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S. HRG. 111–801

REVITALIZING RURAL AMERICA

FIELD HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

NOVEMBER 23, 2009

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

Available via the World Wide Web: http://www.agriculture.senate.gov

U.S. GOVERNMENT PRINTING OFFICE

62–721 PDF WASHINGTON : 2011

For sale by the Superintendent of Documents, U.S. Government Printing Office
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REVITALIZING RURAL AMERICA

Monday, November 23, 2009

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Little Rock, Arkansas

The Committee met, pursuant to notice, at 1:00 p.m., in the William J. Clinton Presidential Library, 1200 Clinton Avenue, Little Rock, Arkansas, Hon. Blanche L. Lincoln, Chairman of the Committee, presiding.

Present: Senator Lincoln.

Also Present: Skip Rutherford.

Mr. RUTHERFORD. Good afternoon, ladies and gentlemen. My name is Skip Rutherford. I am Dean of the University of Arkansas Clinton School of Public Service, and we are honored to host this hearing today at the Clinton Library. So on behalf of the students, faculty, and staff at the world's only college to provide a master's in public service, we hope you enjoy this public service.

It is my pleasure to introduce someone who needs no introduction to the people in this room, but to say that this is a historic occasion because this is the first field hearing being held for the new Chairman of the Senate Agriculture Committee, her first field hearing. And in the 184-year history of the Senate Ag Committee, Senator Blanche Lincoln becomes not only the first Arkansan to chair that Committee, but the first woman to chair that Committee. So we are honored that she has chosen here for this hearing.

In 1998, she became the youngest woman ever elected to the United States Senator, and she has served our State with honor and distinction, not only the Agriculture Committee but on the Finance Committee and other positions in

Washington, DC A former Congresswoman from the 1st Congressional District, the mother of twin sons, and the wife of a physician, would you please welcome the distinguished Senator from the State of Arkansas, the Honorable Blanche Lincoln.

[Applause.]

STATEMENT OF HON. BLANCHE L. LINCOLN, U.S. SENATOR FROM THE STATE OF ARKANSAS, CHAIRMAN, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Chairman LINCOLN. Thank you. Well, thank you all for being here today. Now, there are plenty of seats up front in case anybody cannot see or hear. So I do not want this to be the church service that everybody say in the back. But we want to say welcome to you all and good afternoon,

and welcome from the U.S. Senate Agriculture, Nutrition, and Forestry Committee and the field hearing that we are having here today. I am very excited that this is our first official field hearing that I am holding as Chairman of the Senate Agriculture Committee. It is extremely meaningful to me not only because it is here in my home State, but it is also on an issue that I am passionate about.

As we look towards the future of what we have to do in this great country, it is to put our economy back on track, it is to create jobs. And as we move forward in this hearing, I think its timing is important because with the new year I think you will see an added effort. Many of us have been clamoring in Washington to focus on jobs and to focus on the economy, and this hearing will provide us great information, great resources, both questions as well as ideas of how we can really get the ball rolling in terms of job creation in wonderful areas of our Nation in rural America. So I am very pleased.

I also want to say a very special thanks to Skip for those kind remarks, but I also want to thank Skip for his leadership here and the Clinton School of Public Service for hosting our hearing. We are so proud, very proud in Arkansas to have the only graduate school in the Nation offering a master's in public service right here in Little Rock. And I want to thank the members of the Arkansas State Legislature. I saw a few of them when I came in. I know there are some that are here. I am very grateful that they are here with us today, and I continue to look forward to working with them. I know that they hear as much as I do, if not more, with boots on the ground as they are, certainly the dilemma in rural America, and particularly with production agriculture right now. So I am grateful to them for their friendship and the hard work that they do.

I also want to thank—there are some mayors here and county judges who are in attendance. I know they also hear and see an awful lot firsthand, and I am grateful for the working relationship we have with them and want to continue that working relationship to benefit all of our constituents.

And, finally, I want to thank everyone else who is here. This is an issue that we all must tackle. Building our economy in this country is critical and making sure that the rest of our Nation understands the important role that rural America has to play in that, the good ideas, the challenges that we face, but without a doubt, the stamina that we have and the perseverance that we have to make sure that we are a part of the solution and not a part of the problem. And I hear and see that enthusiasm every time I visit rural America, whether it is here or in other parts of our Nation.

Today, we are very fortunate to have three panels of distinguished witnesses to discuss Arkansas' rural economy, and I really look forward to hearing their testimony, as I know you do as well. For those of you in the audience who will not be testifying, we hope that you will take the opportunity to fill out the cards that were given to you as you entered today to let us know your questions and concerns, feedback on all of the issues discussed here today. There are also several members of my staff here, so I encourage you to visit with them about how you can share your thoughts with

the Committee. This is an official Committee event, and so it will go on the record, and these will be great ideas and certainly great concerns that we take back to my colleagues in Washington on the Senate Agriculture Committee.

I am honored to be the first Arkansan to serve as the Chairman of the Senate Agriculture Committee and excited about the opportunities this presents for Arkansas to elevate our voice in Washington on issues critical to the economic well-being of our State and all of rural America. This first official field hearing provides an opportunity for Arkansans to begin a new dialogue with the Senate Agriculture Committee that will help shape our agenda moving forward in the Committee.

Creating jobs, putting our economy back on the right track, is my number one priority. With over 100,000 Arkansans now unemployed, families across our State are struggling to make ends meet. Together with your help and input, we will use this chairmanship to put people back to work and reverse the devastating effects our ailing economy has had on Arkansas and other rural areas of our Nation.

When our Nation faces difficult economic times, rural Americans are often the very first to feel the impact and the last to recover. With 48 percent of our State's population living in rural areas, it is absolutely critical that this Committee focus on providing our rural communities with the tools they need to strengthen and grow their economies.

An issue of particular importance to our State's economy right now is the hardships many of our agricultural producers are seeing as a result of recent excessive rainfall and flooding. According to the National Oceanic and Atmospheric Administration, 2009 has been our wettest year in 115 years of recordkeeping. Last week, the University of Arkansas's Division of Agriculture released a report on the State's crop losses due to the flooding and the poor weather conditions. The report estimated the crop loss for the 2009 harvest has risen to more than $300 million, and this does not even factor in the lost wages of agriculture-related jobs of more than $80 million.

And that is why I have joined forces with Senator Thad Cochran, the highest ranking Republican on the Senate Appropriations Committee—and, remember, that is the Committee that controls the money—to introduce legislation to provide additional direct payments to producers in counties where there is a USDA-declared disaster. To date, over half of Arkansas' counties have received a disaster declaration. Obviously, there is never a good time for us to suffer these kinds of losses, especially in an industry that is the economic engine of rural Arkansas.

However, given the current recession, it is difficult to imagine this flooding occurring at a worse time. In our Nation's history, the economics that we face right now are treacherous. As Chairman of this Committee, I will continue to be a strong advocate for supporting the thousands of jobs and hundreds of rural small businesses in Arkansas that production agriculture provides.

In addition, I know that improving our rural infrastructure is also critical for our farms and rural communities to thrive. Fostering the development of key infrastructure provides new opportu-

nities to support our rural economy and spur new job creation. Providing accessible, affordable broadband to rural communities is one of my top priorities. Broadband Internet service is quickly becoming a requirement for many businesses when they consider where to locate, and rural Arkansas will not be able to compete with the rest of the country without it.

Much like broadband, many rural Americans lack access to safe and reliable sources of water. There are rural communities right here in Arkansas that are struggling with this issue, and helping them to provide clean water to their citizens will continue to be a priority for me. I have worked on it since I was first elected in 1992 and will continue to make this a priority.

Through the 2008 farm bill and economic stimulus bill, there are USDA programs to help. In fact, just last week, I worked with USDA to secure over $4 million for Arkansas to put people to work and help provide clean water resources. However, there is clearly more to be done, as we will hear from the witnesses today. But I have to say that when I was first elected in 1992, it was unbelievable to witness the installation of a new water system out in western Arkansas. And I was amazed. A woman came up to me, and she looked at me and she, just with tears in her eyes, was so grateful to finally have good, clean water in her home. And she looked at me and she said, "Yes, ma'am, I am so proud." She said, "And I got to tell you, I had colored sheets long before colored sheets was popular." She said, "I am so glad to be able to have this clean water."

Some of us take that for granted. We should never, and we should be doing everything we can to ensure that all Americans enjoy safe, clean water.

