unless an NTCA member responded to a competitive loan application with its own accurate broadband numbers, the numbers filed by a potential competitor would be considered accurate. While the respective RUS field representative is supposed to verify such numbers, NTCA believes it is in our members' best interest not to wait until a loan is filed against them, but for RUS to have broadband information already on file. As such, NTCA sent a memo to our members asking them to send all broadband deployment information to RUS on a preemptive basis. According to NTCA members that followed-up on information submitted, the then-director of the broadband program stated unless the company already had been filed against, its information would be discarded. While this person is no longer leading the broadband program, NTCA cannot help but wonder how much information was discarded that would have aided in RUS' effective management of the program.

While field representatives are responsible for verifying such information, NTCA members that have been awarded loans or that have had loans filed against them, state this has rarely—if ever—occurred. In the case of the CTURN loan, neither Canby Telecom, Pioneer Telephone Cooperative, nor Stayton Cooperative Telephone Company were ever contacted by a field representative or U.S. Department of Agri-

culture (USDA) employee. This alone raises serious questions regarding the decision made by staff comprising RUS' loan review committee.

Our main concern with the CTURN loan is the treatment of NTCA members' information submitted to RUS through the legal response notice. Submitted via e-mail and fax, the information provided by Canby Telephone stated more than 99% of the community of Canby had broadband available through Canby Telephone. Similar broadband numbers also were submitted by Stayton Telephone in the communities of Stayton and Sublimity. Like Stayton and Canby, Pioneer also has the ability to provide broadband to more than 99% of each of the communities it serves.

I, along with other rural telecommunications leaders, testified on June 27, 2002, in a public hearing at USDA on the need for addressing the limitations of the RUS Infrastructure Program and how the new broadband program could assist NTCA members as they continue to provide advanced telecommunications services to the most remote areas of the country. I doubt that anyone in the public hearing could have foreseen RUS providing loans to serve communities where broadband already was available at reasonable prices to virtually 100% of the community through an incumbent local exchange carrier.

NTCA is aware of the proposed change in regulations currently under review at the Office of Management and Budget, and that the program certainly would be subject to amendment when Congress begins discussion of a new farm bill. To this end, NTCA suggests that the notification process undergo significant changes. First and foremost, at a minimum, the general field representative (GFR) must meet with the manager of any communications provider impacted by a proposed loan application or the recipient of a competitive loan application. Once the GFR visits each entity, the GFR must submit a report to the Administrator and RUS senior staff stating the current level of broadband availability, speeds and pricing information for each of the impacted entities. RUS senior staff should be required to contact all entity managers to verify the GFR's report. While the program is supposed to be operating in a similar practice, the CTURN loan indicates otherwise.

While the program's legal notice is the accepted government practice, the CTURN loan and others have shown the notification process to be less than ideal. According to one NTCA member, a notice to serve his community in southern Iowa never appeared in the hometown paper, but rather a paper in Nebraska. Only when contacted by a representative of an RBOC that also was impacted by the competitive loan, was our member aware of the competitive application. Referring again to the CTURN loan, our members in Oregon were not aware of any notice in their local newspapers. To obtain information on the competitive loan, members from Oregon contacted several US senior staff, as well as their Member of Congress regarding public notices issued by CTURN. Rather than answer questions, RUS staff treated every minimal inquiry as a request covered under the Freedom of Information Act.

To end such past problems, NTCA suggests that any communications provider impacted by a proposed loan application or the recipient of a competitive loan application be notified through formal certified mail, as well as e-mail. In these communications, the competitor must include the current level of broadband deployment in the community as well as current speed and pricing information that will be included in its loan application. As this information is currently required in the application through Schedule E, this should not be a difficult task. It also should end the current practice which requires NTCA members to file a FOIA request to obtain such information.

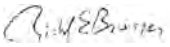
Once every entity has been contacted, receipts or copies of receipts from certified mail should be kept on file at RUS and available for public or electronic viewing upon request. NTCA believes this will put more responsibility on a competitor to provide accurate information, as opposed to the current system requiring NTCA members to respond to an application with faulty or inaccurate information.

On behalf of NTCA's members in Oregon, I ask you to review the CTURN loan application and the information submitted to RUS by CTURN, and compare it to the information submitted by Canby Telephone Association, Stayton Cooperative Telephone Company and Pioneer Telephone Cooperative. Should the information submitted by CTURN state the communities of Philomath, Canby, Stayton and Sublimity had broadband availability to less than 99% of their served communities, then the loan was made on inaccurate and faulty information. I further ask you to provide an explanation as to how the approval of this broadband loan is in accordance with 7 CFR § 1738.11(a) and (b)(1), (2), and (3) in each of the communities of Philomath, Newport, Canby, Stayton and Sublimity.

I hope that our suggested changes will be incorporated into the regulations currently under revision. As Congress begins debate on reauthorization of the 2007 farm bill and the broadband program, NTCA looks forward to working with USDA and RUS to identify any additional issues of concern in the RUS Telecommuni-

cations and Broadband Programs. As always, we look forward to working with USDA in our commitment to providing advanced telecommunications services to rural America.

Sincerely,



MICHAEL E. BRUNNER,
Chief Executive Officer,
National Telecommunications Cooperative Association.

SUBMITTED QUESTIONS

Questions Submitted by Hon. Collin C. Peterson, a Representative in Congress from Minnesota

Response from Hon. Dallas P. Tonsager, Under Secretary for Rural Development, U.S. Department of Agriculture

Question 1. **Definitions of Rural:** When do you expect the report on the various definitions of rural to be submitted to Congress?

Answer. It is our expectation that the report will be provided to Congress in the late Summer to early Fall. The report is currently under development, and will incorporate the outcomes of "rural area" considerations in rulemaking for other farm bill provisions.

Question 2. **Outdoor Recreation:** In the Strategic Plan referenced in the Under Secretary's testimony, there is an outdoor recreation element whereby the Secretary seeks to promote hunting, fishing and other outdoor activities. Does the Secretary intend for Rural Development to play a role in fulfilling these goals? If so, have specific Rural Development program(s) been identified that would play a part in this element of the Strategic Plan?

Answer. Secretary Vilsack expects all agencies within USDA to support the President's America's Great Outdoors initiative to build a 21st century conservation agenda while creating economic opportunities. While the Rural Development Mission Area doesn't offer a solely tourism-focused program, there are several programs within RD that can be used to enhance outdoor tourism and recreation facilities in rural areas. The Business & Industry Loan Guarantee Program (B&I), the Intermediary Relending Program (IRP), and the Rural Micro-entrepreneurship Assistance Program (RMAP) could potentially offer opportunities to finance outdoor tourism businesses. Which is the most appropriate becomes a matter of scale and capacity of the business owner. A small entrepreneur wanting to start a trail-riding, river-guiding, or outfitting business might turn to an intermediary offering financing under RMAP or IRP. A more established venue seeking expansion funding, such as a marina operator at a rural lake or the owner of a hotel or hunting lodge might ask his or her lender to seek out the B&I program.

Rural Development also has financed state and county fairgrounds in some 20 states through the Community Facilities program, available to municipalities, tribes, and nonprofit organizations. For many rural counties, the fair is the largest tourism event of the year, offering millions of visitors who no longer have a first-hand understanding of agriculture—particularly children—a chance to get close to farm animals and learn about where their food comes from.

Question 3. **Recovery Act and Broadband Awards:** How many of the first round Broadband Incentives Program awards under the American Reinvestment and Recovery Act were made to entities who were already participating in the Rural Utilities Service broadband loan and grant programs, or who had participated in the past?

Answer. Under our first Notice of Funding Availability (NOFA), the Rural Utilities Service (RUS) made 68 awards totaling $1.067 billion. The American Reinvestment and Recovery Act (ARRA) provided four statutory priorities for the RUS Broadband Initiatives Program (BIP); one of which was priority for current or former RUS Title II borrowers. Of the 68 awards, 40 were to current or former Title II borrowers. In many cases, these existing Telecommunication Cooperatives had build-out plans developed for the future. The grant portion of the BIP program provided them the opportunity to expedite broadband deployment to these underserved rural communities which would not be financially feasible with RUS or private sector loan financing.

Question 4. **National Broadband Plan:** To what extent were the Rural Utilities Service and Rural Development consulted by the Federal Communications Commis-

sion regarding the National Broadband Plan? Did Rural Development register any objections regarding the urban/rural desired speed difference of 100 megabits per second *versus* 4 megabits per second? Is the Department concerned this difference may exacerbate, rather than close, bigger digital divide?

Answer. The Federal Communications Commission is an independent Federal Agency. As such, neither RUS nor Rural Development consulted with the FCC in its development of the National Broadband Plan. Since its release, FCC and RUS have been in close communications regarding the potential impacts of the Plan for rural America. USDA continues to support the need for high-speed broadband in rural America at equal levels to those in urban areas.

Question 5. **B&I Loan Guarantees:** What is the average response time from USDA on a request for a loan guarantee in the Business & Industry loan guarantee program?

Answer. The average response time for a B&I loan is 30–60 days. We recently had a customer survey completed by an independent source, which indicated an excellent rating of 81/100 percent.

Question 6. **Economic Conditions:** Has Rural Development seen an increase in late payments or delinquencies on loans across its programs in the past year? If so, what programs are seeing the largest increase in delinquencies?

Answer. We are seeing increases in delinquencies of greater than one year in the single family housing programs; beginning in the fourth quarter of 2008 at approximately $700 million to just under $1.8 billion in the third quarter of 2010. Delinquencies in the business programs began increasing in the third quarter of 2009 and are currently under $400 million; increasing from slightly over $200 million. We are not seeing increases in the utility programs.

Questions Submitted by Hon. K. Michael Conaway, a Representative in Congress from Texas

Question 1. Mr. Tonsager, the stimulus bill (P.L. 111–5) places no obligation on agencies to specifically post signs and billboards touting where projects are located. Rather these requirements are agency driven, and even specify the size of a logo which recipients must include on a sign. Last year your Administrator of the Rural Utilities Service (RUS), Mr. Adelstein, was unable to provide any guidance as to how much taxpayer money would be spent on signs. Deputy Under Secretary Cook responded to similar questions by stating: "***USDA, under its existing farm bill program and now the Recovery Act program, must approve any and all proposed expenditures proposed by the applicant.***" Could you please tell this Subcommittee how much funding USDA has approved for signs under the stimulus bill? What is the maximum amount per project, and what is the grand total USDA will be approving for signs with the 'Recovery Act' logo?

Answer. It is customary that project signs identifying the Owner, Contractor, Engineer, and Funding Agencies be displayed during project construction on many federally funded projects. In Rural Development, we require project signs be displayed on our construction project. This requirement is not unique to Recovery Act projects. Construction signs are considered an eligible project cost under our regulations. Specific cost data related to signage is not tracked in our automated systems.

Question 2. Mr. Tonsager, USDA's online reports show that only 2.9% of funds have actually been disbursed for USDA's community facilities, business programs, and infrastructure projects under the stimulus. When do you anticipate all funds made available to rural development programs under P.L. 111–5 will be disbursed (outlayed)?

Answer. $310.9 million of the $4.36 billion in budget authority provided to Rural Development under the Recovery Act has been outlayed as of July 30, 2010. Rural Development programs outlay funds at different rates depending on the program. Funds obligated through the Single Family Housing Guaranteed Loan Program typically outlay in 2 to 3 months after the date of obligation. Timelines for major construction projects tend to be longer. Budget authority associated with guaranteed programs other than Single Family Housing typically outlays in 2 to 3 years. Direct programs that involve major capital expenditures will all be outlayed no later than September 30, 2015, pursuant to Recovery Act. Many of our construction projects use interim financing to begin construction activities, which typically take between 3 and 5 years. Outlays of funds from the Rural Development do not occur until the project is substantially complete. We are actively working to ensure that all projects move to construction and are completed in a timely manner.

Question 3. Mr. Tonsager, Secretary Vilsack recently testified that USDA has obligated $17.2 billion, and spent $14.1 billion of the $28 billion given to USDA through the stimulus bill (P.L. 111–5). However, only 3% of USDA stimulus funds spent

have gone to infrastructure and other non-nutrition programs. Could you provide this Committee with a list of each infrastructure project that has broken ground, and which includes the amount of funding which has been outlayed to each of those projects through USDA?

Answer. The requested list is attached, see p. 80.

Question 4. Mr. Tonsager, how much do you anticipate any single organization might spend on audits required by RUS under the stimulus bill's broadband program?

Answer. Audits are required to ensure that loan or grant funds, whether obligated through the Recovery Act or through regular appropriations are spent properly. Under our Broadband Initiatives Program (BIP), RUS will be funding applications from less that $1 million to over $100 million. As such, it is difficult to determine an average that an organization may spend on audits. We believe that the costs of audits required by Recovery Act awardees will generally be comparable to that of non-Recovery Act RUS loans and grants.

Question 5. Mr. Tonsager, many of our constituents have complained about the lack of transparency in how the stimulus bill is being administrated. In fact, your own testimony which cites data corresponding to the latest financial report on July 9, 2010 does not match what is publicly available. Could you please explain why, near the end of its authorization, reports on the stimulus bill still provide such conflicting information?

Answer. Rural Development continues to work hard to ensure transparency in our Recovery Act implementation activities. In my testimony I provided the latest information on Rural Development projects that have been cleared for obligation. Of the projects cleared, not all have been announced or obligated, but will be soon. We produce weekly reports on our obligations and outlays to date that are posted on the *Recovery.gov* website. In addition, press releases for these cleared projects are forthcoming and will provide the public additional information regarding approved projects. However, until all cleared projects are obligated, there will be a difference between what is cleared and what is obligated and outlayed.

Question 6. Mr. Tonsager, earlier this year Secretary Vilsack made it clear that USDA has no intention of implementing the rural broadband program included in the Farm Bill until USDA's Rural Development agency has finished implementing the stimulus bill. When do you intend to fulfill your obligation to implement the Farm Bill? Can you please explain to the Subcommittee why USDA has failed to implement the broadband loan program, even when Congress provided adequate resources to fulfill these obligations?

Answer. USDA is fully committed to implementing the rural broadband program loan included in the Farm Bill. The ability to receive a substantial grant under the stimulus program refocused the attention of broadband applicants almost exclusively to the stimulus program. In addition, RUS has learned invaluable lessons in loan and grant origination through our two Notices of Funding Availability and from our colleagues at the Commerce Department. As such, we are re-drafting our Farm Bill regulations to take advantage of the successes learned through BIP and plan to publish the Farm Bill regulations as an interim rule, with a request for comments before the end of the year.

Question 7. Mr. Tonsager, through your testimony and through other updates given to this Subcommittee, USDA has indicated that once the farm bill broadband loan program is implemented, priority will be given to applications received under the stimulus bill. Does this mean you intend to replicate the costly and burdensome rules you promulgated under the stimulus and apply them to the broadband loan program included in the 2008 Farm Bill?