Affordable housing is another important issue for Arkansans. In 2008, an estimated 48 percent of Arkansas renters could not afford two-bedroom housing. In some regions of the State, that number is over 50 percent. Homeownership is essential to building economic wealth in a community as well as safety, and we must do more to help Arkansas families achieve the dream of owning their own home.

Finally, we are blessed in Arkansas to have a number of community development organizations in our rural communities, encouraging entrepreneurship and helping Arkansans find ways to improve their quality of life. I look forward to hearing about successful community and economic development initiatives and discussing how we can replicate these successes over our State and Nation.

We have an impressive set of witnesses here today, and I look forward to their testimony on these critical issues. This will be a productive hearing for the Committee, and it will help us ensure that the economic needs and the strengths of various sectors of Arkansas' economy as well as all of America's rural economy will be guiding me and the other members of our Committee as we move forward in constructing the Committee's agenda. While there are many pressing issues facing our Nation and our State, none are more important to me than fixing our economy and helping Arkansans get a good job.

So now I would like to move to our panelists, and I would like to introduce our first panel of witnesses who will come and join us here at the witness table.

Our first witness today will be Randy Veach. In December of 2008, Mr. Veach was elected president of the Arkansas Farm Bureau. He previously served 5 years as the organization's vice president and has been on the State Board of Directors since December of 1999. He is a third-generation farmer. He produces cotton, rice, soybeans, wheat, and corn on farmland cleared by his grandfather and his father.

We will also hear from Mr. Tom Jones. Tom is a third-generation farmer from Pottsville who raises beef cattle and grows hay. Mr. Jones is a member of the Arkansas Farm Bureau Board of Directors.

We are also fortunate to have Allen Bedell with us. Mr. Bedell is the Chairman of the Arkansas Forestry Commission. He is also a board member of the Arkansas Agriculture Department. He previously served as president of the Arkansas Timber Producers Association and the Arkansas Forestry Association.

Then we will hear from Mr. Jeremy Gillam. Mr. Gillam, owner of Gillam Farms in Judsonia, is a specialty crop producer. He currently serves as the horticulture chairman of the Arkansas Farm Bureau and is also a member of the Southern Region Small Fruit Consortium Board of Directors. And I have actually visited up there with Jeremy and been enormously impressed with their operation.

Finally, we have Mr. Michael Jones with us today. Mr. Jones has served as president of Merchants and Farmers Bank in Dumas for 20 years. He is active in local and county economic development efforts and has served as a board member for the Winthrop Rockefeller Foundation, Arkansas Community Foundation, and Arkansas Historic Preservation Program's State Review Board.

Welcome to all of you all. Thank you, gentlemen, for joining us today. Please know that all of your written testimony will be made a part of the official Senate record. And with that, we will begin. Mr. Veach, if you will provide us your testimony.

STATEMENT OF RANDY VEACH, PRESIDENT, ARKANSAS FARM BUREAU, MANILA, ARKANSAS

Mr. VEACH. Good afternoon, Senator Lincoln, and thank you so much for this privilege that we have to be with you this afternoon. I want to really thank you especially for scheduling this field hearing that we have the opportunity to come before you and this Committee to express problems that we have suffered in agriculture this year and how those affect rural communities in rural Arkansas. And I just want to thank you for the opportunity that have given us to testify today.

You know—and you and I have talked several times— Arkansas is a rural State, and rural Arkansas and all of rural America depends on agriculture, and agriculture depends on our rural communities in all of rural America.

Arkansas agriculture is so important to the structure of these rural communities, keeping them stable and making them financially sound. The Arkansas Farm Bureau is a general farm organi-

zation, and as president of that organization, we are interested and understand the impact of the weather-related disasters that have been on all of agriculture. Not just certain segments of agriculture but all agriculture has suffered from these weather disasters that we have had over the year of 2009.

Any disaster program assistance that is considered needs to cover the full spectrum of all agriculture, whether it is row crops to livestock, dairy, forestry, poultry growers, fruit and vegetable producers. They all have had an impact from the weather in this past year of 2009.

We have had timber losses. We have had poultry plant closings with the Pilgrim's Pride bankruptcy, and two plants in Arkansas in particular were closed down, and those producers are hurting. We have had the impact of the heavy rains on our row crop and hay production.

The 2009 weather disasters started with the ice storms at the beginning of the year, and they have just continued to compound upon agriculture with horrendous amounts of rain that fell all across our State, with any areas receiving up 2 feet more than normal rainfall. And at times, it was very devastating to production agriculture in times of planting and also in times of harvesting.

The impact that the weather has had on Arkansas farms and ranches has been significant and, at the very least, challenging to us over this past year. This impact will be felt throughout the Arkansas economy, and especially in rural Arkansas. The Arkansas Farm Bureau has, in fact, projected the total economic loss in Arkansas could reach over $650 million. A lot of those figures are not able to be put together yet because we are still harvesting in the State.

Now, this is in a State that the largest industry in our State is agriculture. Our State's economy is tied directly to our agriculture. It is the foundation, agriculture is the foundation of our economy, and, you know, Senator, Lincoln, you and I have talked times before about it is also the foundation of our country and the economy of our country. Without assistance, these losses will reduce the ability to provide food, fiber, and shelter not only for Arkansas and not only just for our Nation, but also for the world, because that is how important agriculture is in our country to the other parts of the world. Many nations depends on us to feed their hungry people.

In Arkansas, Arkansas contributes more than 270,000 jobs in our State from agriculture. Agriculture contributes that many jobs. Workers receive $9.1 billion in wages and salaries each year; 16 percent of our State's total labor income is derived from agriculture. Agriculture contributes 18 percent to all value-added in Arkansas, amounting to almost $16 billion.

Arkansas ranks number 11 nationally in total farm receipts, with 46,500 farms and ranches in our State; 14.3 million acres is in production, including ranches. Arkansas is number 4 in timber production, with 18 million acres in time production, 32.3 million acres in agricultural production in our State.

Our State ranks near the top producers in many areas of agriculture: we are number 1 in rice, we are number 2 in cotton, number 5 in grain sorghum, and number 10 in soybeans.

Impact of weather on Arkansas agriculture, to date, as calculated by the University of Arkansas Division of Agriculture, which you alluded to a little while ago, with all of it ground in together, about $471.2 million. That accounts for about $115 million in cotton, $127 million in soybeans, and $50 million in rice. And we know that in my case, for instance, in Mississippi County where I farm, that we planted many of our crops three times. We planted cotton three times, we planted soybeans three times, and this made the crop much later in that area. And with a light crop, your production goes down and your yields go down. And then compounded on top of that, the rains that came during harvest and as the crop was maturing. So we have not only had yield reduction but a lot of reduction in quality in our agricultural products.

We have lost almost 3,000 jobs due to weather; lost wages total $83 million; loss of more than $27 million in rice, corn, and sorghum, over $8.3 million lost in jobs in cotton ginning. And we know that once those gins go out, we lose that infrastructure in cotton. Our cotton production in the State is going to continue to bottom out. We could lose a lot of cotton production because of those issues.

We anticipate many more losses. These fields are in terrible condition, and we will have to reshape those soils and get those fields ready for planting; and not only that, but we also probably will see in the quality issue in a lot of our seed that our seed quality is not going to be as good, and we probably will have a shortage of quality seed, planting seed, which translates to a higher cost to us in agriculture as well at that time.

The SURE program, the regulations have not been released yet, but we do not feel like that is going to be of a benefit to us in the interim, but especially not as soon as we need the help in agriculture, that we need that help right away, because we are going to start making loans for the next crop production, and without some help immediately, we are going to lose some producers in our State of agriculture products.

If we want to continue to have stable rural communities, protect the largest industry in our State, while providing an abundant, affordable, safe food supply for this State, for this Nation, and for the world, we will need some assistance in agriculture.

I want to thank you for your time this afternoon. I also want to thank you for your commitment to American agriculture and for your commitment especially to the men and women who make their living in agriculture.

Thank you.

[The prepared statement of Mr. Veach can be found on page 117 in the appendix.]

Chairman LINCOLN. Thank you, Mr. Veach.

Mr. Jones.

STATEMENT OF TOM JONES, LIVESTOCK PRODUCER, AND MEMBER, ARKANSAS FARM BUREAU BOARD OF DIRECTORS, POTTSVILLE, ARKANSAS

Mr. Tom Jones. Thank you, Senator, and I also want to echo welcoming you back to our home State, the great State of Arkansas.

Chairman LINCOLN. Absolutely. I am glad to be home.

Mr. Tom Jones. My comments today will be on behalf of livestock producers, a segment of agriculture that is a target for some, but a godsend to a greater number of people.

I have the privilege not only of serving with the Farm Bureau but also on the Cattlemen's Beef Board, and that has given me the opportunity to tell a lot of cattle producers in this country what we have gone through in Arkansas. They cannot believe what we have had this year, so it has been a tough year.

We certainly have had some definable losses in livestock agriculture, not to the point that the row crop producers have had at this point. We think our losses will be felt over the next several months. So we do not know exactly how bad our losses are at this point.

We do know this: When there are troubles in the grain markets, those of us in livestock agriculture are certainly impacted by that, because agriculture works best when we are all profitable and moving forward.

I would like to say that of the animal agriculture in Arkansas, it provides about half of the income for agriculture in the State of Arkansas: some $3.1 billion in poultry and eggs; $611 million in beef and swine; $41 million in dairy—a number that is declining, and you are fully aware of that; and then $185 million in other livestock. And just like Mr. Veach pointed out where we are in some of the grains, I would point out that we are number 1 in baitfish, number 2 in catfish, number 2 in broilers, number 4 in turkeys, number 8 in eggs, and 11th in the very vast cattle industry in this country.

The losses that livestock has experienced so far this year, and will continue to, are not only in the amount of our forage but also in the quality of it, and that is, again, where we just do not know where those losses are going to come out at the end because we just will not know until the end of the feeding season how that goes.

I do want to specifically address the situation with our poultry growers. We have had the loss of a major integrator, the loss of a complex in Clinton and in El Dorado, some 140-plus growers in the Clinton area, 290 in the El Dorado area. The vast number of these producers were unable to get contracts with other growers. This has led to a lot of farm debt that is just sitting there without any income to handle that. That certainly is going to see a rise in bankruptcies, and especially with our younger producers who may not have as many assets.

I will bring up one name, Terry Laster, down in the El Dorado complex, a 7-year payout from right now on his poultry complex, but he cannot get a contract. He has 160 acres and a home, and he is not sure that he will have any of that when this is over. So we do talk about the industry, but we need to talk about some people.

Certainly in our swine industry, we do not have as much swine industry as we used to have, but those that are still in production matter. They are good, hardworking people in vital parts of their community. Again, a major integrator left. We are down to less than 1,200 swine operations in the State, and that number is still declining.

Our dairies obviously are through a period of tough economic times with sluggish prices, market interruptions. They are still underwater and they need our assistance.

And I think all of this has to be brought into everybody's mind in the time when animal agriculture is really under attack. We know there are people who would tell all of us in this audience and tell you on a daily basis that we just do not need animal agriculture anymore, we are not doing it right.

Senator, we are doing our best to provide that safe, healthy, abundant food system that President Veach spoke about. We also are contributing to our rural communities. But livestock agriculture, I would submit to you, is in desperate need of rural development. A lot of livestock producers do depend on off-farm income, and those off-farm jobs in those small communities are what allow those producers to stay in business. So rural economic development is vitally important.

I think the thing that I would say to you is if we can do rural development and if we can open up some markets to our products, Senator, we have to open up some markets to our products. If we can do that, we can accomplish what we need to do in livestock agriculture, which is explain to people that we do it right, we do work hard at what we do, and we can provide that food system to the world.

So I want to thank you again for the opportunity to visit with you today, and if you are ever up around Pottsville, come see us at Jones Cattle Company

[The prepared statement of Mr. Tom Jones can be found on page 78 in the appendix.]

Chairman LINCOLN. I will take you up on that. Thank you, Mr. Jones.

Mr. Bedell.

STATEMENT OF ALLEN BEDELL, CHAIRMAN, ARKANSAS FORESTRY COMMISSION, HOT SPRINGS, ARKANSAS

Mr. BEDELL. Thank you, Madam Chairman, and welcome home. My comments today will concern the part that forestry plays in the rural economy. First, I know that you are all aware of the obvious fact that most, if not all, of the forests and the harvesting of forest products occur in rural Arkansas and rural America. Chain saws are seldom heard in the city, and most harvesting in urban areas occurs only when forested land is being removed from productivity in favor of shopping malls or housing developments.

The prolonged downturn in housing construction has devastated the "solid wood" sector of the forest products industry. The downturn in the global economy has certainly affected the pulp and paper industries. Employment numbers are certainly a moving target, with mills in Arkansas and across the Nation announcing temporary shutdowns and permanent closures almost on a weekly basis. International Paper Company recently announced the permanent closure of two mills and a reduction in capacity at another with the resulting layoff of 1,700 workers. In Arkansas, recent closures of sawmills or plywood plants have been announced by Potlatch, Georgia-Pacific, and Weyerhaueser Corporations, and several other mills are operating on severely restricted schedules.

Each mill shutdown or closure asserts tremendously negative impacts on supporting businesses, such as logging contractors, equipment dealers, repair facilities, local hardware stores, automobile dealers, and even mom-and-pop stores. In Arkansas alone, approximately 30 businesses in the Mechanized Logger Program have shut down in 2009, probably never to return. Once forest products facilities are closed and logging contractors cease operations, these jobs are difficult to recover. The industry is highly capital intensive, and labor lost to other industries is difficult if not impossible to re-attract and put back to work.

Each mill closure devastates local economies, not only the logging contractors but tax-supported entities are affected, including school systems and State, local, and county governments. In Arkansas, our Forestry Commission is supported in large part by the collection of "severance" taxes. The Commission staff estimates a net loss of $1.2 million over the next year because of decreased tax revenue generated from the downward trend of harvesting of forest products.

I will not continue to attempt to impress on you the seriousness of the plight of the forest products industry, but I will attempt to make you aware of its importance in the rural agricultural regions of our State and the United States. For too long the timber industry has been a "step-child" in the agricultural field, whatever the reasons. This industry provided the materials for our homes and the paper products that we use daily. Even today we furnish 50 percent of the energy needs in our manufacturing plants by burning otherwise waste materials.

Let us focus on some other realities. Recent weather occurrences in Arkansas have caused major problems in the agricultural fields. Flooding was at major levels and continues to cause problems. The State is some 25 inches above the annual rainfall, as has been mentioned before. But rain falls in the forests just as it does on the fields. Just as flooding wreaks havoc with production and harvesting of crops, so it does with timber. Retrieving timber from the forests becomes much more difficult and expensive, if not totally impossible. The rural timber access roads and county roads deteriorate and suffer increased damage. Tracts offered for sale are often much farther from the normal base of operations, resulting in increased logistical problems and costs, especially for fuel.

Meetings with Federal, State, and local officials are ongoing. I am especially appreciative of your staff for providing audience to the timber industry representatives that have been in contact with that office. In addition, Representative Mike Ross of the Fourth Congressional District and Governor Mike Beebe have listened attentively to our concerns.

Some ideas that surfaced from these meetings are: possible involvement of the Small Business Administration on financial matters; possibilities of legislation, i.e. "cash-for-boards," tax breaks for housing purchase, anything that puts housing construction back on track; recognition of forestry/timber issues when considering agriculture relief legislation; continue the efforts to look responsibly at biomass energy programs that are economically feasible and provide value to the American citizen; serious consideration of pro-

posed legislation to increase GVW limits on highways with the addition of a sixth axle.

In closing, I must tell you that in the 49 years I have spent working in the forests of Arkansas, with some 35 years of that time being actively engaged in the logging business, things have never been this bad. Forests and harvesting have always been a great part of the American landscape, and I honor the time and experiences that I have been privileged to spend in this arena. I can define a logger as a timber harvesting professional who is fiercely competitive, independent, and hard working, that goes about the daily process of delivering wood fiber to manufacturing facilities regardless of the pitfalls confronting all of agribusiness, including weather, government-and industry-imposed regulations, and they are always aware of the financial restraints confronting them. Loggers are the "sharecroppers" of modern agriculture.

I urge you to consider ways to help preserve an industry that is a vital part of the fabric of rural America.

Thank you again.

[The prepared statement of Mr. Bedell can be found on page 58 in the appendix.]

Chairman LINCOLN. Thank you, Mr. Bedell.

Mr. Gillam.