Answer. Through our Recovery Act broadband programs, RUS will award approximately $3.6 billion awards, by leveraging its budget aurhority of $2.5 billion with a loan component. This was accomplished in less than seventeen months. RUS has learned a tremendous amount about how to process loans and grants in a more expedient manner and RUS plans to implement some of these features into our regular loan and grants programs.

RUS believes the application process to implement the Recovery Act programs was important to ensure that these invaluable taxpayer resources were used prudently and judiciously to bring the economic and social benefits of broadband to rural America. It should be noted that the Recovery Act programs were implemented under a competitive process during which RUS staff could not assist individual applicants with the application process. Our Farm Bill broadband program is not a competitive process, and therefore, RUS can provide one-on-one customer service to applicants therefore minimizing up-front application costs.

Question 8. Mr. Tonsager, USDA's Rural Development Agency is pursuing the Healthy Foods Financing Initiative to provide incentives to build grocery stores in rural communities. Could you update this Subcommittee on exactly how USDA intends to spend scarce rural development funds, when specific program guidelines might be available for public comment, and what your timeline will be for implementing this initiative?

Answer. USDA's proposed 2011 budget includes a funding level of $50 million that will support more than $150 million in public and private investments in the form of loans, grants, promotion, and other programs designed to create healthy food options in food deserts across the country. Of that:

- If provided, $35 million in FY 2011 discretionary funding would remain available until September 30, 2012, for financial and technical assistance; and
- $15 million in existing funds shall be made available for technical or financial assistance and shall come from a set aside of up to 10 percent of the funds made available through selected RD and AMS programs. These program funds will be administered under existing program regulations and requirements but will target strategies aimed at enhancing food access in low income areas, or food deserts.

The USDA programs outlined in the President's FY 2011 budget, which are central to the HFFI, can and do provide low interest loans and grants to support healthy food access initiatives.

The Rural Development Mission Area offers several financing programs that can be brought to bear on the question of availability of food, depending on the applicant (for-profit, nonprofit or municipality or tribe), and the purpose of the funding. Within the Business & Industry Loan Guarantee Program of RBS, there is a statutory set-aside of 5% of Budget Authority for financing local and regional food systems. Within that, priority is given to projects that benefit urban, rural, or tribal underserved communities. RBS also operates the Intermediary Relending Program, which provides 30 year financing at 1% interest to qualified intermediaries, who relend those funds at their own rates and terms. RBS' Rural Business Enterprise Grant program has been used to assist in financing several food-related projects, including renovations to a grocery store. RBS programs are limited to rural areas, defined as anywhere except cities, towns, and unincorporated areas of greater than 50,000 population and adjacent urbanized areas.

The statutory limit on the loans to intermediaries under the Intermediary Relending Program is $2 million, regardless of the number of ultimate recipients served, and the statutory limit on loans to rural microentrepreneurs under the new Rural Microentrepreneur Assistance Program (RMAP) is $50,000 (RMAP is a 2008 farm bill program that will roll out for the first time this year). RMAP also is limited to businesses with fewer than ten employees. While these limits may be adequate to serving projects in rural areas, they would preclude reaching out to urban areas that can best be served by larger projects, such as the recently constructed grocery store that is now serving the Anacostia area of Washington, D.C.

The RHS Community Facilities programs are available in cities, towns, and unincorporated areas of 20,000 or less population. The suite of financing options includes direct loans, grants to leverage loans, and loan guarantees.

The Marketing Services Division of AMS administers the *Farmers Market Promotion Program* (FMPP). The grants, authorized by the FMPP, are targeted to help improve and expand domestic farmers markets, roadside stands, community-supported agriculture programs, agri-tourism activities, and other direct producer-to-consumer market opportunities.

Approximately $5 million is allocated for FMPP for Fiscal Years 2009 and 2010 and $10 million for Fiscal Years 2011 and 2012. Entities eligible can reside in both urban or rural areas and include agricultural cooperatives, producer networks, producer associations, local governments, nonprofit corporations, public benefit corporations, economic development corporations, regional farmers market authorities and Tribal governments. Under the 2008 Farm Bill, FMPP is mandated to utilize 10 percent of total funding for new EBT projects at farmers markets.

Question 9. Mr. Tonsager, Section 6018 of the 2008 Farm Bill requires that USDA submit a report to this Committee, which assesses how the various definitions of 'rural' have impacted the implementation of programs. This report is now past the statutory date by which it was required. Do you intent to submit this report to the Committee before you write the rules on the broadband loan program?

Answer. The report is under development.

Question 10. Mr. Tonsager, your testimony highlights the "Regional Innovation Initiative" which would pull scarce funding from about 20 existing programs, total-

ing $280 million. Under the 2008 Farm Bill, provisions were included with distinct authorizations to provide resources for rural communities to pursue regional strategies in development initiatives with leadership provided by USDA. Could you please update this Subcommittee on the status of USDA's implementation of the Rural Collaborative Investment Program? What is unique about the Regional Innovation Initiative that sets it apart from what Congress authorized in the farm bill?

Answer. While the USDA has successfully supported different types of regional strategies in the past, our Regional Innovation Initiative provides a multi-agency approach with a clear and consistent focus. The Regional Innovation Initiative contained in the FY11 Budget proposal will focus on twenty programs that have the greatest potential to incentivize regional strategies and create a coordinating mechanism within USDA to ensure that the programs work together to support the best regional strategies. While USDA has the authority to support Regional Strategies within current program authority, we lack a formalized mechanism to support this effort throughout the Department for years to come.

USDA recently solicited applications utilizing the Rural Business Opportunity Grant, receiving over 400 applications with limited funding available. There is a clear need for a more focused approach to addressing the needs of communities. USDA is particularly interested in applications that will establish "best practice" projects in the area of regional economic and community development. The concept here is to examine a variety of governance structures (*e.g.,* industry led *versus* government led,), varying place-based assets (*e.g.,* National Forests), geographic diversity and community driven approach. There is a diversity of project type. It includes exploring rural/urban connections *versus* purely rural, exploring local/regional food infrastructure and comparing with energy infrastructure, and other variables.

USDA through its initial work recognizes the rural-urban linkages in a global economy and recognize that a greater policy focus and more attention should given to local variations which cannot be done in isolation of the wider dynamics of national and international economic activity. The USDA believes that the Regional Innovation Initiative in the proposed FY11 budget will complement USDA in implementing the Rural Business Investment Program (RBIP) so it's most effective for rural America.

Question 11. Mr. Tonsager, in April of this year USDA and the Small Business Administration (SBA) signed a Memorandum of Understanding to coordinate projects in 17 states. Could you please explain what the specific goals will be? What was the rationale for choosing those specific states? Which specific programs are similar between USDA and SBA? What are the specific roles of the agencies involved? Will these efforts require rulemaking or other formal guidance? How will you measure success?

Answer. The purpose of the Memorandum of Understanding (MOU) with SBA is to encourage and enhance access to business/entrepreneurial services by our clients in rural communities. SBA has many programs that can benefit rural areas and the goal of the MOU is to increase awareness on the part of both agency's staffs so that when a potential client is identified (by whichever agency), that client can have full access to the most appropriate program available to meet their need. None of the two agency's programs are identical, but our clients could benefit from closer coordination and understanding.

The initial 17 states are a pilot working group (initially suggested by SBA) and modified based on the experience/interest of our respective staffs in those offices. The intent is to identify best practices and expand to all offices.

The MOU's initial focus includes joint appearances before potential client groups, sharing of program information, and consideration of joint financing (if the needs of a specific client present an appropriate opportunity). The MOU provides the option for the agencies to more closely coordinate finance program activities should both agencies determine that it is mutually beneficial; however we are still in the initial phases of implementation. Success will be measured by increased awareness of our staff to the opportunities available for serving our clients, as well as increased outlets for information about our programs.

Question 12. Mr. Tonsager, USDA is pursuing a Memorandum of Understand with the Small Business Administration, as well as a Regional Innovation Initiative. Are the two regional coordination efforts connected? Can you please provide precise examples of what each involved agency is doing to fulfill both initiatives? How are they similar and what unique activities are being pursued under each initiative?

Answer. The Memorandum of Understanding (MOU) with SBA and the Regional Innovation Initiative (RII) are separate efforts. That does not mean that where commonalities and opportunities exist, we will not assemble endeavors. The MOU with SBA leverage programs in USDA that support small businesses to encourage and

enhance access to business/entrepreneurial services by our clients in rural communities. The RII implements rural development programs in a more regional approach based on locally developed, comprehensive strategic plans by identifying needs or issues, establish priorities, and determine what program linkages and sequences that need to take place to address those needs. Both initiatives use RD programs to provide service to improve everyday life in rural America and encourage economic development. We are in the initial phase of implementation of the MOU. Through RII, we are reviewing our programs and funding announcements for opportunities to emphasize regional strategies in the project proposal.

Question 13. Mr. Tonsager, you outlined in your testimony how dire the economic situation is in many parts of rural America. You also support creating regional food systems that will "keep wealth in rural communities." Can you please explain how poor communities will benefit from only focusing inward to re-circulate economic activity rather than securing new capital flows? Would it not be better for them to tap valuable national and international markets to infuse new capital into our rural communities?

Answer. USDA recognizes that national and international markets are critical to rural development—whether it's for the export of food, fiber and fuel or for tapping into online markets via broadband—and assisting farmers, rural businesses and communities with accessing these markets is an absolute priority. In addition to this, our nation's farmers and ranchers have the ability to transform natural resources into economic wealth—what was once seed, soil, water and fertilizer can become a valuable commodity. It is for this reason that local and regional food systems offer communities the markets to grow and multiply the economic benefits of agriculture internally while interacting with national and global markets.

Question 14. Mr. Tonsager, in September, USDA launched the "Know Your Farmer—Know Your Food" initiative. What is USDA hoping to achieve through this program? How will USDA measure results from this initiative?

Answer. The overall mission of the "Know Your Farmer, Know Your Food" initiative is to create thriving rural communities and generate and maintain jobs, both on and off the farm. As we know, so many jobs are connected to agriculture, like processing, distribution and small businesses, and supporting local and regional food systems is an important way to achieve rural economic development.

The initiative is also focused on connecting, or reconnecting in some cases, consumers with how their food is grown. Since so many Americans are not directly engaged in farming, there is a vital need for an education on American agriculture.

Question 15. The performance measure for "Know Your Farmer, Know Your Food" is the Local Foods Index (LFI). USDA's Economic Research Service is developing the LFI as an addendum to the Food Environment Atlas. The LFI will be a measure of access to local foods in the food environment.Mr. Tonsager, USDA has included the Community Facilities (CF) program, a program created to provide funding for "essential community facilities," in the "Know Your Food, Know Your Farmer Initiative." Given how limited the funds available for this program are, how much do you intend to spend on local food efforts from CF accounts? What are your criteria for deciding to build a farmers market rather than a fire station in poor, rural communities?

Answer. Improvements to community facilities such as school kitchens, farmers markets and food banks offer one avenue for ensuring that rural residents fulfill their basic needs, such as putting food on the table, while also enabling the development of new markets for producers in those communities. All CF applications, regardless of the type of community facility, are evaluated and scored according to existing criteria.

Question 16. Mr. Tonsager, the USDA website for the "Know Your Food, Know Your Farmer Initiative" lists many rural development programs which have nothing to do with local food initiatives. Is it the intent of USDA to use funds from all the programs listed? Will farmers who want to form a cooperative be denied assistance if their intent is to market products nationally or to export commodities? Could you please provide details on exactly which programs will be drawn into the "Know Your Food, Know Your Farmer Initiative," how much money will be set aside from each program, and what the specific, extra qualifying criteria will be for successful applicants?

Answer. Secretary Vilsack launched the Know Your Farmer, Know Your Food initiative in order to better connect consumers to producers, and convened a task force of employees to examine how USDA supports producers in accessing local and regional markets. This initiative compliments USDA's efforts in helping producers access national or international export markets, by supporting producers in accessing yet another profitable market avenue. The Know Your Farmer website serves as a

resource for these entrepreneurial producers and as an effective outreach tool for the Department. The website highlights USDA programs that, within their existing authorities, might be of use to rural constituents seeking to profit from these local and regional markets. All applications received by the Department are evaluated equally with respect to the authorities and goals of the appropriate program.

Simply put, Know Your Farmer, Know Your Food website is a communications mechanism to raise the visibility of USDA programs that connect consumers with producers, as well as the programs that can generate economic growth in rural America by growing local and regional markets. USDA recognizes that local and regional markets are just one option available to producers and are committed to supporting all farmers and cooperatives, regardless of their size, location, product, or the markets to which they choose to sell.

Question 17. Mr. Tonsager, what do you anticipate would be the effect of raising fees for the Business and Industry Loan Program? How does the cost of capital under this program compare to the cost of capital through commercial lending, on a national average?

Answer. The regulations governing the Business and Industry Guaranteed Loan Program require that two types of fees be charged: an annual renewal fee to be paid by the lender based on the unpaid balance of the loan at the end of the year (which may be passed on to the borrower) and a one-time guarantee fee to be paid by the borrower at loan closing. The current annual renewal fee is set at ¼ of 1 percent and the current guarantee fee is 2 percent. In the President's Fiscal Year (FY) 2010 Budget, the guarantee fee is scheduled to rise to 2.88%. Due to the current state of the credit market, a small increase to either the annual renewal or guarantee fee should not drastically affect the program.

With regard to cost of capital, commercial lenders and the Rural Business-Cooperative Service have two separate goals with regard to lending money that makes it impossible to compare the two. The goal of a commercial lender is to ultimately turn a profit by lending money at a rate, higher than the rate on which it obtains its funds. The government's goal is to guarantee quality loans to businesses in order to fund projects that create or preserve quality jobs and/or promote a clean rural environment with the expectation of payment in full.

Question 18. Mr. Tonsager, what is the average length of time it takes for lenders to receive a response from USDA Rural Development when submitting applications for guaranteed loans? How much does it vary across programs, and what are the key determining factors for such variations?

Answer. RD Instruction 3575–A requires that that all CF guaranteed loan applications must be approved or disapproved not later than 30 days after receipt of a complete application. If National Office approval is required, the response must come within 30 days after receipt in Washington. The key problem here is receiving a "complete application" from the lender. Once the required documentation is received, CF makes it a practice to meet the required time-frames. In the National Office, the policy is to complete the review of direct and guaranteed loans within 2 weeks.

When SFH Guaranteed Loan Program funding is available, requests for funding are frequently completed within 24–48 hours. Actual time frames vary from state to state depending on human capital resources and program volume.

The average response time for a B&I loan is 30–60 days. We recently had a customer survey completed by an independent source, which indicated an excellent rating of 81/100 percent. As it relates to time-frame differences, variations are due to problematic and technical complexity of applications.

Question 19. Mr. Tonsager, USDA held several events this year to receive feedback from lenders who participate in guaranteed loan programs. What are some of the key issues raised by participating lenders, and how is USDA addressing these concerns?