STATEMENT OF JEREMY GILLAM, SPECIALTY CROP PRODUCER, GILLAM FARMS, JUDSONIA, ARKANSAS

Mr. GILLAM. I would like to echo the appreciation of my colleagues on just the opportunity to be here today. When word got out that I had been invited to participate with this, I had several phone calls, as you could imagine, come in from producers and growers from around the State who were very distraught in their conditions and what has happened not only this year, but the compounding effect that has occurred over the last 2 or 3 years, between freezes like we all experienced in 2007, the market and rain and things, conditions again, and then 2008, and then on to this year with the excessive flooding. Their biggest concern was surviving the short term, but also coming up with some game plans on the long term.

We have been growing here in Arkansas with the fruits and vegetable segment of the agriculture industry here at really, really good paces here the last several years. We have made great strides and have brought new growers, young growers such as myself, so they are all very concerned at this moment on where to go forward.

One of the biggest things that was relayed to me was with the insurance programs that are available right now to the fruits and vegetable growers, especially here in Arkansas. Many are turned away from these programs due to the nature of their businesses. The insurance a lot of times is considered to be volatile of a risk. And so access is something that has been prevalent on the minds of many of the fruits and vegetable growers, and improving that is something that they have hoped that this example of what has happened this year would be able to maybe foster some growth in that area as well.

When talking with some of the grape producers in northwest Arkansas, they were relaying to me that in 2007, for instance, total

crop loss year they had a payout of 1 percent to come back to them on their crop insurance. The tomato growers that I have talked to that are experiencing problems this year have relayed to me that many of them have still not received any payments at all and are lost in bureaucracy.

And so one of the things that is my hope that will come out of some of these events and that we might be able to move forward on through these difficulties is improving that system for our fruits and vegetable growers, that they would be able to survive and move on to other years and continue to grow.

Mr. Jones mentioned the young producers and the problems that they have. Many of the young farmers that we are attracting in to the agriculture industry right now are doing so through fruits and vegetables, and they have not had the chance to build up their reserves and their assets. So having years like we have had in the last two or three are forcing many of them to make some tough calls. We are very hopeful that maybe there might be some aid that can come on the short term that would help them bridge that gap and survive and continue to grow this industry and segment because, as we push forward to be a healthier Nation, fruits and vegetables are going to play a vital role in that, and especially here in Arkansas with the growth that we have seen.

Also, one of the things that was mentioned to me quite a bit was the impact that it had on the rural communities this year. I spoke to several of our pumpkin growers throughout the State and was told in great detail of the loss of a lot of the fall festivities that were unable to happen this year because of the rain and everything and the impact that it had on the communities and their way of life and the enjoyment factor that goes into being a part of our rural communities. And so I had several that mentioned to me the impact that occurred there.

One thing that I think was mentioned and alluded to in President Veach's comments, too, was the impact on our rural infrastructure that has occurred with these rains, and, of course, a lot of that are roads that we all take in agriculture in order to be able to transport our crops and our harvest. So the road damages that occurred through this has also had a domino effect not only just with the roads and the general traffic, but also impacting our agriculture as well. And that domino effect is something that has been of great concern not only for me but for several of my colleagues that I have spoken to because the fruits and vegetable industry, especially in grapes, blackberries as well like I raise, they are not a crop that you plant ever year. You have waited several years in order to get to that point, and then you have problems. And so the impact that it is going to have on the future years is something that I appreciate the opportunity to address with you today.

Thank you.

[The prepared statement of Mr. Gillam can be found on page 74 in the appendix.]

Chairman LINCOLN. Thank you.

Mr. Jones.

STATEMENT OF MICHAEL JONES, PRESIDENT, MERCHANTS AND FARMERS BANK, DUMAS, ARKANSAS

Mr. Michael Jones. Senator, thank you for including a banker from a row crop county on your panel today. You know from growing up in Helena that weather is a constant topic of conversation in farm families and bankers who lend to farmers. 2009 was the year we quit talking about the weather in the Delta because it was so bad. We might mutter about it under our breath, but it was that severe.

As has already been mentioned, the flooding in the spring was devastating from the standpoint of replanting. The flooding in the summer actually might have been okay had everything else worked out. It cut down on irrigation costs, one little bright spot. But when harvest came, if you did not have an early crop, you suffered loss.

The bank I serve has been there for 100 years, and I have seen 30 of those, and this is as bad as we have ever seen it from the standpoint of excess water, and never have we seen this kind of water at harvest. We have encountered hurricanes and their damage, but it blows through and it blows away. In October of this year, we had 4 days that it did not rain in Desha County.

I made a lot of calls, preparing to come to see you today, to producers and other lenders, and in southeast Arkansas—and I would venture to say it is no different from Mississippi County to Chicot County; it is just some spots are a little worse than others. Out of the portfolio of agricultural loans we have, we do not have a single producer who is not seriously hurt by the weather factors of this year.

Our borrowers will fall into three categories. We have one small group that will make a little money. They had early rice or they got an early corn crop out, maybe did not plant any cotton. Then we have another group that I doubt there is anything you or I can do to help them, and thankfully, that is a small group. But the group I would ask you to focus on is the group that is hanging in the balance, and that is the largest group, where if they pay out, they will not have anything left for their other expenses, whether they are equipment payments or payments to the local chemical houses or just a way to get through the wintertime until next year's crop furnish.

I also asked the producers that I visited with to talk about what they would like to see in the way of help, if it could come, and I am delighted to tell you that the proposal that you and Senator Cochran have put forward was far and away the most popular way to address the problem, and that is, another single direct payment to those in the disaster areas.

Crop insurance is something that a lot of our producers make use of if they are in soybeans or other grains, but they do not feel that it works for them in cotton and rice, and perhaps that is something you and your Committee could focus attention on, is how to make that seem fairer to those producers going forward. And I know you are very familiar with these issues.

Emergency loans at low interest are of interest perhaps to the younger farmers or to those who are thinly capitalized, but for a lot of people it will bring help, but maybe not soon enough, and

that is the other thing I would make a plea for and, that is, timely action.

That brings me to talk about FSA and the role it plays both in administering payments and loan programs. Those offices often are not fully staffed, or if they are staffed, things are not always able to be done as quickly as the producers or their lenders need. I do not mean to sound harshly critical there. It is just a fact. And the delays can really hurt in a crisis year.

We really appreciate knowing, have always, that we have a Senator who really understands row crop issues from firsthand experience, and in your position as Chair of this Committee, it is just a monumental moment for the farmers of my section of Arkansas, and we appreciate all that you do.

[The prepared statement of Mr. Michael Jones can be found on page 76 in the appendix.]

Chairman LINCOLN. Well, thank you, Mr. Jones, and we look forward to working with you and all of you all on the panel with so many of these challenges that we face.

Before I go to some questions, I would like to also recognize that we do not do this job alone. We have wonderful staff that works with us. Certainly our Senate Agriculture Committee staff are here. I would like to especially recognize Martha Scott Poindexter and Jane Anna Harris who are here of Senator Chambliss' staff on the Committee, and they do a tremendous job. They are both unbelievably brilliant women, but they also are kind of native to the area a little bit. They at least speak our language, both being, I think, natives of Mississippi, which is wonderful for us because we do get to work together closely. But they are tremendous and do a wonderful job for the Committee, and I am very grateful to both of them especially for being here today.

We also have other great Committee staff that are here with us today, and I will let you introduce yourself to them if you do not already know them. Robert Holifield is our new Committee staff director, and he is joined by Brandon McBride, both of whom are Arkansans, and the real test goes to both Ashlee and Jessie who put this hearing together. I do not know where those ladies are, but they are the ones that made it happen, so I am grateful to all of them.

Just briefly, I want to touch on some questions for you gentlemen. I will try to be cognizant of the time so we can get to our other panels and I do not keep all of you all afternoon and into the evening because I have not prepared dinner for you. So I am going to get busy.

[Laughter.]

Chairman LINCOLN. Mr. Veach, I just want to make sure—your statement is very compelling. There is clear action that is needed, and it needs to happen soon to keep our producers from suffering from some devastating weather that we have all experienced this year. Some of them have had a double whammy. Some of them have had a triple whammy. But can you kind of go into greater detail about the Farm Bureau's concerns particularly in regard to the SURE program, the Supplemental Revenue Assistance program that is in the farm bill. I have my own significant concerns about the program and certainly the timeline the Department of Agri-

culture is proposing for this implementation and what that is going to mean to these growers if, in fact, they do not see their assistance until January of 2011.