Answer. Response to key issues raised by lenders participating in the Business and Industry Guaranteed Loan Program are being addressed by the Agency in a short term and long term perspective.

The Agency has implemented some immediate administrative changes in response to lender feedback and in an effort to ensure consistent program delivery on a national basis. The agency is planning to potentially revise regulations to improve the program operations..

ATTACHMENT

Rural Development Recovery Act Projects that have Broken Ground (as of August 2, 2010)

Program Type	State	County	Project Recipient	Project Name	Date of Ground Breaking	Project Synopsis	Loan Amt	Grant Amt
CF	CT	Tolland	UNION, TOWN OF	NEW ELEMENTARY SCHOOL	12/03/08	Construction of School, All aspects	$2,300,000	$0
WEP	CT	Litchfield	NEW HARTFORD, TOWN OF	NEW HARTFORD WASTE	04/10/09	Upgrade of wastewater treatment plant will (1) contribute to environmental protection by creating capacity to collect and treat sewage from areas within public water supply aquifer and river watershed; and (2) contribute to the preservation and creation of jobs by enabling economic development in areas designated for this use.	$3,594,000	$4,026,790
CF	NC	Wayne	PIKEVILLE-PLEASANT GROVE VFD INC	NEW FIRE STATION	04/15/09	construction of new fire station	$1,050,000	$100,000
WEP	WI	Ashland	BUTTERNUT, VILLAGE OF	FY08 WATER UPGRADE	05/18/09	Construction of a new primary water supply well and water tower for the Village of Butternut, and installation of water main to improve system reliability. Currently, the Village has only one reliable well which makes it very difficult to remove the well from service for proper maintenance. The existing elevated storage tank is nearing the end of its useful life and its exterior coating is in poor condition and contains lead. The storage volume of the tank is undersized and the system's controls are outdated and antiquated, causing operational difficulties. Installation of the new system will provide a more reliable source of drinking water for residents and improve efficiency of water use. This utility will serve the 156 residences of the community.	$974,000	$458,000

WEP	ME	Piscataquis	TOWN OF DOVER-FOXCROFT	FY 2009 LAGOON UPGRADE/SEWER (ARRA)	05/29/09	Upgrades to the treatment plant. The imporvements include lagoon equipment modifications, aeration blowers and diffusers, pumps, and related piping, controls and electrical upgrades.	$300,000	$708,000
CF	NM	Cibola	ACOMA PUEBLO OF	MULTI-PURPOSE CENTER	06/01/09	The purpose for this infrastructure is to increase capacity of the Pueblo of Acoma to provide various public services to the Pueblo of Acoma community. This facility will also help promote a healthy lifestyle and exercise and also helping to re-enforce the positive behavior traits and strengthening family values through physical and social education	$12,609,600	$500,000
WEP	ME	Somerset	MADISON WATER DISTRICT	FY 2009 MAIN REPLACEMENT/TP UPGRADES (ARRA)	06/01/09	Upgrade water treatment plant and replace old dteriorated water lines	$534,000	$800,000
CF	NE	Saline	WARREN MEMORIAL HOSPITAL FOUNDATION, INC	ROOF REPAIR	06/15/09	This project will repair/replace the roof of the existing hospital and long-term care facility ensuring the long-term viability of the hospital structures. This roof will also protect the building's environment and the health of workers and patients.	$127,300	$21,700
WEP	KY	Bath	BATH COUNTY WATER DISTRICT	STORAGE TANK AND SYSTEM IMPROVEMENTS	06/30/09	Rehabof an existing water storage tank and system upgrades	$259,000	$112,000
CF	MI	Marquette	TEACHING FAMILY HOMES OF UPPER MICH	GROUP HOME #4 & SCHOOL BLDG	07/01/09	Construct new group home and new school building Loan 97-04 Grant 00-03	$1,135,000	$50,000
WEP	ME	Aroostook	LORING DEVELOPMENT AUTHORITY OF MAINE	WW COLLECTION SYSTE	07/07/09	Replacement of 15,000 linear feet of existing vitrified clay sewer pipe.	$330,000	$960,000

CF	WI	Wood	FAMILY HEALTH CENTER OF MARSHFIELD, INC.	CONSTRUCTION	07/21/09	Construction of a new dental clinic located in Medford, WI (Taylor County). Taylor County is designated as a Dental Health Professional Shortage Area, as well as the second worst county in the State of Wisconsin for access to dental services as 42.6% of the population reports not having seen a dentist in the prior year. The goal is for the dental center to meet the oral health needs of the residents of Taylor and surrounding counties. The clinic?s target population will be those covered by Medicaid and/or BadgerCare who have difficulty accessing dental care. The clinic will employ five licensed dentists, five hygienists, and support personnel.	$2,239,970	$0
WEP	KY	Taylor	CAMPBELLSVILLE, CITY OF	2009 RAW WATER INTAKE	07/21/09	Replace Raw Water intake, and include new pumps and water transmission line.	$482,000	$187,000
CF	VA	Accomack	EASTERN SHORE RURAL HEALTH SYSTEM, INC.	ONLEY MEDICAL CENTER	07/22/09	The Eastern Shore Rural Health System has demonstrated a strong history of serving the residents of the Shore. The physical constraints of the existing property cannot accommodate new add-on construction. Also, the existing building continues to need more repairs and upgrades. As the population continues to grow in size and becomes increasingly diverse in age, ethnic and sociological background, the health needs for these communities increase. Building a new facility will be the most cost effective solution to meet these needs.	$2,500,000	$50,000
WEP	NM	Lincoln	RUIDOSO DOWNS, CITY OF	WASTEWATER TREATMENT PLANT IMPROVEMENTS, JUB PHASE IB	07/27/09	Construction of Regional Waste Water Treatment Plant.	$1,000,000	$0
WEP	NM	Lincoln	RUIDOSO, VILLAGE OF	WASTEWATER TREATMEN	07/27/09	Construction of Regional Wastewater Treatment Plant.	$8,755,000	$0
WEP	ME	Somerset	BINGHAM WATER DISTRICT	FY 2009 WATER MAIN REPLACEMENT (ARRA)	07/28/09	Upgrade to water mains	$112,000	$0

WEP	VT	Caledonia	ST. JOHNSBURY, TOWN OF	AIRPORT HILL TANK	08/01/09	New Water Tank	$775,000	$2,325,000
WEP	VT	Windsor	LUDLOW, VILLAGE OF	STORAGE TANK, WATER	08/03/09	Water distribution upgrade with a new tank.	$1,974,800	$0
WEP	ND	Wells	HARVEY, CITY OF	2009 WATER MAIN REP	08/05/09	This project will replace the water main lineds in the city. Teh project will reduce the groundwater contamination preventure future health hazards.	$1,526,000	$1,430,000
WEP	ND	La Moure	KULM, CITY OF	SANITARY SEWER - PH	08/05/09	Remodel the sanitary sewer system and reduce groundwater contamination and health hazards to this rural community.	$538,000	$1,297,000
CF	NC	Carteret	CEDAR ISLAND COMM CENTER, VFD, & RESCUE,	BUILDING ADDITIONS/IMPROVE MENT	08/07/09	renovations / additions to the fire station. project includes addition of bays	$219,158	$0
CF	NY	Oswego	SANDY CREEK, TOWN OF	TOWN HALL PROJECT	08/12/09	Project complete; final payments to be issued	$779,000	$50,000
WEP	NY	Essex	KEENE, TOWN OF	ARRA 04-30 NY WW KE	08/13/09	water project - lines and tank replacement.	$100,000	$3,672,600
WEP	SD	Day	WAUBAY, CITY OF	WATER & WASTEWATER 2009	08/19/09	Sewer and water line improvements to the current system	$637,000	$281,000
CF	MS	Pike	ST. ANDREW'S MISSION, INC.	SENIOR CITIZENS CENTER	08/20/09	Renovation of Building for a Senior Citizens Center	$0	$60,000
WEP	MA	Barnstable	WELLFLEET, TOWN OF	WATER SYSTEM EXPANS	08/20/09	Construction of a water storage tank and additional water mains	$1,500,000	$4,500,000
CF	NY	Delaware	ANDES, TOWN OF	HIGHWAY GARAGE	08/25/09		$1,650,000	$50,000
CF	NM	Taos	TAOS COUNTY	ADMIN/JUDICIAL COMPLEX	08/26/09	This project will consists of a new 125,000sf administrative functions and elected officials such as County Clerk, Assessor, Treasurer and Probate Judge, and County Dentention. The proposed facility will meet the needs of the County and Court and bring security and building accessibility requirements up to codes.	$15,000,000	$0
CF	VT	Addison	HANCOCK TOWN OF	NEW FIRE STATION	08/26/09	New Fire Station	$250,000	$100,000
CF	IL	Jo Daviess	HANOVER TOWNSHIP PUBLIC LIBRARY	LIBRARY ADDITION/IMPROVE MENTS	09/01/09	Building addition to a Public Library	$0	$30,000
CF	NH	Coos	HOLIDAY CENTER INC	FY 2009 BUILDING REHAB	09/02/09	Building Rehab	$0	$25,500

WEP	VA	Grayson	GRAYSON COUNTY	GRANT COMMUNITY WAT	09/04/09	Water Project for the Grant Community	$290,000	$767,000
WEP	ND	Ward	NORTH CENTRAL RURAL WATER CONSORTIUM II	REAP ZONE PHASE II	09/08/09	Construct a rural water distribution system to deliver water to 107 rural residential users located in the CONAC REAP Zone.	$1,018,900	$0
CF	MI	Allegan	CASCO, TOWNSHIP OF	FIRE BARN - NEW CONSTRUCTION	09/09/09	Fire station new construction	$700,000	$50,000
WEP	VT	Windsor	WINDSOR, TOWN OF	WATER SYSTEM IMPROV	09/10/09	Water Distribution Upgrade	$2,197,000	$1,771,000
WEP	NY	Erie	BOSTON, TOWN OF	ARRA 0522 NY WW BOS	09/11/09	Rural Development funds will be used to install a water main and a booster pumping station in order to provide safe, clean drinking water to residents who currently rely on unhealthy wells	$3,006,000	$0
WEP	WI	Adams	FRIENDSHIP, VILLAGE OF	FY09 WATER REPLACEM	09/14/09	Replacement of existing cast iron pipe originally installed in the 1930's, and replacement of the original fire hydrants installed in 1938 to meet current fire codes. Deteriorating water pipes will be replaced increasing the size of mains to improve flow and alleviating the high level of water loss. Village streets have potholes and broken up pavement and are generally in very poor condition. Maintenance of the streets has been deferred due to the known poor condition of the underground facilities that are to be addressed in this project. This utility serves 271 residences and 72 commercial, industrial and public users. This project will be done in conjunction with the sewer system upgrade.	$1,609,000	$200,000
CF	KS	Linn	LINN COUNTY KANSAS	FIRE STATION #960	09/15/09	Construction of a replacement fire station that will allow all equipment to be housed in side. The new building will also contain a meeting room for training of fire fighters.	$0	$90,000
CF	SD	Shannon	RED CLOUD INDIAN SCHOOL, INC.	STAFF HOUSING	09/15/09	5 2 bedroom Governor's Homes to provide critical housing for Red Cloud Teachers	$300,000	$0

CF	WI	Wood	PITTSVILLE AREA HISTORICAL SOCIETY	RE-LOCATION	09/15/09	Relocation and refurbishment of the Scranton School. The Scranton school is the last intact one-room school of 47 schools once in the Pittsville Public School District, and has been donated to the Pittsville Area Historical Society (a not for profit organization). The building needs to be moved 15 miles into the City of Pittsville, and will be situated next to the present museum.	$0	$17,500
WEP	MD	Queen Annes	SUDLERSVILLE, THE COMMISSIONERS OF	WATER TREATMENT AND STORAGE	09/15/09	The residents of the Town of Sudlersville currently get their potable water from individual private wells, with the exception of one Development. The well water in the area of the Town is contaminated with Arsenic. The Town will construct a new water system replacing private wells with a water treatment plant to remove arsenic, and a distribution and elevated storage tank.	$2,138,000	$2,362,000
CF	NY	Wyoming	WYOMING COUNTY	DEPT OF SOCIAL SERVICES CIP	09/19/09	Addition and renovations to Dept of Social Services Building.	$3,000,000	$0
WEP	ME	Waldo	WINTERPORT WATER DISTRICT	FY 09 SEWER CSO MASTER PLAN	09/21/09	Improvements to the wastewater collection system	$250,000	$460,000
WEP	SD	Brule	AURORA-BRULE RURAL WATER SYSTEM, INC.	AURORA-BRULE INTAKE	09/21/09	Intake System Improvements	$2,105,000	$1,575,000
CF	IA	Buena Vista	ALTA, CITY OF	ALTA FIRE STATION	09/22/09	Construction of a new fire station.	$0	$100,000
WEP	UT	Iron	BRIAN HEAD, TOWN OF	WATER IMPROVEMENTS	09/22/09	Water Improvements	$5,569,000	$3,603,000
CF	ME	Aroostook	NORTHERN MAINE GENERAL	NEW OFFICE BUILDING	09/23/09	Construct New Office Building	$1,000,000	$0

WEP	CT	Tolland	STAFFORD TOWN OF	WASTEWATER UPGRADES	09/24/09	545 - Combination Loan & Grant - Waste Disposal Only - 09/10 Stimulus The facility was constructed in 1972 and many components of the treatment process have exceeded their useful life expectancy. In 2003, the Connecticut Dep directed the Town to hire an engineering firm to develop a Facilities Plan to assess the Water Treatemnet Facility's mechanical, electrical and structural reliability. The Water Pollution Control Authority hired CDM to complete the Plan and subsequently to design and manange construction of the upgrade. The Upgrade will also address code issues, increase flood protection of equipment, and improve the treatment process for nitrogen removal. C. H. Nickerson & Co., Inc. was awarded the contrat to complete construction.	$6,566,000	$5,333,700
CF	MI	Gladwin	BEAVERTON CITY OF	DAM GATE REPLACEMENT	09/25/09	Dam renovation project	$1,000,000	$0
WEP	WI	Juneau	MAUSTON, CITY OF	FY09 WATER MAIN EXT	09/25/09	Upgrades to the City of Mauston?s water system will include the replacement of the portion of the watermain which is currently cast iron pipe on Elmberta, Madden, Elm, and Loomis Streets, and will be completed in conjunction with the sewer lines being replaced. The existing watermains are very old and in poor condition. Streets have potholes and broken up pavement and are generally in very poor condition. Maintenance has been deferred due to the known poor condition of the underground facilities.	$339,000	$85,800
CF	NE	Red Willow	COMMUNITY HOSPITAL ASSOCIATION	PATIENT BED WING/OPERATING STE	09/27/09	Phase 1-Construction of a new 25-bed acute patient wing and an addition for mechanical system equipment and utility system upgrades. Phase 2-Construction of new surgery and outpatient wing. Rennovation of OP nursing services and registration areas. Purchase new equipment and furnishings.	$17,000,000	$0

WEP	WI	Juneau	MAUSTON, CITY OF	FY09 SEWER MAIN EXT	09/28/09	Upgrades to the City of Mauston's sewer system will include replacing a portion of the sewer main which is currently clay tile pipe on Elmberta, Madden, Elm, and Loomis Streets, and will be completed in conjunction with the water lines being replaced. The existing sanitary sewer mains are very old and in poor condition. Streets have potholes and broken up pavement and are generally in very poor condition. Maintenance has been deferred due to the known poor condition of the underground facilities.	$1,480,000	$382,100
CF	NC	Nash	RED OAK VOLUNTEER FIRE DEPARTMENT	NEW FIRE STATION	09/29/09	Construction of a 5,400 sq.ft. fire station.	$1,900,000	$0
CF	VT	Caledonia	NORTH EAST KINGDOM COMMUNITY ACTION	LINCOLN CENTER FY 2008	10/01/09	Purchase building and make improvements	$425,000	$75,000
WEP	CA	Lassen	LEAVITT LAKE COMMUNITY SERVICES DISTRICT	LAKE AVENUE SEWAGE	10/01/09	Replacement of Sewage lift station	$182,000	$0
WEP	VT	Rutland	PITTSFORD, TOWN OF	DISTRIBUTION UPGRAD	10/01/09	Water Distribution Upgrade	$2,600,000	$2,115,100
CF	WI	Wood	FAMILY HEALTH CENTER OF MARSHFIELD, INC.	CONSTRUCTION	10/05/09	Construction of a 10,600 square foot Dental Clinic in Rice Lake, WI including construction of access drives, 60 car patient and staff parking lots, sidewalks, landscaping and retaining wall. Family Health Center of Marshfield, Inc. plans to construct and operate a dental center in Rice Lake, WI, that will be part of Family Health Center?s FQHC network of providing care. The center in Rice Lake, located in Barron County, will be staffed with 5 dentists and 5 hygienists with capacity for four 4th year dental students. The goal is for the dental center to meet the oral health needs of the residents of Barron and surrounding counties, regardless of ability to pay.	$2,500,000	$0

WEP	ME	Somerset	ANSON WATER DISTRICT	FY 2009 TP UPGRADES/MAIN REPLACEMENT (ARRA)	10/05/09	Water treatment plant and water main improvements	$590,000	$890,000
WEP	ND	Ward	NORTH CENTRAL RURAL WATER CONSORTIUM II	RADAR HILL AREA RUR	10/05/09	Construct a rural water distribution system to deliver water to 317 rural residential users.	$3,019,900	$0
WEP	CA	Lassen	LEAVITT LAKE COMMUNITY SERVICES DISTRICT	WATER METER INSTALL	10/08/09	Installation of water meters and replacemetn of non-functioning street gate valves	$180,400	$0
WEP	ND	Dickey	OAKES, CITY OF	WATER AND SEWER SYS	10/08/09	Replace the main arterial sewer and water mains to provide a reliable water and sewer service to all areas of the city.	$2,770,000	$2,200,000
CF	MT	Deer Lodge	COMMUNITY HOSPITAL AND NURSING HOME	WINDOWS REPLACEMENT	10/09/09	windows	$0	$50,000
CF	NE	Cass	WEEPING WATER COMMUNITY BUILDING FOUND.	COMMUNITY BUILDING	10/13/09	This project is to rennovate an existing building into a community center and city office. The building will have a large social hall adequate for wedding receptions and banquets and also a meeting room.	$500,000	$0
CF	WI	Waushara	WILD ROSE FIRE DISTRICT	FIRE STATION CONSTRUCTION	10/13/09	Construction of a new fire station located on the west side of Wild Rose. The Wild Rose Fire District includes the Village of Wild Rose and the townships of Mt. Morris, Rose, Springwater and Wautoma in Waushara County, and the Town of Belmont in Portage County. The Fire District services a population of 5,776 people and currently has 11 emergency vehicles available for dispatch. The existing facility was built over 30 years ago and is too small to accommodate meeting rooms, equipment storage and vehicles. The new fire station will provide: access for five drive through bays and the staging of fire trucks and emergency vehicles to allow for better response time and less congestion; office space; a large meeting room for training and debriefings; and a mezzanine for mechanicals and storage.	$710,000	$100,000

WEP	ND	Steele	DAKOTA RURAL WATER DISTRICT	2008 SYSTEM IMPROVE	10/13/09	Modify Reservoir A, provide new 8-inch diameter PVC to Reservoir A and B and Reservoir C will be remodeled and updated. Capacity will be increased by 25,000 gallons.	$1,980,000	$0
CF	NC	Greene	SNOW HILL RURAL FIRE DEPARTMENT, INC	NEW FIRE DEPARTMENT	10/15/09	purchase an renovation of existing warehouse to be used as new main fire station.	$530,000	$195,000
WEP	TN	De Kalb	DEKALB UTILITY DIST	WATER LINE EXTEN	10/15/09	DeKalb Utility District proposes to extend water lines to approximately 89 rural residents in DeKalb and Cannon Counties in the following areas: Marshall Creek Rd, Alexandria to Dismal area and Dry Creek Rd in DeKalb County; Hurricane Creek Rd and Bryson Rd in Cannon County. Construction of the proposed project will provide water service to areas of DeKalb and Cannon County that are without public water service.	$905,000	$251,000
WEP	ND	McKenzie	THREE AFFILIATED TRIBES	NORTH SEGMENT (NEWT	10/16/09	The project will finance a water distribution system that will allow for 80 new rural hookups. The project will allow water distribution from an existing water treatment plant supplying water to rural users in the surrounding area on the Fort Berthold Indian Reservation.	$2,639,000	$928,900
CF	AL	Madison	MERIDIANVILLE VOLUNTEER FIRE DEPARTMENT	NEW FIRE STATION	10/19/09	Construction of a new fire station with 6 bays, 5 offices, a confrence room, and a training room which meets FEMA 361 storm shelter requirements.	$700,000	$0
WEP	MS	Coahoma	GREEN ACRES WATER	WATER WELL REHABILI	10/19/09	Grant and loan funds used to install a water well for Eastpark Subdivision.	$227,000	$175,000
WEP	MS	Calhoun	MT. COMFORT WATER ASSOCIATION INC	WATER FY2009	10/19/09	Eleavted Tank, New Well, & New Lines	$942,000	$682,000
WEP	NY	Wyoming	ATTICA, VILLAGE OF	ARRA 07-22 NY WW ATTICA, VILLAGE OF	10/20/09	Rural Development funds will be used to construct a new water tank along with a pump station and replacement of water distribution lines.	$4,000,000	$0

CF	WI	Grant	HAZEL GREEN COMMUNITY DEV. AUTHORITY	VILLAGE HALL CONSTRUCTION	10/21/09	Construction of a new Village Hall and removal of the building housing the current Village Hall. The village Hall currently houses the village office staff, the village police department, the village library and a meeting room. The village staff, library area and police departments have all outgrown the current space needs of the facility.	$1,000,000	$0
CF	IA	Jones	MONTICELLO, CITY OF	PUBLIC SAFETY BUILDING	10/22/09	Construction of a new public safety building	$0	$89,655
CF	NC	Chatham	SILK HOPE RURITAN CLUB	COMMUNITY CENTER	10/26/09	Construction of a 5000 sq ft community center in the Silk Hope Community.	$470,000	$0
CF	UT	Sanpete	MANTI CITY CORPORATION	ELEVATOR CONSTRUCTION	10/26/09	Elevator addition to City Building.	$0	$38,200
WEP	SD	Custer	HERMOSA, TOWN OF	W - S - DOT HWY	10/28/09	Sewer, water line and associated appentencies installed	$96,000	$0
WEP	NY	Orleans	CLARENDON, TOWN OF	ARRA 1104 NY WW WD	10/29/09	Running water lines down Powerline Road and installation of hydrants.	$124,000	$0
CF	AK	Ketchikan Gateway Borough	OPPORTUNITY INC.	GROUP HOME FOR DISABLED ADULT	10/31/09	construct an 8-plex housing complex to provide apartments for people with disabilities	$0	$200,000
CF	NH	Grafton	LINCOLN, TOWN OF	FY 09 COMMUNITY CENTER	11/01/09	Community Center	$0	$23,150
CF	IA	Mitchell	WEE SAINTS DAY CARE CENTER	WEE SAINTS DAY CARE CENTER	11/02/09	Child Care Renovation and Expansion.	$100,000	$50,000
CF	IL	Franklin	NORTH CITY, VILLAGE OF	MAINTENANCE SHED	11/02/09	Construction of a storage facility for Village equipment.	$0	$30,000
CF	WI	Barron	CHETEK, CITY OF	ADDITION TO NURSING HOME	11/02/09	The loan was made to create an addition to an existing nursing home facility along with a substantial remodel of the same facility	$2,044,480	$0
WEP	AZ	Yavapai	YARNELL WATER IMPROVEMENT ASSOCIATION	2009 WATER IMPROVEMENTS	11/02/09	Funds will be used to repair or replace the pressure reducing valves, failing fire hydrants, lining of tanks, install a back up power supply, making minor piping revisions within existing streets, and install a modern control system.	$767,000	$533,000

WEP	DE	Sussex	SUSSEX COUNTY COUNCIL	JOHNSONS CORNER SAN	11/02/09	This area is located within the West Fenwick Planning Area, which is within the larger South Coastal Planning Area. There are a total of 401 EDUs on individual septic tanks in this unincorporated area of Sussex County. This project has existing developments that are homes for retirees on fixed incomes. This project will eliminate approximately 375 septic systems and prevent 102 additional septic systems from being installed. Eliminating septic systems and preventing additional systems from being installed will prevent an estimated 5201 pounds of nitrogen and 225 pounds of phosphorus from reaching groundwater annually. This project is in the Inland Bays watershed, and eliminating septic systems is integral to the implementation of the Inland Bays Pollution Control Strategy. Multiple studies have proven how degraded the surface waters of the Inland Bays and the ground water of the Columbia Aquifer are because of failing septics and non-point pollution from agricultural sources. This project is being jointly funded with State Revolving loan funds made available through ARRA as well as County funding.	$2,000,000	$1,570,000
WEP	TN	Smith	SMITH UTILITY DISTRICT	WATER SYSTEM IMPROV	11/02/09	THe project will improve the water system by replacing under-sized lines and helping meet additional water demands by the Town of Gordonsville and Hickman in Smith County. Additionally, by installing new Radio Read Meters it is anticipated that a more accurate reading of water usage can be made and subsequently help minimize water loss.	$3,149,000	$800,000
WEP	SC	Anderson	STARR-IVA WATER AND SEWER DISTRICT	2009 WATER SYSTEM I	11/03/09	Water System Improvements	$3,225,000	$2,689,000
WEP	SC	Anderson	STARR-IVA WATER AND SEWER DISTRICT	WS IMPROVEMENTS/WA T	11/03/09	Water System Improvements	$8,348,000	$1,223,300

WEP	ME	Franklin	JAY VILLAGE WATER	2009 WATER MAIN PUMP STATION UPGRADE (WATER)	11/04/09	upgrade water mains and installation of a booster pump station	$290,000	$230,000
WEP	ID	Bonner	PRIEST RIVER, CITY OF	WATER IMPROVEMENT PROJECT - 2009/2010	11/09/09	Water System upgrade, New Reservoir and distribution lines.	$3,680,000	$1,577,000
CF	MN	Otter Tail	PIONEER HOME, INC	PIONEER CARE CENTER	11/10/09	Construction of a new 105 bed nursing home.	$16,500,000	$0
CF	NC	Sampson	HARRELLS VFD INC	OFFICE / STORAGE BUILDING	11/10/09	renovations of existing building to be used as office and storage facility.	$47,500	$56,000
CF	KY	Menifee	MENIFEE CO FISCAL	NEW CO HEALTH DEPT BLDG	11/11/09	Construct new health department	$0	$100,500
CF	ND	Stutsman	LUTHERAN CHARITY ASSOCIATION	JAMESTOWN HOSPITAL	11/11/09	Construct a new 25 bed critical access hospital	$31,000,000	$0
WEP	MO	New Madrid	GIDEON, CITY OF	WATER DISTRIBUTION	11/13/09	Improvements include water line replacements and modifications at the well houses and chlorine building. Waterline replacement will consist of appx 23,000 ft of 6" line, 18,200 ft of 4" line, along with valves, fitting and new water meters, fire hydrant replacement. Improvements at the well houses and chlorine building include building repairs, new valves, piping, fencing, electrical work, yard piping, chlorine feed lines, new gas chlorination system.	$1,946,000	$461,000
CF	NH	Coos	COOS COUNTY FAMILY HEALTH INC	FY 09 FLOOD PREVENTION	11/15/09		$0	$18,760
WEP	KY	Floyd	SOUTHERN WATER AND SEWER DISTRICT	WATER IMPROVEMENTS	11/15/09	Inclement weather has prevented the tank contractor from working. Unable to get to tank site. Tank Contractor nearing completion with tank. Line Contractor has about 4 or 5 days of work left to complete the pump stations.	$530,000	$229,000

WEP	RI	Newport	NORTH TIVERTON FIRE DISTRICT	STATE AVENUE PUMP S	11/16/09	The District is upgrading their booster pump station to improve the balance of the water hydraulic pressures in the distribution system. the project will also update the pump station's existing aging infrastructure, electrical, chemical storage and handling analyzers. Monitoring and roofing systems will also be improved. The chemical storage will entail providing an attached building addition of approximately 200 sq. ft. replacement of inflow and outflow water lines to the pump station will entail positioning the water main in the same configuration as the existing pipe.	$386,000	$295,000
WEP	KY	Ohio	HARTFORD, CITY OF	WASTEWATER REHABILITATION PROJECT	11/17/09	sewer rehabilitation project	$1,340,000	$600,000
WEP	NY	Tioga	NEWARK VALLEY, VILLAGE OF	ARRA 07-22 NY WW NE	11/17/09	Complete improvements to existing water system within Village.	$2,230,000	$1,988,000
CF	MN	Stearns	KRAIN TOWNSHIP	TOWN HALL	11/18/09	Construction of a new town hall.	$288,000	$31,000
CF	WA	Columbia	COLUMBIA COUNTY PUBLIC HOSPITAL #1	COMPUTED TOMOGRAPHY UNIT RENO	11/18/09	Tomography Room Construction	$50,000	$11,000
WEP	GA	Chatham	PORT WENTWORTH, CITY OF	WASTEWATER TREATMENT	11/18/09	Construction of 2 million gpd wastewater treatment system utilizing sequencing batch reactor (SBR) technology to meet reuse stds. Installation of 2,100 lf 20" influent force main & 5,700 lf 18" effluent force main.	$7,592,300	$0
WEP	ID	Camas	FAIRFIELD, CITY OF	CITY OF FAIRFIELD	11/23/09	Repair & replace waste water collection lines & manholes to reduce water infiltration. Replace lfit station and forcemain. Project to protect surface and groundwater.	$860,000	$360,000
WEP	IN	Bartholomew	TAMERIX LAKE REGIONAL SEWER DISTRICT	WWTP RENNOVATION PR	11/24/09	construct a new extended aeration package plant	$545,000	$0
WEP	SD	Hand	MILLER, CITY OF	WATER TOWER	11/29/09	Water System Improvements	$765,000	$351,000
WEP	NY	Chautauqua	CASSADAGA, VILLAGE OF	ARRA 0327 NY WW CASSADAGA, VILLAGE OF	11/30/09	Provide a new well and new pump house along with replacement of water mains and construct a water storage tank	$5,000,000	$0