Mr. CRAVENS. Well, that is too late for the assistance that we need, obviously, to start off with. The SURE program in southern Arkansas—of course, the regulations have not even been published yet, and so that is another big problem that we have. FSA did promise us on a visit to Washington that they would be out in November, but November is drawing quickly to a close, and we do not have them yet.

But we are concerned about the relief that we could possibly get there and the fact that most of our producers have mitigated a lot of their losses primarily through irrigation, which most of the time we have drought issues that create these losses, but this year it is a different situation. It is a particular situation in that it is too much rain.

We have also had a big, big hit in quality. There have been producers that had to actually dump some of their soybean production because they would not take it at a granary because of the low quality of it. And we have had a lot of quality issues in cotton. We do not think it can address those issues as it should, and SURE is going to be way late, and with the type of agriculture and the crop production that we have in Arkansas and in Southern agriculture, it is also very—we usually pretty well are a different situation especially when it comes to Federal crop insurance because of the way that we are structured. You may have a loss on half of a farm, but the other half you do not, so that is going to put you above that 50-percent damage. And we all realize that we operate on such a narrow margin that if we have got a 50-percent damage, we are definitely in big trouble, and to get down to that before it triggers any help is not enough.

We have got to have some help for producers that do not have that big a loss because what loss they do have, especially in quality, could take them right out of business.

Chairman LINCOLN. Well, and I know we are inquiring, because the understanding is that the rule might—they were hoping to have completed by November, but I am not sure if that did not just affect the 2008 payment that people are still waiting on or if that would, in fact, cover the assistance they need from the loss of the 2009 crop year. So we are investigating that as well, and certainly we will make sure that they understand that we cannot wait until 2011 because the banker at the end of the table down there is going to have a real hard time helping them start their next crop year.

But we would like for your to consider specifically from the Farm Bureau's standpoint any ways that you think we could fix the program, and we look forward to working with you on that and hope that you will help provide us some of those suggestions.

Mr. VEACH. We would love to.

Chairman LINCOLN. And I very much appreciated your comments on seed and making sure that the seed are there for us in the future. These disasters do not just affect our income for the year, but they also affect future crops as well.

Mr. Jones, you talked about something that I spent a lot of time on, and that is trade, and I have worked extremely hard, cosponsored legislation in the Senate that would go a long way to loosening up the existing restrictions on agricultural trade with Cuba, and have been in constant contact with the new U.S. Trade Report Ron Kirk, along with working to ensure from Secretary Vilsack that agriculture and USDA will be actively engaged in trade negotiations, realizing how critically important—if there is one thing my Dad taught me, he said, "Darlin', we cannot circle our wagons and just sell our widgets, gadgets, and hamburgers to each other. It is going to be a global economy, and we have got to be engaged in it."

So I appreciate you bringing it up. What would that expanded trade to Cuba mean for livestock producers in Arkansas?

Mr. Tom Jones. Well, certainly it would make a great deal of difference to the poultry sector. I think Cuba is one of those areas that would really matter. And, also, any opening of a market to a country like Cuba that would boost grain production and send those products over there would just be beneficial to all.

I will have to at least bring up another country, if I might. We have really got to get back into Japan with beef. We have just got to. And if we cannot completely get in there now, just moving them from 20 to 30 months would be a boon to the beef producers of this country that could just be a very important thing.

So, you know, there are a lot of people who say, no, it should be fully open, and I think that is where we all would like to get to. But I sure wish we could get part of the way there and then get the rest of the way there if that is what it has to be.

Chairman LINCOLN. Well, all of Asia, certainly there are opportunities, Korea and other places as well, and we want to stay focused on that.

I was interested—you mentioned that we were fourth in turkeys, and I stood up to the plate in Washington the other day and mentioned that to one of my colleagues who was claiming to be one or two. And one of the interesting facts that came out of that to me was that of all the turkeys that are produced in this country, over 60 percent of them are consumed between October through December, which is amazing. So if you have an effect on those crop and you have got such a limited window of when you are marketing and selling that product, you have got a real problem that you have to consider. So that is important.

The last thing I would bring up is your comments about being respectful of livestock and meat products and how important it is to maintain them out there, and I just hesitate to mention this, but I do think it is important that we are cognizant in some efforts—I know in one of the—I was asked by the press not too long ago about a meatless Monday in the school lunch program, and I think it is so important to be respectful for all of the diversity that exists and all of our priorities that we have. But it is also important to have that variety, and you can do that without being disrespectful to people. So I hope that we will keep that in mind as well. So thank you very much.

Mr. Bedell, I toot the horn of forestry all the time, and we are glad that you are here. As you know, I have championed legislation

to ensure the tax rate on timber gains is and remains low for our growers. The TREE Act is going to provide that cap gains rate. We want to create and extend and expand the homebuyer's tax credit because we know what that means to our forestry and lumber business, getting our housing market moving, fighting to ensure that our timber products and manufacturers have the opportunity to take part in the green energy economy, as you mentioned, through utilization of renewable tax incentives, because under the current law—folks may not know that, but the current tax law, biomass does not far as well as some of our other types of renewable energy sources. So we want to work hard to make sure that both on-site is the use of biomass for renewable electricity, that there is a tax credit there under Section 45 that is comparable to what others have, and then also that biomass receive the same value in Section 45 credits as all the other renewable sources. And those are important tools for us, and I think we will stay focused on that.

But I just want to make sure you know that we do not consider forestry a stepchild, particularly here in Arkansas, but neither do we on the Committee, and we will definitely stay focused.

I do want to compliment the Arkansas forestry industry. You set a good example in terms of best management practices and the fact that everyone in the forest and the wood forest products industry as well as the forestry, the Arkansas State forestry, as well as the U.S. Forest Service and others work together to build a best management practice that really makes sense and is very well respected nationally. So I appreciate that.

Any ideas that you have regarding additional ways that we could be working to ensure whether it is providing useful tax incentives that help our domestic industry as it fights to really regain its competitiveness and keep those jobs that we have got left, but bring some of them back?

Mr. BEDELL. What we urgently need is something that is quick, and most all the legislation and things are items that are down the road. But our industry has been—we were in the doldrums long before a lot of the rest of the economy were, and it has been a long, long battle, and some of our people are right at the end of the rope, as all of our economy is. We need jobs. If people had jobs, they could buy houses, they could put our industry back to work. What we need is something that is urgently quick.

Chairman LINCOLN. Well, and that is a point well taken and one I have tried to bring up with my colleagues as we talk and hopefully move ourselves to focusing on the economy, and that is predictability. The timber tax expired in June. We were promised that we would be able to get that done sooner than later, and our hope is now that it will be a part of the extenders package that we do next month. But any industry cannot operate without better predictability in terms of where it is going to be able to manage its resources and not knowing what you can depend on there. So we will continue to fight hard not only for that, but also the predictability that the industry needs.

And just so you know, we are working hard. We have recently sent a letter to President Obama requesting a $57 million increase in the 2011 budget, particularly for forestry, focused on forestry, and then also an increase of $4 million for the fiscal year 2010 in

the National Forest Timber Management Account for the Washtaw and the Ozark. We know—all you have to do is talk to anybody in the forest industry or in the Federal Treasury to know—that for every dollar we spend there, we return a huge payback to the Treasury. And it is done in an incredibly productive and respectful way to the environment, and it is a good thing to be doing, and it helps us manage our forest as well. So we appreciate that. Hopefully that will be some of the more immediate, but we are also going to work to be more predictable as we go through there.

Any suggestions you have, the relationship between the national forests and our timber industry, in terms of maintaining vibrant forests and a vibrant timber industry? You all do a good job. I have been to your meetings down in Glenwood.

Mr. BEDELL. Nothing off the top of my head, but we will certainly be in touch.

Chairman LINCOLN. I hope you will, and I hope you will keep in mind and keep the Committee informed of what are those good relationships between our timber industry, our national forests and others on how we can do a better job there.

Mr. BEDELL. Thank you.

Chairman LINCOLN. Mr. Gillam, we are all so excited about the opportunities particularly with specialty crops. I attended last week over at the Heifer International Center just across the street there the Farm-to-School program that is kind of beginning to have a little bit of momentum behind it, looking at how we can work with local growers, particularly specialty crop growers, and reinforcing locally grown fruits and vegetables into the school program so that we give our children a sense of where agriculture—how important it is and where it comes from but, more importantly, also help to create a vibrant industry and economy for those young farmers you talk about, which it is enormously difficult in this environment, this economic environment. So any suggestions you may have to us about young farmers and what we can do, maybe any of the different programs like Farm-to-School or others that might be helpful.