CF	SD	Hutchinson	THE SE GERMANS DAKOTA HERITAGE MUSEUM	REHAB	12/01/09		$0	$16,380
WEP	TN	Washington	JOHNSON CITY CITY OF	WATER SYSTEM ADDITI	12/01/09	The project is in a rural area and is necessary to remove health and safety hazards from current drinking water sources.	$435,000	$434,000
WEP	SD	Douglas	CORSICA, CITY OF	2009 WASTEWATER IMP	12/02/09	Sanitary Sewer System Improvements	$171,000	$128,000
CF	MS	Grenada	CITY OF GRENADA	SENIOR CITIZEN COMPLEX	12/05/09	Sr. Citizen's complex	$0	$288,802
CF	ID	Benewah	PLUMMER, CITY OF	CONST NEW LIBRARY BUILDING-09	12/07/09	Construction is comploete except for paving parking lot.	$500,000	$143,000
WEP	ME	Aroostook	FORT KENT TOWN OF	FY09 WATER/SEWER UPGRADES	12/07/09	Construct new pump station out of the flood zone; replace 3000 ft of cracked water main, extend sewer service	$531,000	$2,605,000
WEP	TN	Tipton	COVINGTON CITY OF	SLUDGE DEWATERING SYS	12/09/09	The City of Covington currently has its sewer collected at the sewer treatment plant where it is collected in liquid form.Once it is treated it is then trucked to a disposal site where it is either placed on the ground or put into holding ponds. This system has caused the City of Covington numerous complaints. The city plans to construct a sludge de-watering plant to remove the water from the sludge and turn it into a cake for easier handling and disposal.	$199,000	$11,000
CF	AR	Chicot	CITY OF EUDORA	SENIOR CITIZEN CENTER	12/10/09	Construction of Senior Citizen Center	$0	$100,000
CF	MT	Jefferson	LIBERTY PLACE, INC.	GOLDEN GARDEN RESIDENCE	12/10/09		$422,500	$52,500
WEP	IN	Dubois	SAINT HENRY WATER CORPORATION	750000 GAL. ELEVATE	12/10/09	Construct an elevated tank and add a 12-inch water main to connect into the existing system	$1,730,000	$0
CF	NY	St Lawrence	PARISHVILLE, TOWN OF	TOWN HIGHWAY DEPARTMENT BARN	12/11/09	new Highway Garage	$1,370,000	$30,000

WEP	SD	Hand	MID DAKOTA RURAL WATER SYSTEM	TREATMENT PLANT I	12/14/09	Water Treatment Plant Improvements	$12,000,000	$0
CF	MO	Carter	CARTER CO PROGRESS & IMPROVEMENT ASSN	PHASE II	12/15/09	Construction of a jail expansion	$0	$65,500
CF	OH	Warren	WARREN CO COMMUNITY SERVICES, INC.	HEAD START CENTER	12/17/09	Rural Development funds will be used to construct a new 14,450 square foot building to house their head start program. This new facility will have space for 79 additional children in a superior educational environment.	$1,800,000	$50,000
WEP	MO	Pike	FRANKFORD, CITY OF	WASTEWATER TREATMEN	12/17/09	Ultraviolet Disinfection is not traditionally used for lagoon effluent. This option does not include rehabilitation of the sand filters because the lagoon will be upgraded to an in-basin activated sludge process. The clarification cell would be expanded to include the southern existing sand filter pond, which provides additional storage. A UV disinfection system would be added prior to discharge. The existing sand filters would be abondoned and no longer used in the treatment process. Piping reconfiguration would be minimal.	$330,000	$313,900
CF	ME	Waldo	FRIENDS OF MARSH RIVER THEATER	FRIENDS OF MARSH RIVER THEATER	12/21/09	Restoration and repairs of building	$0	$21,000
WEP	UT	Washington	WASHINGTON COUNTY WATER CONSERVANCY DISTRICT	QUAIL CREEK WATER T	12/23/09	Water System Improvement/Expansion	$2,435,000	$0
CF	IN	Blackford	MONTPELIER COMMUNITY BUILDERS, INC.	MONTPELIER COMMUNITY CENTER	12/28/09	Build a new community center	$0	$200,000
CF	PA	Tioga	MANSFIELD, BOROUGH OF	BOROUGH BUILDING	12/28/09	Purchase & renovation plus new construction for a new municipal building	$1,200,000	$0

CF	NM	Guadalupe	GUADALUPE COUNTY	GUADALUPE COUNTY HOSPITAL	12/29/09	This project is to build a 21,410sf replacement hospital and 10,208sf medical office building. The existing and proposed facilities qualify for Critical Access Hospital designation. The hospital will maintain the Sole Community Hospital designation.	$9,400,000	$0
WEP	MA	Dukes	OAK BLUFFS, TOWN OF	SEWER LINES, L BEDS	01/01/10	Provide sewer extension services to community bldgs & construct 2 new sand beds.	$0	$1,100,000
CF	MS	Humphreys	HUMPHREYS CO BOARD	HCBS-CONSTRUCT HEALTH COMPLEX	01/04/10	Project is on schedule for completion w/no delays. Presently, 70% complete	$424,917	$95,000
WEP	CA	Siskiyou	ROLLING HILLS MUTUAL WATER COMPANY, INC.	WATER PIPELINE AND	01/04/10	RD funds will replace deteriorating water distribution pipeline, add an additional water storage tank, fire hydrants and water meters.	$344,000	$700,000
CF	CA	Tulare	CUTLER-OROSI JOINT UNIFIED SCHOOL DIST	MODERNIZATION YOUTH CENTER	01/05/10	Remodel Youth Center	$0	$50,000
WEP	TN	Union	LUTTRELL-BLAINE-CORRYTON UTILITY DISTRICT	WATER TREATMENT PLA	01/06/10	The funded money will be used for the renovation of water treatment plant. The project services the Grainer, Knox and Union Counties.	$1,351,000	$649,000
WEP	NY	Genesee	STAFFORD, TOWN OF	ARRA 0430 NY WW STAFFORD, TOWN OF	01/08/10	Rural Development funds will be used to install approximately 11,055 linear feet of pipe for municipal water service. The project will replace failing individual wells to improve water quality and service as well as improve fire protection.	$368,000	$291,900
WEP	NY	Oswego	VOLNEY, TOWN OF	ARRA 0430 NY WW VOL	01/08/10	Installation of a water distribution system. Water to be purchased from the Town of Scriba.	$850,000	$389,500
WEP	LA	Catahoula	JONESVILLE, TOWN OF	JONESVILLE WATER WE	01/10/10	The proposed project is to construct a new 30 horsepower 400 gallons-per-minute water well with all new appurtenances. The new water well will help provide clean potable water for the Town of Jonesville?s 922 residential and 180 commercial users.	$205,000	$0

CF	WI	Trempealeau	TREMPEALEAU COUNTY	PIGEON FALLS HEALTH CARE CTR	01/14/10	Improvements at a Medicare/Medicaid Certified Nursing Facility in Pigeon Falls that is owned by the Trempealeau County Health Care Center. The project will add two hospice beds and services to the facility, and add telemedicine into the health care center which will allow clients access to select medical services with otherwise require travel of 55 miles or more. Services would include psychiatric, dermatology, cardiology, and urgent care and follow up consultations. The project would also include converting the existing nursing home into a more home like setting termed ?household concept? by making ?neighborhood wings?, expanding and personalizing the community areas. The service area would be east central Trempealeau County and includes the communities of Pigeon Falls, Whitehall, Blair, Taylor and surrounding townships.	$689,000	$145,000
CF	VT	Chittenden	RECYCLE NORTH	GRANITE SHED PURCHASE/RENOVA.	01/15/10	Purchase and rehab Recycle facilities	$543,000	$0
CF	CA	Tulare	STRATHMORE UNION ELEMENTARY SCHOOL DIST	STRATHMORE ELEMENTARY SCHOOL	01/22/10	Modular building for a preschool/child care. $50,000	$0	$50,000
WEP	WA	Mason	SHELTON CITY OF	SEWER -WWTP	01/25/10	New Waste Water Treatment Plant	$20,379,000	$4,734,750
CF	IA	Black Hawk	PATHWAYS BEHAVIORAL SERVICES, INC.	PATHWAYS BEHAVIORAL SERVICES	01/26/10	Mental Health Center Renovation	$0	$41,475
WEP	SC	Chesterfield	ALLIGATOR RURAL WATER & SEWER CO., INC.	PATRICK PROJECT	01/27/10	water lines, well, & tank	$4,551,000	$4,830,000
WEP	MS	Jones	ERATA WATER ASSOCIATION, INC.	2008 200 GPM WATERW	01/28/10	200 GPM Permanent Water Well #5	$249,000	$173,000

WEP	OH	Pike	PIKE WATER, INC.	METER REPLACEMENT P	01/28/10	ARRA funds will be used to finance the installation of approximately 6,000 new, automated read meters and related software. The automated system will result in increased accuracy in the monitoring of the existing distribution system and greater water conservation as leaks will be more readily apparent.	$595,000	$255,000
CF	TN	Cumberland	UNITED FUND OF CUMBERLAND COUNTY, INC.	PURCHASE & RENOVATE OFFICE	01/29/10	The proposed project is to purchase and renovate an existing house at 25 Hermans Lane, Crossville, TN 38557 into office space for the United Fund of Cumberland County, Inc. as well as other non-profit organizations.	$192,000	$50,000
CF	MS	Calhoun	CALHOUN COUNTY BD OF SUPERVISORS	COURT HOUSE RENOVATIONS	02/01/10	County Courthouse Renovations	$3,000,000	$100,000
WEP	PR	Juana Diaz	PR AQUEDUCT 33	PRASA 131-S3-ADJUNTAS/YAHUECAS	02/01/10	Construction of water distribution system	$4,415,000	$4,106,000
WEP	PR	Juana Diaz	PR AQUEDUCT 33	PRASA 162-AIBONITO/LA PLATA	02/01/10	Constructon water filtration plant, raw water intake and distribution lines	$4,479,000	$0
WEP	VA	Louisa	LOUISA, TOWN OF	SEWER PLANT EXPANSI	02/01/10	Closed 3-24-2010	$3,315,000	$0
WEP	KY	Pendleton	PENDLETON COUNTY WATER DISTRICT	FISHING CRK AND CEN	02/02/10	Installation of waterlines on Fishing Creek and Center Ridge Roads	$220,000	$55,000
WEP	NY	Jefferson	SACKETS HARBOR, VILLAGE OF	ARRA 07-22 NY WW SA	02/03/10	Wastewater Collection And Treatment Rehab project	$100,000	$1,900,000
CF	CA	Tulare	FARMERSVILLE CITY OF	COMMUNITY CENTER / LIBRARY	02/04/10	Building Community Center with Library	$2,971,200	$0
WEP	ME	Kennebec	RANDOLPH, TOWN OF	2009 PUMP STATION (SEWER)	02/04/10	replacement of pump station and provide of emergency back up power.	$417,000	$333,000
CF	ME	Cumberland	MAINE RURAL WATER ASSOCIATION	RICHMOND OFFICE & TRAINING BLD	02/05/10	Purchase and renovate an existing building	$500,000	$0
WEP	MS	Oktibbeha	TRIM CANE WATER ASSOCIATION, INC.	TRIM CANE - WATER 2	02/08/10	Water System Improvements	$186,000	$503,000
WEP	KY	Wolfe	CAMPTON, CITY OF	WATER TREATMENT PLA	02/09/10	Construction of new water treatment plant	$892,000	$892,000

CF	OH	Lake	CROSSROADS LAKE COUNTY ADOLESCENT	PURCHASE & BUILDING RENOVATION	02/12/10	Crossroads provides mental health and chemical dependency services to approximately 20,000 adolescents and their families in Lake County This proposal will allow for the purchase of an existing building and remodel it to their current and future needs	$1,500,000	$80,000
WEP	WA	Grays Harbor	HOQUIAM, CITY OF	LAGOON MOD AND BIOS	02/12/10	Lagoon Modification and Biosolid Removal	$9,470,000	$0
WEP	KS	Pawnee	ROZEL, CITY OF	WATERWELL AND WATER	02/15/10	Waterwell and water	$434,000	$477,500
WEP	KY	Oldham	OLDHAM COUNTY WATER DISTRICT	WATER SYSTEMS IMPRO	02/15/10	Drill 2 additional water wells; upgrade water treatment plant to expand production and improve efficiency; upgrade transmission lines.	$13,243,100	$0
WEP	PR	Juana Diaz	PR AQUEDUCT 33	PRASA 161-PONCE-LA YUCA	02/15/10	Construction of rural water system and distribution lines	$727,000	$238,642
CF	MI	Kalamazoo	COMSTOCK COMMUNITY CENTER	COMMUNITY LEARNING CENTER	02/16/10	Community Learning Center	$1,740,000	$0
WEP	NY	Madison	CANASTOTA VILLAGE	ARRA 12-16 NY WW CA	02/17/10	upgrade to wastewater treatment plant	$100,000	$2,900,000
WEP	CT	Windham	PUTNAM TOWN OF	WELL FIELD IMPROVEM	02/19/10	installation of new wells piping and construction of new building to contain the necessary utilities for pumping, metering, and treating water, repairs to existing facilities and replacement of aging deteriotering well	$1,208,113	$0
CF	VT	Windsor	TOWN OF BETHEL	TOWN HALL RESTORATION	02/21/10	Repairs to Town Hall	$984,000	$0
CF	MO	Dade	DADE COUNTY	DADE COUNTY COURTHOUSE	02/23/10	Re-tuck and re-seal exterior of courthouse, repair stairs	$0	$11,432
WEP	NY	Essex	CHESTERFIELD, TOWN OF	ARRA 07-01 NY WW CH	02/23/10	water project - new lines and new WTP	$100,000	$5,111,400
WEP	UT	Washington	DIXIE DEER SPECIAL SERVICE DISTRICT	2009 WATER PROJECT	02/23/10	Water System Improvement/Expansion	$684,000	$316,000
CF	NC	Bladen	BLADEN COUNTY	EMS BUILDING	02/25/10	To construct EMS building.	$550,000	$100,000

WEP	MO	Vernon	VERNON CO. PWSD #7	BOURBON KS PWSD #2	02/25/10	Connection fee to Consolidated Rural Water District #2 of Bourbon County KS.This will provide the 220 users, approximately 527 residents, of western Vernon County with a consistent and safe water supply.	$272,000	$68,050
CF	MS	Monroe	MONROE COUNTY BOARD OF SUPERVISORS	MONROE HEALTH DEPARTMENT	02/26/10	Construct New Health Dept Facility	$0	$200,000
CF	ID	Canyon	WILDER RURAL FIRE PROTECTION DISTRICT	WILDER FIRE STATION 2009	03/01/10	Construct a new 15,000 sq ft fire station.	$775,000	$95,000
CF	NE	Otoe	TALMAGE, VILLAGE OF	STREET PROJECT	03/01/10	This project will allow the Village of Talmage to make improvements to its transportaion infrastructure by: installing asphalt overlay over three blocks; removing and relpacing 2100 linear feet of curb and gutter; replacing 15,000 square ft of sidewalk; and replacing water and storm water mains under the existing paving.	$250,000	$0
CF	TN	Grundy	PALMER TOWN OF	ROOF RENOVATION	03/01/10	The proposed project is to repair an existing building within the Town of Palmer. The building is leaking in many areas and needs a new roof. The current shingle roof will be replaced with a metal roof. Gutters will also be replaced to properly channel rainwater runoff.	$0	$7,500
WEP	TN	Decatur	PARSONS CITY OF	SEWER IMPROVEMENTS	03/01/10	The City of Parsons has annexed an area south of the of the City. The area does not have city sewage and is experiencing sever problems with failing septic systems. The Tennessee Department of Environment and Conservation has determined it to be a health hazard that should be corrected. The City plans to run centralized sewer through this area to solve this problem. I recommend this project be funded at the poverty rate to help solve the problems associated with sewage out croppings	$886,000	$380,500

WEP	WI	Clark	CURTISS VILLAGE OF	FY09 WATER SYSTEM U	03/01/10	Construction of additional wells to the Village of Curtiss water supply and to upgrade the water distribution system. With the recent commercial growth the Village is experiencing, demand on the water system exceeds capacity causing commercial and industrial operations being adversely impacted, and water supply for fire protection being inadequate. The water utility serves 91 residences, and 19 commercial, industrial and public users.	$1,788,000	$552,000
CF	VA	Radford city	RADFORD, CITY OF	PUBLIC SAFETY BUILDING	03/05/10	Public Safety Building	$6,500,000	$0
CF	NC	Harnett	TOWN OF LILLINGTON	COMMUNITY CENTER	03/08/10	Construction of a 10,000 sq ft community center.	$1,300,000	$0
CF	VT	Rutland	PAWLET TOWN OF	TOWN HALL RESTORATION	03/08/10	Restoration of Town Hall	$0	$50,000
WEP	NM	Quay	LOGAN, VILLAGE OF	WASTEWATER COLLECTI	03/08/10	Wastewater Treatment for the Community	$1,073,000	$2,887,000
WEP	NM	Guadalupe	SANTA ROSA, CITY OF	WASTEWATER TREATMEN	03/08/10	The City of Santa Rosa Wastewater Treatment Facility Improvement Project requires significant improvements to meet the National Pollutant Discharge Elimination Systems(NPDES) requirements; and meet anticipated limits for land application of solids.	$4,261,000	$5,107,956
WEP	NM	Quay	TUCUMCARI, CITY OF	WASTEWATER TREATMEN	03/08/10	This project will improve public health and safety by providing improved watewater treatment for the City of Tucumcari. The wastewater reuse system will benefit the community by providing irrigation for public use turf area.	$2,188,000	$5,958,568
WEP	KY	Mason	WESTERN MASON COUNTY WATER DISTRICT	GERMANTOWN WATERLIN	03/09/10	Replacement of approximately 36,000 linear feet of small diameter AC water lines in the Germantown area that are in poor condition.	$700,000	$300,000
WEP	ID	Gooding	BLISS, CITY OF	CITY OF BLISS	03/10/10	Wate Water Treatment Project. Remove individual treatment systems and install City wide collection and treatment system.	$700,000	$1,000,000
WEP	ME	Penobscot	NEWPORT SANITARY DISTRICT	2009 SEWER LINE REPLACEMENT	03/10/10	Replacement of old deteriorated sewer lines.	$525,000	$1,225,000

WEP	MO	McDonald	MCDONALD CO PWSD #3	UPGRADES	03/11/10	The proposed facility will allow either the addition of a new well or water source to allow the District to dilute the current water source to meet the thresholds for Radionueclides; or establish a treatment facility to remove the radionueclides from the existing water. The treatment facility would require the District to either outsource a hazardous waste handler and transporter, or require their operator to to obtain the same type license.	$0	$726,000
WEP	WV	Wayne	LAVALETTE PUBLIC SERVICE DISTRICT	CROCKETT/MILLERS FO	03/11/10	The proposed water project consists of the construction of approximately fifteen miles of various size waterline, one pressure reducing valve, eleven fire hydrants and necessary appurtenances to serve approximately 177 new customers in the Crocket/Millers Fork area of Wayne County.	$237,000	$180,000
WEP	DE	Sussex	SUSSEX COUNTY COUNCIL	OAK ORCHARD EXPANSI	03/15/10	This project is an expansion of an already existing sanitary sub-district in Sussex County. It will serve additional users by taking existing houses with failing septic tanks off-line.	$5,582,000	$2,999,847
WEP	NJ	Monmouth	KEYPORT, BOROUGH OF	SEWER PROJECT - FY	03/15/10	Sanitary Sewer Improvements. Note: There are 3 components to this project.	$2,656,000	$844,000
WEP	PA	Fulton	TOWNSHIP OF DUBLIN	BURNT CABINS	03/15/10	Sewage Treatment Plant with collection system	$395,000	$1,202,960
WEP	VA	Carroll	CARROLL COUNTY PSA	LONG RANGE WATER	03/15/10	Water Project	$5,000,000	$2,280,000
CF	WA	Whitman	WHITMAN COUNTY RURAL LIBRARY DISTRICT	ADA & PUBLIC SAFETY RENOVATION	03/16/10	ADA Accessibility	$550,000	$0
WEP	IN	Rush	CARTHAGE, TOWN OF	CARTHAGE SEWER	03/17/10	Town is under an agreed order to correct overflows. Phase I - sewer rehabilitation to reduce excessive infiltration/inflow and replace manholes. Phase II - expand and modify existing wastewater treatment plant.	$1,958,000	$2,432,000
WEP	MO	Pemiscot	HAYTI, CITY OF	WATER PLANT IMPROVE	03/17/10	New mechanical water treatment plant to be constructed, New line work will add approximately 4,950 LF of 6" and 8,900 of 8" and 1,800 of 10"	$1,475,000	$1,416,000

CF	ID	Minidoka	FRIENDS OF MCFPD, INC.	FRIENDS OF MCFPD, INC.	03/22/10	Build Fire Station.	$539,000	$0
WEP	MO	Johnson	SOUTHEAST SEWER DISTRICT OF JOHNSON COUNTY	PHASE II COLLECTION	03/22/10	Increased regionalization through connecting to the existing collection system of South Fork subdivision and closure of the existing South ForkSubdivision Wastewater Treatment Plant. Total users served by the expanded system will be 378. Sewage is treated by the City of Warrensburg.	$279,300	$0
WEP	MA	Barnstable	CHATHAM, TOWN OF	WASTEWATER TREATMEN	03/24/10	Wastewater treatement facility upgrade	$21,585,540	$17,777,880
CF	NC	Rockingham	ROCKINGHAM COUNTY	COUNTY ANIMAL SHELTER	03/25/10	Construct new animal shelter	$1,889,000	$100,000
WEP	WA	Pacific	LONG BEACH, CITY OF	WATER TREATMENT PLA	03/25/10	Water Treatment Plant	$4,000,000	$0
CF	IL	Jo Daviess	EAST DUBUQUE DISTRICT LIBRARY	NEW LIBRARY	03/29/10	Purchase and renovate an existing building for a public library.	$310,000	$30,000
WEP	WI	Kewaunee	KEWAUNEE, CITY OF	FY10 SEWER PROJECT	03/29/10	Construction of a new aeration package waste water treatment plant. The City of Kewaunee's existing wastewater treatment facility (WWTF) is over 50 years old and currently not meeting Wisconsin DNR required limits. The new WWTF will be located adjacent to existing structures. A new aeration basin, headworks, and laboratory/office will be constructed. The existing building will be upgraded for sludge storage and the main building will be razed.	$4,904,000	$2,086,500
CF	NY	Tioga	WAVERLY VIL OF	ITHACA ST. PURCHASE/RENOVATE	03/30/10	Purchase & renovate building for future Village Hall.	$2,795,000	$200,000
CF	OH	Clermont	CLERMONT SENIOR SERVICES, INC.	KITCHEN FACILITY FOR SENIORS	03/30/10	Construct a new kitchen facility for area meals-on-wheels program	$790,000	$0
CF	TN	Hancock	JUBILEE PROJECT INC	HVAC AND FREEZER IMPROVEMENTS	03/30/10	HVAC AND FREEZER IMPROVEMENTS	$0	$20,200
WEP	IN	Daviess	ELNORA, TOWN OF	SEWER REHAB (12/07)	03/30/10	Substantial portions of the collection system and treatment plant are to be rehabilitated.	$1,215,000	$501,000

CF	NY	Jefferson	ALEXANDRIA BAY VIL	UPPER JAMES STREET DOCK	04/01/10	Reconstruction of the Village?s existing collapsed dock. The dock is used by local entities for public safety and fire/rescue.	$200,000	$70,000
WEP	IL	Madison	TRI-CITY REGIONAL PORT DISTRICT	SEWER LINE EXTENSIO	04/01/10	The Sewer Replacement project calls for extending approximately 3000' of 12" sewer main. This main will serve several existing businesses, a US Army Reserve facility and a proposed ethanol facility all located within the Port District boundary. The main will connect onto a major collection line. It will also allow TCRPD to abandon an old pump station, which will increase efficiency and reduce maintenance costs.	$400,000	$0
WEP	MI	Shiawassee	VERNON VILLAGE OF	SANITARY SEWER IMPROVEMENTS	04/01/10	Village of Vernon sewer improvement project to rehabilitate and expand the existing lagoon system to provide adequate Waste water treatment for their residents. The Village is under an Administrative Consent Order with MDEQ to do corrective repairs.	$2,602,000	$0
WEP	NE	Dodge	UEHLING, VILLAGE OF	WATER (CONNECTION T	04/01/10	This project is a replacement of the community's water treatment plant with a new one or, if possible, rehibilitating the existing plant.	$170,000	$0
WEP	AR	Johnson	LUDWIG WATER USERS ASSOCIATION	WATER STORAGE TANK	04/02/10	Construct new water storage tank to serve the users of the system.	$175,000	$65,000
WEP	MA	Worcester	WINCHENDON, TOWN OF	WATER SYSTEM UPGRAD	04/02/10	Design and construction to upgrade the Winchendon water distribution system to provide: better, more reliable and more secure water service.	$1,402,000	$1,058,000
WEP	IL	Williamson	HIGHWAY 37 NORTH WATER DISTRICT	WATER LINE RELOCATI	04/05/10	relocate water lines	$818,000	$0
WEP	NY	Oswego	VOLNEY, TOWN OF	ARRA 0430 NY WW VOLNEY, TOWN OF KINGDOM RD EXT 1	04/06/10	Installation of a water distribution system. Water tobe purchased from Onondaga County Water Authority.	$628,000	$336,500
CF	AR	Chicot	DERMOTT, CITY OF	SENIOR CITIZEN BUILDING	04/08/10	To construct a senior citizen center	$0	$100,000
WEP	WI	Wood	NEKOOSA, CITY OF	FY10 SEWER SYSTEM U	04/09/10	Complete improvements at the wastewater treatment plant.	$2,470,000	$0

WEP	SD	Walworth	JAVA, TOWN OF	WATERLINE REPLACEME	04/10/10	Imrpovements to the water system	$58,000	$287,000
WEP	KS	Barton	HOISINGTON, CITY OF	WATER TREATMENT PLANT/WELL HOUSES & STANDPIPE IMPROVEMENTS	04/11/10	Water treatment plant/well houses & standpipe improvements	$879,000	$0
CF	IN	Jasper	JASPER COUNTY HOSPITAL ASSOCIATION	JASPER COUNTY HOSPITAL	04/12/10	Hospital expansion and renovation - approx 24,000 sq ft on two levels and renovate of approx 9,000 sq ft. Create a permanent MRI room and equipment; six new Operating/Surgical Suites; Sleep lab, Oncology Treatment Area, Records and Office space; expand outpatient services, outpatient exam and clinic area, waiting rooms, staff lounge, recovery area, cardiac ultrasound room, expand physicians? lounge, purchase of OR equipment	$15,000,000	$0
WEP	MD	Worcester	BERLIN, MAYOR AND COUNCIL OF	WWTP UPGRADES AND L	04/12/10	The physical condition of the existing treatment plant can be generally described as fair to good. Upgrades completed in 1994 are in good condition in most cases and are well maintained. Some equipment has failed and been replaced or repaired. Other equipment has not been replaced if it has not specifically been needed. The current plant is not capable of meeting effluent requirements that are to be implemented for ammonia nitrogen removal. Also there has been exceeded amounts of Total Phosphorous limit.	$5,988,000	$5,828,217

WEP	MD	Allegany	LONACONING, TOWN OF	BARTON WATER LINE	04/12/10	The Town of Lonaconing has very old (over 100 years in many cases) water mains in the town?s water distribution system which are seriously impairing the water quality and water flows. The Town has experienced several line failures and leaks in the lines; the lines are reported to be heavily tuberculated and there are no existing fire hydrants on the line. This funding will allow Lonaconing to upgrade its water lines and provide adequate fire protection to its residents. The Town of Lonaconing operates a system that also serves the communities of Barton, Midland, Gilmore and the Moscow-Nikep area. This funding will replace the lines for the Town of Barton.	$683,000	$666,480
WEP	NV	Lander	LANDER COUNTY COMBINED SEWER & WATER DISTRICT NO. 2	FY 09 WASTEWATER T	04/12/10	Relocate the wastewater treatment ponds and 9,000 linear feet of interceptor line to serve 470 rural residents	$175,906	$0
WEP	WI	Iowa	LINDEN, VILLAGE OF	FY09 WWTP UPGRADE	04/12/10	This projects consists of upgrades to the existing wastewater treatment plant located in the Village of Linden, located in Iowa County. Many of the mechanical components at the WWTP are approaching the end of the design service life and are not energy efficient. The existing facility has experienced some effluent discharge violations or concerns in the past largely due to peak or slug discharges from the Village's single major discharge, Sartori Foods, which operates a cheese plant within the Village. The proposed upgrades will help to increase the efficiency of operations of the plant, accommodate future loadings, and improve critical infrastructure.	$1,546,000	$1,262,700
WEP	IL	Pike	BARRY, CITY OF	WATER SYSTEM IMPROV	04/14/10	Water System Improvements	$747,000	$0
CF	KY	Fayette	APPALACHIAN REGIONAL HEALTHCARE	HOSPITAL RENOVATION/EXPAN SION	04/15/10	Expansion of Whitesburg ARH Hospital including increased number of private rooms and additional space for the gynecology department.	$13,932,000	$0