And the other thing you mentioned that I would like you to just briefly comment on is the agrotourism industry when you talk about our pumpkin patches and our pumpkin growers. I know I enjoyed it as much as my children did when they were small, getting out there and being an event for the school children, for the whole community to participate in, and when we see those kind of things destroyed as well, the impact it has on our communities. Maybe you can touch on either of those two.

Mr. GILLAM. I believe when discussing the food programs that have really become very popular here lately, that is one of the strongest, I think, initiatives to help attract farmers to the fruits and vegetable industry. I think the biggest thing that they have done is that they give some hope and some structure to different market outputs and different ways that they can go.

The one thing that we have found over the years in trying to attract younger farmers into agriculture as a whole is they want to know that there is a future there for them, and they want to also be able to be a part of something that is important. And being a part of the nutrition push and helping our children eat healthier

is something that they have responded to very well, and it is one of my hopes that the programs like discussed last week in a meeting here at the Heifer International Center will gain popularity, and through that we will be able to help form a foundation that will hopefully attract more and more people into our segment, but not just from row crop or other industries but new farmers that are going to get in and make a difference.

In relation to the pumpkin festivals and the agrotourism industry, that is one of the strongest sectors of growth that we have seen in Arkansas over the last several years, not just with pumpkin festivals but there are other functions as well, farmers having duck hunts and other various things. It is something that has continued to see a lot of growth. Of course, the weather directly impacted pretty much all of those events, whether they were spring events or mid-summer or even the fall events that we have seen. And that is one of the things that I have heard the most about in the last 2 or 3 months from people, was just the impact that it had, not just economic impact but the sense of community that you derive from being able to attend those events. And people see that as a way to bring their communities together and to form that unity that is necessary as we continue to move forward and facing the problems that we have in rural development.

So that is one of the things I have been most disheartened about with the rain, how it has affected everything. But I do think that we are going to see that continue to grow and hopefully rebound after this year and we can get back on track with that.

Chairman LINCOLN. That is great. Well, I know when I was in East Arkansas about 6 or 7 months ago, there was a group of Japanese touring, and there are a couple of farms over there, particularly rice farms, that do ecotourism and had them out and showing them how we grow rice and what a great product we produce. So agrotourism has got great potential, and we will look forward to working with all of you on that.

Of course, you mentioned predictability for those young farmers, which we were just bemoaning with Mr. Bedell, and I am sure, Mr. Jones, you may have a thing or two to say about predictability. We would love to hear again your concerns. But you mentioned the importance of FSA lending programs for growers and rural communities. Maybe you can give the Committee a sense of how your business would be impacted without these programs, and then also give us a real-world example of how producers utilize those FSA lending programs.

Mr. Michael Jones. Sure. Senator, in our bank through the years, the FSA guarantee program has been critically important to young farmers certainly, but also to farmers who have been battered and banged either by past weather patterns, the drought of 1980 being kind of another landmark year, the opposite extreme of this one; but in between these 30 years, there have just been any number of times that it has made the difference.

I would guess that if you surveyed banks up and down the Delta, at times as much as 20 percent of a bank's portfolio would have guaranteed programs of some sort. We use the guarantees in our crop production lending where it fits. We also have a good number of equipment loans that are guaranteed through FSA.

Chairman LINCOLN. You said 20 to 30 percent? Is that what you said, in your portfolio?

Mr. Michael Jones. As high as that at times. I would not say that it is that way all the time or in every shop. But it is that important. And the efficient administration of those programs is just as critical as a banker's decision as to whether the farmer can go forward or not.

You had a second question there. Would you repeat it for me?

Chairman LINCOLN. Well, I was actually asking you about what would business be like without them.

Mr. Michael Jones. We would lose those farmers. I hate to put it that bluntly, but in crop production especially. We might be able to find a way to limp through on the equipment loans where the collateralization and cash flow fit. But for a lot of farmers with crop production issues where they are thin on equity or do not have a strong payment history, that guarantee makes all the difference in the survival. And as you and these other panelists have already discussed, the loss of jobs in the rural areas is profound, and so many of those jobs connect agriculture. The old truism is when farmers suffer in the Delta, we all suffer. And that is still the truth.

Chairman LINCOLN. Well, I thank you, and I know that it was several years ago when we were going through one other disaster, and we actually had a panel of bankers that came to the Committee, and they made a tremendous impression when they started listing the concerns and the problems they had in what was going to be able to be possible and what was not. And it was abundantly clear that without those resources and without you there in the community, farmers could not make it. So that was difficult.

Well, I want to thank all of the panel here today. Thank you so much for being with us and offering the Committee such good suggestions and ideas, certainly presenting your concerns, and, more importantly, we look forward to working with you in the future to address so many of those concerns and make sure that we continue to see the input into rural America that can revitalize it and then in turn allow it to be a part of revitalizing our country. So thank you all very much.

[Applause.]

Chairman LINCOLN. Now I would like to introduce our second panel. Our first witness on this panel will be Lawrence McCullough. Lawrence is the State Director for USDA Rural Development here in Arkansas. He has worked for Rural Development for more than 38 years, and he is going to give us an overview of how the agency's programs work for our communities.

Then we will also hear from Sam Walls. I know Sam is here because I saw him. Mr. Walls is the CEO of Arkansas Capital Corporation. Connect Arkansas is an affiliate of the Arkansas Capital Corporation. It has been a lending advocate for the preparation and education of Arkansas regarding the benefits of broadband use as well as for the facilitation of broadband to every Arkansas home and business. He will update us on the State's efforts to accomplish these goals.

After Mr. Walls, Dennis Sternberg, who is the Executive Director of Arkansas Rural Water Association, will update us on his organi-

zation's efforts to ensure that our rural communities have safe drinking water.

And then, finally, we will hear from Ms. Teddy Gardner. Ms. Gardener is the Executive Director of South Arkansas Community Development. Her organization provides housing assistance to families working to achieve homeownership.

So I would like to welcome all of you. Thank you very much for joining us today. Please know that all of your written testimony will be made part of the official Committee record, and we again appreciate you adding your voices to today's hearing on what we can do for rural America.

So, Mr. McCullough, we will let you start.

STATEMENT OF LAWRENCE MCCULLOUGH, STATE DIRECTOR, RURAL DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE, LITTLE ROCK, ARKANSAS

Mr. MCCULLOUGH. Thank you, Senator Lincoln, for the opportunity to be here today. On behalf of Agriculture Secretary Tom Vilsack, Under Secretary for Rural Development Dallas Tonsager, and all of us at USDA Rural Development, I want to express our appreciation for your commitment to rural America and your leadership on rural issues.

Rebuilding and revitalizing rural America is a high priority of the Obama administration and is the mission of USDA Rural Development. I am honored to have been chosen as a member of the President's team, and I look forward to working with you to ensure that Arkansas is among the leaders in building a new and stronger rural economy in the years ahead.

The subject of today's hearing, "Investing in Rural America," addresses directly the mission at USDA Rural Development. Rural Development administers and manages over 40 housing, business, and community infrastructure and facility programs as laid out by Congress through a network of 6,100 employees located in approximately 500 national, State, and area offices. We are among the most decentralized of Federal agencies. You do not have to come to Washington, DC, to do business with us. We make house calls.

[Laughter.]

In Arkansas, you will find us not just in Little Rock, which is our State headquarters, but also in Harrison, Jonesboro, Forrest City, Hope, Monticello, and Fort Smith as well. As a long-time career employee before being named State Director, I knew every one of the 124 dedicated men and women who make up our Arkansas staff. We live in the communities we serve. We are your friends and neighbors, and we will go the extra mile to deliver the services rural Arkansas needs to thrive and grow.

We do face challenges. We are not immune from the economic downturn. Many Arkansas communities and businesses have been hard hit. We cover a lot of territory. As many of you have said, most of Arkansas is rural. There are areas of persistent poverty, and we are making a concerted effort to step up our outreach to the neediest communities. There are also areas that are dynamic and growing, and we will help these rural communities build on their success.

Our staff has a wealth of experience. I am proud of them personally and proud of the work they do. Nearly half of our staff will reach retirement eligibility within the next 3 years. They do a great job, and they will be hard to replace. Continuity planning is a priority.

Rural Development in recent years has steadily increased investment in rural America while reducing staff and consolidating many offices across the country. We are doing more with less. In that context, I am appreciative of the authority the Congress provided in the Recovery Act to use up to 3 percent of appropriated funds for administrative purposes. We need that flexibility, and I want to thank you and the Congress for making this possible.

But the bottom line is, we are here to help. Rural Development is the one agency in Government that can build an entire community from the ground up. Last year, using both regular program funds and additional funds made available by the American Recovery and Reinvestment Act, or ARRA:

We provided over 5,000 guaranteed and direct single-family housing loans totaling over $480 million, to put more than 5,000 rural Arkansas families into new homes.

We provided over $3.8 million to 20 multi-family housing developments providing affordable rental housing in rural communities across the State.

We assisted 16 rural businesses with loans and grants totaling over $3.3 million, creating jobs and strengthening the rural economy.

We invested over $15 million in essential community facilities, more than $22 million in telecommunications infrastructure, and over $132 million in modernizing and extending the rural electric grid.

Last but not least, we assisted 58 rural Arkansas communities with more than $31 million in loans and grants for water and wastewater projects.

But the numbers do not tell the whole story. Many of the projects in which we are involved are community-led. Partnerships are a key element. A good example is the new Phillips County Library in Helena. Although this is a persistent poverty area, several community organizations led the effort and provided a significant local cost share. Rural Development provided $200,000 to assist with the cost of renovating an existing building, a 13,000-square-foot structure—formerly a grocery store—which is owned by the county with a total estimated project cost of some $1.5 million.

In Dermott, Rural Development helped Dermott Day Service Center with a B&I guaranteed loan in the amount of $650,000 to purchase and renovate an existing building to house eight classrooms, offices, kitchen, cafeteria, and a multifunctional auditorium. This facility will allow for future growth and enhance the overall environment for the children and staff. The Center is a nonprofit organization that provides early childhood education and clinical services for children ages 6 months to 5 years old. The service area includes four counties in southeast Arkansas. This one project will save 28 jobs and create 5 jobs in Chicot County.

And just a few weeks ago, we announced a major regional water initiative with the Ozark Mountain Regional Public Water Author-

ity. They received $55.728 million in water loan and grant funds to be used to construct an intake structure and water treatment plant on Bull Shoals Lake as well as five water storage tanks and over 100 miles of transmission line extending from northern Boone County to Newton County and Searcy County in Arkansas. The new system will provide a dependable supply of quality water to 19 rural water systems of which many of them are facing water quality and/or quantity problems with existing wells. These 19 systems serve around 7,500 users with a population of some 21,000.

It is examples like these that make Rural Development an exciting place to work and a great place for the communities we serve. I am grateful for the opportunity to serve as State Director and grateful for the partnership and support of our partners in the private sector, the local government, and the not-for-profit community. We have a job to do, and I know we can count on your continuing support as we move ahead.

Thank you.

[The prepared statement of Mr. McCullough can be found on page 85 in the appendix.]

Chairman LINCOLN. Thank you, Mr. McCullough.

Mr. Walls.

STATEMENT OF C. SAM WALLS, CHIEF EXECUTIVE OFFICER, ARKANSAS CAPITAL CORPORATION, LITTLE ROCK, ARKANSAS

Mr. WALLS. Thank you, Senator. If I may, the other day I had an opportunity to observe our Senator, our Chairman. I have to tell you, as an Arkansan, it was a great source of pride to see my fellow Arkansan's leadership ability and the high regard in which she is held by her colleagues, and especially her genuine concern for the people.

Chairman LINCOLN. We appreciate you showing up. That was a great opportunity.

Mr. WALLS. It was a very proud moment, and thank you for allowing me to participate.

Chairman LINCOLN. We were pleased to have you there for the rural outreach meeting.

Mr. WALLS. I am today here in my capacity as the president of Connect Arkansas. We became active in August 2007, and we are a 501(c)(3) nonprofit. We have an inclusive board that is representative of many interests— public, private, and education—and including providers representative of the various types of broadband technologies.

The Connect Arkansas initiative is characterized by a commitment to a collaborative approach among all our partners. It is an initiative whose members are Arkansans who understand that in order for Connect to meet its objectives, we must all work together for the betterment of our people.

To date, this overriding philosophical basis has enabled us to be ahead of the curve when compared to other States in this most important activity. We are most pleased to now include the Federal Government through the United States Department of Agriculture and the Department of Commerce as partners in this endeavor. We were particularly pleased that Connect Arkansas was one of the first entities to receive mapping funds made available through the

stimulus act, which we believe validates the work that Connect has done to date.

While the estimates of broadband's impact may vary, there have been numerous reports and studies over the past few years stressing that by increasing broadband use in our State, there will be a positive impact on the economy, create and save jobs, and improve the lives of our citizens. Whether you are the trademark attorney who lives in Eudora, Arkansas, or the high-end boutique located in Magnolia, Arkansas, that caters to New Yorkers, one cannot underestimate the opportunity and quality of life that broadband enables for our rural areas.

According to the 2008 State New Economy Index, Arkansas was ranked 47th in deployment of broadband communications. In Arkansas, although 87 percent of our population has access to broadband services in the home, only 49 percent of our households actually subscribe. These statistics illustrate the need to not just provide access, but to also ensure that our people use it.

As a result of this, we focus on three areas. The first area is mapping, and to better focus our efforts, we first created an understanding of local needs by working with providers to develop a first-generation broadband map that shows where access is and where it is not and at what speeds it operates.

To enhance our mapping efforts, we were awarded in October a $1.58 million grant made possible through the Federal stimulus program and administered by the National Telecommunications and Information Association, or NTIA. We are now working to develop an enhanced and substantially complete map by the first quarter of 2010.

The second effort is public education. When addressing Internet connectivity, it is not enough to just provide access. Our survey results indicate that approximately one in three Arkansans are not interested in the Internet. National studies have shown that in order to address this group, you must make the Internet relevant to them. In order to do that, you have to teach your communities how to use it.

Of paramount importance is the need to increase the number of Arkansans that are getting online. It is safe to say that as more Arkansans get online, the service providers will continue to expand and enhance their coverage. It makes good business sense to do so. We currently have initiated pilot information technology strategic plan programs in four counties throughout the State, and more recently, in addition to the NTIA funding that was awarded for mapping, we received an award of $500,000 to deploy a regional rollout of the IT strategic planning program for Arkansas.

The third area is implementation of the developed plan. Along with assisting communities in developing their broadband strategies, Connect will continue to work with each community to implement their vision. There will inevitably be those that may have limited resources with which to afford a computer or access, and we will work with service providers, State leaders, and private foundations to address this issue.

There is absolutely no question that broadband access and use is of paramount importance to our Nation to ensure that our global dominance is maintained through this new century. Regardless of

whether people live in urban or rural areas, we must get more of our citizens online. Unfortunately, in order to do that, we have to change the way our people think, and that is rarely a simple task.

It is fitting that we are in the Clinton Presidential Library today because just the other evening I heard him speak at an event, and he talked about how we must think of new ways for our citizens to create and build wealth. And it occurred to me, as he was saying that, that the Internet is an indispensable part of any new economy.

For our rural areas the need is even greater. We are here today because we are trying to address the special issues that rural America is dealing with. Education, health care, economic development, as well as a myriad of other quality-of-life issues are particularly difficult to address in our rural areas because often these communities lack the critical mass that is necessary to make capital investments in them.

Quality Internet access and usage in these communities is going to be a fundamental component of any solution we develop. We all believe in the potential of our rural State. Addressing broadband Internet usage is an opportunity for Arkansas to take a huge step forward to invest in our people. Addressing broadband nationally is an opportunity for our Nation to ensure that our country, and especially our rural areas, can remain globally competitive.

Thank you, Senator.

[The prepared statement of Mr. Walls can be found on page 120 in the appendix.]

Chairman LINCOLN. Thank you, Mr. Walls.

Mr. Sternberg.

STATEMENT OF DENNIS STERNBERG, EXECUTIVE DIRECTOR, ARKANSAS RURAL WATER ASSOCIATION, LONOKE, ARKANSAS

Mr. STERNBERG. Thank you, Chairman Lincoln, for this opportunity to testify today. I speak to you on behalf of the Arkansas Rural Water Association, which is one of a nonprofit federation of State rural water associations that operate in all 50 States.