CF	ME	Oxford	COMMUNITY CONCEPTS,	ADMINISTRATION BUILDING 2009	04/15/10	Construct a new administration building	$2,655,000	$0
WEP	WV	Wayne	CRUM PUBLIC SERVICE DISTRICT	U.S. RT. 52 MILL CREEK	04/15/10	The proposed project consists of the construction of one 100,000 gallon water storage tank, one 60,000 gallons water storage tank, one 110 gpm booster pump station, one 75 gpm booster pump stations, approximately twenty-six miles of various size waterline, and other necessary appurtenances to serve 296 potential customers in Wayne County, West Virginia. The proposed waterline extension would tie-in to the existing Crum Public Service District's distribution system near the intersection of State Route 52 and County Route 252/2 near the mouth of Upper Stone Branch. The waterline extension would serve residents along State Route 52 from the tie-in point in a northerly direction to County Route 36. The proposed waterline would also follow County Routes 36, 36/2, 36/3, and 34. This project is located in the Stonewall Magisterial District in Wayne County, West Virginia.	$1,100,000	$2,938,200
WEP	TN	Hardin	SAVANNAH CITY OF	HIGHWAY 69 AND HIGG	04/19/10	This project consists of sewer line extensions along Highway 69 and Higgins Drive, which will pick up 20 new users including the new school on Highway 69. The sewage from the existing residents and the school will be collected to the school site and then pumped to the existing City's collection system. The second portion of the project is the industrial park pump station that is in need of improvements to alleviate maintenance issues. The aging pump station has deteriorated due to age and long term exposure to hydrogen sulfide. This project will address issues with this station.	$545,000	$151,000
WEP	DE	Sussex	SUSSEX COUNTY COUNCIL	WOODLANDS OF MILLSB	04/20/10	This project is a connection of central sewer from the nearby town of Millsboro to a small development of 57 homes called Woodlands of Millsboro. It had an existing on-site system that was failing.	$90,000	$566,000

WEP	TN	Polk	BENTON TOWN OF	WELCOME VALLEY ROAD	04/21/10	Rural Development funds will be used to provide sewer service to 38 residential customers, 1 church and 1 business along Welcome Valley Road where 74% of private septic systems have failed. The project consists of about 2 miles of Sewer Force Main and 38 Septic Tank Effluent Pumping (STEP) Systems. The project will alleviate a Health and Sanitary Safety Hazard	$100,000	$50,000
WEP	AZ	Yuma	YUMA COUNTY IMPROVEMENT DISTRICT #07-09	AVENUE B C COLONIA	04/22/10	Sewer lines and connections.	$2,000,000	$16,308,448
WEP	NY	Wayne	SODUS POINT, VILLAGE OF	ARRA 0522 NY WW SOD	04/22/10	Distribution system built in the 1900's. RD funds will be used for improvements to the system to increase fire flow and pressures.	$2,120,000	$400,000
WEP	WV	Marion	MONONGAH, TOWN OF	WATER SYSTEM IMPROV	04/22/10	New water treatment plant, substantial amount of waterline replacement, and other water system improvements.	$173,000	$1,272,000

WEP	DE	Sussex	SUSSEX COUNTY COUNCIL 004	INLAND BAYS REGIONA	04/23/10	The Sussex County Council operates numerous districts to serve rural users. The Inland Bays Regional Wastewater Facility (IBRWF) currently serves the Long Neck Sanitary Sewer District and the Oak Orchard Sanitary Sewer District. This expansion will assist in serving the Angola Neck Sanitary Sewer Expansion as well as the Oak Orchard expansion, eliminating 2,150 septic systems that influence the inland bays of Delaware. The IBRWF consists of a partially mixed aerated lagoon treatment facility with an effluent spray irrigation system that was built in 1990. The IBRWF was designed to treat an average summer flow of 1.46 mgd and an average winter flow of 0.525 mgd. All though, the permit specifies that the average monthly quantity of influent shall not exceed 1.46 mgd, IBRWF is close to reaching the maximum capacity. Therefore, the Sussex County Council is requesting funds to upgrade and expand the wastewater treatment plant in the Town of Long Neck and Oak Orchard surrounding areas in order to meet new permit requirements and to help eliminate nutrient loading in the Inland Bays. This project will allow Sussex County to correct this issue and serve more targeted rural district areas by expanding the plant and	$10,475,000	$0
WEP	SD	Faulk	FAULKTON, CITY OF	WATER IMPROVEMENT 2009 PROJECT	04/23/10	Improvemetns to the Water storage and distribution system	$1,141,000	$983,000
WEP	WI	Dodge	CLYMAN, VILLAGE OF	FY 07 WWTF	04/23/10	Construction of a new Wastewater Treatment Facility (WWTF).The existing WWTF does not have adequate capacity to treat future wastewater flows, and it is also located in a floodplain area that is unsuitable for re-use.	$2,317,000	$1,727,000
WEP	ID	Idaho	KOOSKIA, CITY OF	WATER SYSTEM IMPROVEMENT PROJECT - 2009/2010	04/26/10	Water System Upgrade, New distribution lines	$425,000	$0
WEP	SD	McPherson	EUREKA, CITY OF	WATER IMPROVEMENT 2009 PROJECT	04/26/10	Improvements to the water system	$454,000	$453,000

WEP	WI	Douglas	PARKLAND SANITARY DISTRICT NO. 1	FY 09 NEW SEWER SYS	04/26/10	This new facility will include a pressure sewer, lift stations, and holding basin to serve this un-sewered community. The proposal is to construct a wastewater collection system that would connect to the City of Superior collection system, sending all wastewater for treatment at the City of Superior Wastewater Treatment Plant. Currently the residents use holding tanks for wastewater disposal and some utilize on site wastewater treatment systems. The new system will provide proper treatment of wastewater to prevent insufficiently treated wastewater from being discharged into the ground surface and nearby surface waters. The Parkland S.D. serves 321 residences and 10 commercial/public users.	$2,992,000	$4,716,000
CF	ME	Oxford	COMMUNITY CONCEPTS,	WILTON HEAD START	04/29/10	Purchase and make repairs/upgrades to an existing building for a head start facility	$225,000	$0
WEP	IA	Jasper	IOWA REGIONAL UTILITIES ASSOCIATION	NORTH NEWTON TOWER	04/29/10	Construction of a 500,000 gal water tower and 2000 gpm booster station	$670,000	$0
WEP	IL	Clay	CLAY COUNTY WATER, INC.	PHASE II	04/30/10	The Phase II project will extend 63 miles of water line to serve an additional 233 rural users located in portions of 4 townships in Clay County. No structures are planned.	$1,535,000	$477,000
WEP	SD	Hamlin	ESTELLINE CITY OF	2009 RE-LINING PROJ	04/30/10	Improvements to the current sewer system	$352,000	$305,000
CF	MD	Kent	BETTERTON, TOWN OF	RENOVATIONS	05/01/10	Renovations to historic building to be converted into town hall.	$0	$50,000
CF	VT	Franklin	RICHFORD HEALTH CENTER, INC.	MEDICAL CENTER-SWEAT COMINGS	05/03/10	Purchase new building	$400,000	$50,000
WEP	ME	Washington	MACHIAS TOWN OF	SEWER UPGRADES FY09	05/03/10	Upgrade to influent pumps, aeration blowers, effluent flow meter, headworks grinder; expand the chlorine tank	$500,000	$1,500,000
WEP	MS	Wayne	CLARA WATER ASSOCIATION, INC.	2008 DISTRIBUTION SYSTEM	05/03/10	2008 Distribution System	$555,800	$0
WEP	MS	Holmes	SOUTH HOLMES WATER ASSOCIATION, INC.	WATER LINE IMPROVEM	05/03/10	Water lines and tie end.	$41,000	$109,000

WEP	NY	Oswego	HASTINGS TOWN OF	ARRA 0430 NY WW HASTINGS, TOWN OF	05/03/10	Installation of a water distribution system along Route 11 & Fuller Road. Water will be purchased from OCWA	$2,200,000	$904,500
CF	IA	Audubon	EXIRA, CITY OF	FIRE STATION IMPROVEMENTS	05/04/10	City of Exira addition to fire station.	$0	$27,500
WEP	KS	Elk	ELK COUNTY RWD #2	ELK CO. RWD #2	05/04/10	Develop water distribution system to serve rural residents that currently do not have adequate or safe water sources.	$1,115,000	$1,072,000
WEP	MN	Pope	LOWRY, CITY OF	2009 WASTEWATER - ARRA	05/04/10	Replacement of existing wastewater collection and treatment system.	$1,065,000	$915,000
WEP	NE	Cedar	WYNOT, VILLAGE OF	WATER 2009	05/04/10	This project will replace deteriorating transmission lines and update control system. Replace the community's current storage facility with a new storage facility.	$700,000	$495,000
WEP	MI	Gratiot	BRECKENRIDGE VILLAGE OF	WATER DISTRIBUTION IMPROVEMENT PROJECT	05/05/10	Water Distribution Improvement Project	$2,756,000	$1,142,000
WEP	SD	Walworth	MOBRIDGE, CITY OF	WATER SYSTEM IMPROV	05/05/10	Improvements to the current water system	$636,000	$295,000
WEP	SD	Day	ROSLYN, TOWN OF	WATER/SEWER REPLACE	05/05/10	Water and Serwer system improvements	$415,000	$873,000
WEP	ID	Jefferson	MENAN, CITY OF	CITY OF MENAN	05/06/10	Additional winter storage capacity for treatment. The orientation of a new storage lagoon.	$310,000	$0
WEP	MN	Lincoln	LINCOLN PIPESTONE RURAL WATER SYSTEM	2008 WATER EXPANSIO	05/06/10	The project will constist of adding additional user to the system. They do estimate an additional 880 users will connect within the area of SW MN.	$10,917,000	$5,639,000
WEP	TN	Hardin	SAVANNAH CITY OF	OAK STREET WASTEWAT	05/06/10	The City of Savannah has two pumping stations the Oak Street Wastewater Pumping Station and the Riverside Drive Pumping Station. These stations were installed to stop the practice of dumping raw sewage into the Tennessee River in 1967. These have gotten a considerable amount of age on them and are in need of a considerable amount of upgrading. Therefore the project Engineer recommends that both of these pumping stations be replaced.	$360,000	$90,000

WEP	SD	Douglas	ARMOUR, CITY OF	2009 SEWER RELINING	05/07/10	Sewer System Improvements	$1,136,000	$564,000
CF	ND	Morton	ALMONT RURAL FIRE DISTRICT	FIRE HALL	05/10/10	Construction of new city fire hall building.	$55,060	$84,570
WEP	ME	Kennebec	GARDINER, CITY OF	2009 HARRISON AVE (SEWER)	05/10/10	replacement of existing water main and sewer main and services. Installation of storm drainage	$236,000	$189,000
WEP	NY	Delaware	DELHI, VILLAGE OF	ARRA 08-12 NY WW DE	05/10/10	Locate new water source and replace existing mains.	$3,169,000	$1,000,000
CF	AZ	Pima	MARANA HEALTH	MARANA HEALTH CENTER INC	05/11/10		$9,933,486	$0
CF	MO	Johnson	JOHNSON, COUNTY OF	PATIENT TOWER CONSTRUCTION	05/11/10	Construction of a new two-story tower featuring 72 private rooms. Expansion of the Radiology Department. Renovation of the existing hospital.	$34,000,000	$0
WEP	MI	Houghton	FRANKLIN TOWNSHIP	QUINCY HILL MESNA	05/11/10	Extend sanitary sewer services to an unserviced area.	$116,000	$347,000
WEP	MN	Fillmore	PETERSON, CITY OF	SEWER 02	05/11/10	Replacement of existing package plant with a new activated sludge package plant.	$399,000	$312,000
WEP	NH	Belknap	WHITE ROCK COOPERATIVE ESTATES	WATER WASTEWATER	05/11/10	Waste Water Project	$400,000	$468,000
WEP	NY	Tompkins	DRYDEN, VILLAGE OF	ARRA 07-22 NY WW DR	05/11/10	Wastewater Treatment Plant Upgrades.	$4,036,000	$3,258,000
WEP	MI	Branch	UNION CITY, VILLAGE OF	LAGOON REHAB	05/12/10	Rehabilitation/Lining of Sewage Lagoons	$1,026,000	$838,000
WEP	VT	Caledonia	ST. JOHNSBURY, TOWN OF	WEST SIDE WATER-SEW	05/12/10	Sewer line replacement	$4,469,000	$10,531,000
WEP	KY	Estill	IRVINE, CITY OF	REGIONAL WASTEWATER	05/13/10	This project involves the merger of the two wastewater treatment systems with Estill County, an upgrade to the Irvine Municipal Utilities wastewater treatment plant, and a cessation of operation of the Estill County Water District's wastewater treatment plant. This project will also involve the extension of wastewater service to the Wisemantown area of Estill County, and the construction of a new pump station to convey wastewater from the former Estill County Water District service area to the IMU wastewater treatment plant.	$4,577,000	$2,000,000

WEP	SD	Walworth	SELBY, CITY OF	WATERLINE REPLACEME	05/14/10	Improvements to the current water system	$280,000	$234,000
WEP	NH	Carroll	NORTH CONWAY WATER PRECINCT	NORTH CONWAY WATER	05/15/10	Replace water distribution system	$3,935,000	$4,255,000
WEP	ME	Piscataquis	TOWN OF BROWNVILLE	2009 WATER MAINS (ARRA)	05/17/10	replace transmission line and distribution lines/services that hve reached the end of their useful life. Also this project will provide a backup water source and emergency generators.	$450,000	$1,265,000
WEP	PR	Morovis	PR AQUEDUCT 07	PRASA 158-OROCOVIS/EL GATO	05/17/10	Construction of new pump station and installation SSS lines.	$3,913,000	$2,880,000
WEP	SD	Edmunds	BOWDLE, CITY OF	WATER AND WASTE IMP	05/17/10	Water and Sewer system improvements	$738,000	$517,000
WEP	SD	Roberts	ROSHOLT, TOWN OF	SEWER SYSTEM IMPROV	05/19/10	Sewer System Improvements	$810,000	$584,000
WEP	KY	Pike	PIKEVILLE, CITY OF	MARION BRANCH SEWER	05/21/10	Sanitary sewer extension to serve approximately 256 new customers that presently rely on failing septic systems or package plants and/or straight line pipes. Construction scheduled to start this week.	$1,500,000	$600,000
WEP	SC	Williamsburg	WILLIAMSBURG COUNTY	WHITE OAK COMMUNITY	05/21/10	The project includes the phase known as Kingstree East Phase II(White Oak Community). The project willl construct 30 miles of "looped" water distribution line.	$3,576,000	$571,600
CF	VT	Windsor	SPRINGFIELD AREA PARENT CHILD CENTER	CHILD CARE CENTER CONSTRUCTION	05/23/10	Construction of New Facility	$2,289,100	$100,000
CF	KY	Garrard	GARRARD COUNTY COOP PARISH, INC.	FY 09 COMM SERV CNTR EXPANSION	05/24/10	Expand the current facility by 2,400 sqare feet to house a training kitchen; a store for affordable food, clothing, and household items, and additional offices for the Jobs Referral Plus Program.	$0	$40,000
CF	NC	Edgecombe	CAROLINA FAMILY HEALTH CENTERS, INC.	HARVEST HEALTH CENTER EXPANSIO	05/24/10	Construction of a 9230 SF building for the Harvest Health Center in rural Nash County.	$1,400,000	$0

CF	NC	Johnston	TOWN OF SELMA	POLICE STATION RENOVATION	05/24/10	Purchase and renovate an existing 5,100 sq.ft. building along Hwy 301 for use as a Police Headquarters.	$550,000	$100,000
WEP	WI	Rusk	WEYERHAEUSER, VILLAGE OF	WATER UPGRADE - WEL	05/24/10	Project includes the installation of a 2nd municipal well in the Village of Weyerhaeuser. The Village's water system has been surviving for over 40 years with only one source of water, and if the existing well would malfunction or experience an environmental impact, the result would be devastating and very expensive to combat. The Village has made it a priority to locate an additional water source and install a second municipal well to reinforce their public water system. Additionally, the Village will develop a Wellhead Protection Plan (WHPP) for the existing and future well to aid in protecting their water supply.	$769,000	$596,000
WEP	KS	Crawford	CRAWFORD COUNTY RWD #1	WATER LINE UPGRADE	05/25/10	Water line improvement project.	$1,395,000	$409,000
WEP	TN	Hardeman	BOLIVAR CITY OF	PROJECT 01 - WATER	05/26/10	The City of Bolivar is experiencing significant problems with its water treatment plant. If these problems are not corrected the city will experience much greater problems than it is currently facing in the future.	$1,484,000	$416,000
CF	NY	Herkimer	RUSSIA TOWN OF	HIGHWAY GARAGE	05/27/10	completion of interior work on new town garage.consolidation of services with two adjoining villages	$550,000	$53,800
CF	ND	McIntosh	ASHLEY MEDICAL CENTER	ASHLEY MEDICAL CENTER	05/28/10	Heating and Air Conditioning for Hospital	$471,400	$0
WEP	IN	Wells	OSSIAN, TOWN OF	OSSIAN WATER	05/28/10	Upgrade of existing Well from 150 GPM to 350 GPM. Install two permanent standby generators at 2 Well sites. Replace approx 39,850 ft of aging and undersized water mains.	$3,290,000	$0
WEP	NY	Essex	ESSEX TOWN OF	ARRA 07-22 NY WW ES	05/28/10	new sewer district - collection lines and WWTP	$100,000	$3,603,200
WEP	SD	Edmunds	IPSWICH, CITY OF	WATER IMPROVEMENT 2	05/29/10	Improvements to the Water System	$1,635,000	$1,593,000
WEP	SD	Roberts	SUMMIT, TOWN OF	WASTEWATER IMPROVEM	05/29/10	Improvements to the sewer system	$340,000	$141,000

CF	LA	Evangeline	BASILE, TOWN OF	EMERGENCY STORAGE BUILDING	06/01/10	Funds will be used to construct a 50 X 30X 14 metal storage building with concrete foundation. The new facility will be used as an emergency supply storage and distribution center for the Town of Basile and surrounding area. Currently, the Town has no central distribution center that citizens can come to for supplies during emergencies such as hurricanes or severe storms.	$0	$82,800
WEP	CA	Kern	FRAZIER PARK PUBLIC UTILITY DISTRICT	FRAZIER PARK PUD WA	06/01/10	This is the second phase of a water system improvement project. The water system is composed of old, deteriorated water tanks, and rusted, leaky, undersized and exposed water lines situated on steep, eroded roads. This project will replace 3 water storage tanks; upgrade or rebuild 6 water storage tanks, replace undersized and leaking waterlines with 6 and 8 inch waterlines; and install hydrants, valves, and provide additional water system improvements.	$2,100,000	$1,000,000
WEP	IL	Marion	F M C WATER COMPANY	PHASE IV	06/01/10	The Phase IV project calls for installing 17 miles of water line located in a number of various sized extensions located throughout the FMC service area (7 different townships in Marion and Fayette Counties). The project will add 34 new users. A high percentage of the private water supplies in this region show various types of contaminations (e-coli, fecal bacteria, nitrates and farm chemicals)	$700,000	$0
WEP	MI	Allegan	DORR TOWNSHIP	SANITARY SEWER EXTENSION	06/01/10	sanitary sewer extension	$1,399,000	$0
WEP	MI	Bay	ESSEXVILLE CITY OF	WASTEWATER TREATMENT	06/01/10	Wastewater Treatment	$7,485,000	$0
WEP	MI	Bay	HAMPTON TOWNSHIP	SANITARY SEWER SYSTEM IMPROVEMENTS	06/01/10	Sanitary Sewer System Improvements	$13,224,000	$4,776,000

WEP	WI	Taylor	STETSONVILLE, VLG	FY 09 SEWER LINE RE	06/01/10	Sanitary sewer rehabilitation and partial replacement of sanitary sewer mains and laterals. Deteriorated concrete sewer main, pipes with major dips and sags, cracked and offset pipes, pipes with missing pieces, and blockages due to pipe offsets are all issues. The Village has been repairing and/or replacing as their budget allows, however, it will be cost-saving and to the Village's advantage to now complete the project in conjunction with the Village's new water system project.	$629,000	$489,000
WEP	WI	Taylor	STETSONVILLE, VLG	FY09 WATER SYSTEM U	06/01/10	The proposed project is to construct a full water system for the community. There currently is no public water facility in the Village of Stetsonville. All landowners obtain water from their individual private wells or share water from an individual private well. Contaminated well water is a major concern for the citizens of Stetsonville. The Village has been working very closely with the DNR and have discussed the sources of contamination at length. All parties agree that the only long term solution to the water problems in Stetsonville is a Public Water System.	$2,109,000	$665,000
CF	TN	Wayne	COLLINWOOD, CITY OF	BUILDING DEMO PARKING LOT	06/02/10	The City plans to demolish the older building and pave a parking lot where it is located. The other building will be used for office space.	$0	$60,000
CF	IL	Williamson	BUSH, VILLAGE OF	COMMUNITY CENTER	06/03/10	renovations to community building	$0	$30,000
WEP	WI	Bayfield	TOWN OF PORT WING	WWTF	06/03/10	Construction of a new Wastewater Treatment Facility to replace the Town of Port Wing's existing treatment center.	$571,000	$571,000
WEP	NY	Seneca	FAYETTE, TOWN OF	ARRA 07-22 WW FAYET	06/06/10	Private wells yield poor quality and quatity during dry periods. RD funds will provide financial ability to install public water lines to the residents.	$817,000	$489,700
WEP	NY	Seneca	VARICK, TOWN OF	ARRA 07-22 NY WW VA	06/06/10	Private wells have poor quality and quantity during. Public water lines are required for residents.	$597,000	$357,300

WEP	MI	Gogebic	IRONWOOD CHARTER TOWNSHIP OF	LAKE ROAD 1ST & 2ND SEW	06/07/10	Relace sewer line under Lake Road and replace some exiting sewer collection lines.	$808,000	$275,000
WEP	MN	Murray	HADLEY, CITY OF	WATER AND WASTEWATER	06/07/10	Construct wastewater system.	$896,000	$1,296,000
WEP	MT	Flathead	HAPPY VALLEY WATER DISTRICT	WATER FY09	06/08/10		$700,000	$0
CF	MA	Worcester	WINCHENDON, TOWN OF	SENIOR CENTER RENOVATIONS	06/09/10	The community facility grant will be used to pay a portion of the cost of renovating the Town's senior center. Repairs include parking lot expansion for accessibility, and repainting 3rd floor and the stairwell painting	$0	$13,570
CF	KS	Allen	HUMBOLDT, CITY OF ALLEN COUNTY KS	CITY HALL	06/12/10	Renovation of city hall building for ADA accessibility, restrooms and upgrade of HVAC.	$200,000	$70,000
CF	RI	Providence	NORTHWEST COMMUNITY HEALTH CARE	CLINIC EXPANSION	06/14/10	Project is a 1-story 2,770 SF addition to existing medical facility with a new two stop elevator connecting second floor. The project also includes renovations to existing lobby and reception area.	$1,000,000	$0
WEP	MI	Tuscola	KINGSTON VILLAGE OF	WATER SYSTEM UPGRADE PROJECT	06/14/10	Water System Upgrade Project	$1,852,000	$0
WEP	MS	Stone	SUNFLOWER UTILITY ASSOCIATION, INC.	150,000 GALLON ELEV	06/15/10	150,000 Gallon Elevated Tank	$748,500	$0
WEP	NY	Genesee	BYRON, TOWN OF	ARRA 07-22 NY WW BY	06/15/10	Rural Development funds will be used to install 2,150 feet of 8-inch water main for residents in the area who are experiencing insufficient quantity and poor water quality	$113,000	$27,300
WEP	NY	Genesee	BYRON, TOWN OF	ARRA 07-22 NY WW BY	06/15/10	Rural Development funds will be used to install 2,150 feet of 8-inch water main for residents in the area who are experiencing insufficient quantity and poor water quality	$121,000	$32,300
WEP	NY	Genesee	STAFFORD, TOWN OF	ARRA 02172010 WW N	06/15/10	Rural Development funds will be used to install a water main and a booster pumping station in order to provide safe, clean drinking water to residents who currently rely on unhealthy wells	$404,000	$496,000

WEP	WI	Walworth	COUNTRY ESTATES SANITARY DISTRICT	SEWER SYSTEM UPGRAD	06/15/10	Construction of a new wastewater collection system for the Country Estate S.D. which consists of a mobile home park of approximately 120 residents.	$1,456,000	$3,120,000
CF	WI	Jackson	BLACK RIVER FALLS, CITY OF	REPLACE AND EXPAND DAM	06/16/10	Replacement of an existing dam and expansion of hydro capabilities. The current gated spillway and concrete structures are 95 years old. Conditions of the spillway and tainter gates reflect the advanced age of the structures and indicate that they are approaching the end of their useful life. This project includes replacing the existing dam at its current location with eight 20-foot wide tainter gates that would each be equipped with an electrically powered hoist that could be operated remotely. The second part of this project would be to add a third hydroelectric generator on the opposite side of the river that will increase the City?s generation capacity to 11% of the demand (currently at 8%).	$5,000,000	$0
WEP	MN	Pine	WILLOW RIVER CITY	WASTEWATER TREATMENT	06/16/10		$925,000	$106,000
WEP	MI	Iron	CRYSTAL FALLS, CITY OF	WATER STORAGE TANK	06/17/10	Replace the exiting water storage tank and upgrade some existing water distribution lines.	$5,307,000	$3,073,000
WEP	MN	Norman	PERLEY, CITY OF	2007 SEWER IMPROVEMENTS	06/17/10	Replacement of wastewater treatment ponds	$366,000	$595,000
WEP	MS	Monroe	COONTAIL WATER ASSOCIATION, INC.	WATER 2009	06/17/10	Radio read meters & line extensions	$230,000	$102,000
CF	MN	Watonwan	DARFUR, CITY OF	FIRE HALL PROJECT	06/18/10	Build a fire hall.	$200,000	$44,000
CF	MN	St Louis	FLOODWOOD, CITY OF	CITY OFFICES/POLICE STATION	06/21/10	Remodel and additon to an existing building for use as city offices and police station	$219,000	$164,000
WEP	IN	Dubois	PATOKA LAKE REGIONAL WATER & SEWER DISTRICT	PHASE VII WATER PRO	06/24/10	24 miles of transmission mains, an elevated 250k gallon water tower and booster station. Water plant improvements - backup power generation, clear well baffling, UV-AOP taste and odor control process	$8,207,000	$0
WEP	MI	Baraga	L''ANSE VILLAGE OF	SEWER IMPROVEMENTS	06/24/10	Upgrading sewer collection system.	$4,499,000	$3,000,000

WEP	OH	Ross	RICHMOND DALE SEWER DISTRICT	RICHMOND DALE SEWER	06/24/10	This project will provide a centralized wastewater treatment and collection system to serve 172 users in the unincorporated community of Richmond Dale.	$637,000	$556,000
CF	SD	Custer	CUSTER COUNTY	CUSTER COUNTY	06/28/10	Renovation of existing building with a 14,606 sq ft addition	$5,721,000	$0
WEP	NH	Hillsborough	PETERBOROUGH, TOWN OF	WASTEWATER SYSTEMS	06/28/10	Waste Water Treatment Upgrade	$6,986,000	$5,688,000
WEP	VT	Orleans	BARTON VILLAGE , INC	WATER MAIN REPLACEMENT 2009	06/28/10	Water distribution Replacement	$723,000	$2,077,000
WEP	VT	Essex	CANAAN FIRE DISTRICT #2	WATER TANK AND MAIN	06/28/10	New Water Tank and improvements to distribution system.	$491,000	$1,386,000
CF	NV	Elko	WELLS CITY OF	SAFETY EQUIPMENT INSTALLATION	07/01/10	ADA Ramp Installation Project	$0	$4,742
WEP	NY	Oswego	VOLNEY, TOWN OF	ARRA 1216 NY WW VOL	07/01/10	Installation of a water distribution system. Water will be purchased from the Town of Scriba.	$449,000	$344,500
CF	MN	Polk	FIRST CARE MEDICAL SERVICES	2009 EXPANSION	07/06/10	Project will link an existing clinic to the existing hospital. Additional remodeling will be completed in both facilities.	$6,000,000	$0
WEP	IL	Bureau	BUREAU JUNCTION, VILLAGE OF	WELL CONNECTION	07/06/10	Water Main Extension	$0	$146,000
CF	TN	Overton	EXCHANGE CLUB H J STEPHENS	THE EXCHANGE CLUB	07/08/10	The proposed facility will be purchased and renovated for the administrative staff of The Exchange Club. The building is located at 616 N. Church Street, Livingston, TN 38570-1131. The property is 25 years old and vacant. The interior is divided into two reception areas, multiple small offices, three bathrooms with two fixtures each and one kitchenette area. The condition of the structure is considered average and is suitable for improvements to house the administrative staff.	$166,000	$75,000
WEP	AR	Baxter	SALESVILLE, CITY OF	WASTEWATER SYSTEM	07/08/10	Develop wastewater system to serve the City of Salesville, AR	$897,000	$1,414,000
CF	IL	Fayette	FAYCO ENTERPRISES, INC.	ADULT DAY CARE	07/13/10	Convert an existing building into an Adult Day Care.	$175,000	$0