Madam Chair, it is an honor to testify before you and this Committee today on the important topic of safe drinking water. Before I get started, I would be remiss if I did not also recognize that you are the first person in the history of Arkansas to become Chair of the Senate Agriculture Committee. And with your strong rural roots, I do not need to tell you of the many of the barriers our rural communities face every day. And I do not have to tell you that, in spite of these barriers, these are some of the best places in the world to live. This is why we are proud and honored that you hold this position, and we can firmly say rural American is well represented.

The importance of safe, clean water and why we must continue and strengthen the efforts to make sure our citizens have it cannot be stressed enough. Simply put, water is life. However, far too many of us take it granted that the water we need to keep us healthy and our economy strong will always be there as soon as we want it. Every day, millions of your constituents count on the very first drop of water that comes out of their kitchen faucet to make that first pot of coffee or their breakfast. And when they do, they

expect that water to be safe for themselves and their families. We must not forget that it takes a great deal of effort to make that first clean drop of water your constituents count on each and every day possible. It takes positive programs and well-trained personnel to make this happen. This is why I am proud to talk about the strong USDA programs that make it possible to have the facilities and trained people who can make sure that the clean water we must have will be here in the future.

The current water and waste disposal grant and loan programs operated by the Department of Agriculture's Rural Utilities Service have a long, successful history of providing critical infrastructure assistance to meet one of the most basic needs in rural America—providing safe and affordable water and wastewater assistance to low-and moderate-income communities. This is one of the highest rated Government programs in history and one with a default rate that is almost nonexistent, and the delinquency rate is currently 0.6 percent nationally. Arkansas Rural Water helps these communities not only access these funds, but help to ensure that these funds are used efficiently to protect the community and the Government's investment.

Rural Development also has the unique advantage over other Federal agencies by having a field structure with experience staff with community development expertise scattered throughout small-town Arkansas and throughout rural America. Without this assistance, many of these communities could not survive or compete in the global economy. As you are aware, the economic downturn has also disproportionally impacted many of these small rural communities more than our urban counterparts. Small rural communities are also faced with the additional burden of reduced tax revenues that impact their ability of providing essential services like water and wastewater.

Arkansas Rural Water is there to provide on-site assistance to these small rural communities in Arkansas. Many of these communities lack the staff, capacity, funding, or expertise to address technical water and wastewater issues. I hear daily from rural communities in need of assistance, whether it is to design or construct a new system, repair an existing system, or respond to a pending emergency, we are always there. Our mission is simple: we are there to restore and improve the public health, environment, and sustainability of these small communities or, in other words, to give them a level playing field with our urban counterparts so individuals and small communities can prosper in this global competitive environment.

We are able to accomplish this important mission because of the help we get from the Rural Development NRWA Circuit Rider Program and Wastewater Technician Program. This program provides technical assistance to eligible systems to meet the real-world challenges of bringing safe, clean water to the people. These challenges are real, and so are the solutions we provide because of the Circuit Rider Program. This program succeeds because of the high-quality circuit rider technicians that serve the water utilities in our State. These technicians work with the local operators that have the responsibility of keeping the safe water flowing on a wide variety of issues to include: operations and maintenance, treatment, compli-

ance, construction, financial management, general management, and board training.

The primary objective of this program is for the circuit rider and wastewater technician to work alongside the rural system officials and operators to show them how to solve their problems. The on-site system personnel must participate in the corrective actions taken during the visit. Technical assistance services will be prioritized as necessary to ensure the most efficient operation of the program. I have placed in the record of my remarks some letters from local operators that were reprinted in our ARWA Water Insight magazine. Please take a moment to look at them. Their words tell the story why this program is important, and they come from every single part of Arkansas.

In Arkansas, we have trained over 1,900 water and wastewater system personnel a year for over two decades and provided over 2,400 technical assistance visits a year. Over 65 groundwater protection plans have been implemented in local communities like the Highway 63 Water Association near Rison, and others are in the process of being adopted. We are on the front lines every day ensuring water is safe and available each time someone in rural Arkansas turns on the tap. When the northern half of Arkansas was hit with a major ice storm in January, ARWA was called on to provide emergency assistance with generators to scores of smaller community water and wastewater systems throughout the areas hit by the storm. Our technical staff made a difference in the lives of Arkansans who needed water more than ever during a tough time.

We conduct this work though three USDA programs that are currently authorized in the 2008 farm bill.

First is the Rural Development Circuit Rider Program. Since 1980, circuit riders have produced on-site assistance to small communities in all States for water infrastructure development, compliance, training, certification, operations, management, rates, disaster response, public health protection—all necessary to encourage local responsibility and local solutions for protecting and enhancing water resources. This mission is simple— grassroots assistance to communities in need by providing safe, affordable, and sustainable water and wastewater services.

Second is the Farm Service Agency Grassroots Source Water Protection Initiative. This is the only statewide initiative ensuring environmentally progressive local hands-on use for local elected officials, landowners, agricultural producers, and other interested parties.

Third is the Waste Water Technical Assistance program. This initiative provides on-the-ground technical assistance directly to communities for wastewater treatment facilities. Assistance includes design and upgrade recommendations, daily operations and maintenance, assisting with renewal of permits, and helping these systems meet compliance requirement from State and Federal regulations.

These programs are essential for the long-term health and vitality of these communities. Thank you, Madam Chair for your continued support. I must also thank you for your leadership and support in the passage of the American Reinvestment and Recovery Act,

ARRA, and I would like to briefly discuss the impact of that legislation thus far in Arkansas.

ARRA provided $3.778 billion in water and wastewater loans and grants which represented the largest single infusion in the USDA water and wastewater programs in history, enough funds to completely eliminate the backlog of existing projects at the time this bill was passed. The department has spent about half of their recovery money to date. The only concern is the new backlog for assistance has actually increased to $5.9 billion.

Let me bring it home to Arkansas. As Mr. McCullough mentioned, the Ozark Mountain Regional Public Water Authority recently received a loan of $19,365,000, $36 million in a grant for this needed project. This project would have never been possible without the large influx of these funds made available in this bill. It is also worthy to note that 76 percent of the users for this system fall in the persistent poverty range for income.

In closing, NASA scientists recently announced that they have discovered water on the moon. This was widely reported in the media as a major news story. It made me think: There has never been a news flash when an Arkansan turns on their faucet to get a safe, clean water. I would like to keep it that way. And with this Committee's support of the outstanding USDA programs we have, this is one headline we should never have to see.

Thank you, Madam Chairman.

[The prepared statement of Mr. Sternberg can be found on page 105 in the appendix.]

Chairman LINCOLN. Thank you, Dennis.

Ms. Gardner.

STATEMENT OF TEDDY L. GARDNER, PRESIDENT/EXECUTIVE DIRECTOR, SOUTH ARKANSAS COMMUNITY DEVELOPMENT, ARKADELPHIA, ARKANSAS

Ms. GARDNER. Thank you, Chairman Lincoln. I am always not sure if it is "Chairman" or "Senator," but I guess it is both.

[Laughter.]

Chairman LINCOLN. That is right.

Ms. GARDNER. I get to come to you today to talk to you about something that is very, very dear to my heart, and I work very closely with Mr. McCullough, and have for many years, in assisting families that do not make enough money to have decent living conditions and that would otherwise never have the dream of homeownership without these programs. Without a doubt, in my opinion, the USDA Rural Development Mutual Self-Help Housing Program is absolutely the greatest program there is. I am prejudiced here. It does so much for so many families that other programs do not. It is the only program that is out there that actually works in just rural Arkansas—or rural America.

Also, I have had the privilege to be the National Rural Self-Help Housing Association president for 2 years, and that was quite a honor, and I got to work with organizations all over the Nation in doing this program. And so I have heard all the stories—well, not all the stories but a lot of the stories, and everyone agrees that this is the absolute greatest program there is. It is also the most difficult to run, but all good things are hard.

Our organization works with many other organizations as well, and it is the leveraging that is very important. We work with the Housing Assistance Council out of Washington, DC, from land acquisition, and that enables us to be able to buy properties to hold for families so that we can get them at a discount and then re-sell it to the families. And by doing that, we only have to pay back 10 to 20 percent of the funds, and then the other 80 to 90 percent stays in-house for us to either grant to the families to make their mortgage payments even lower or to reinvest into more properties to help more people. None of those funds are used for operation, just strictly for land acquisition.

We are also a HUD counseling agency, which is very important. I cannot stress enough the need for counseling for the families that go through these programs—not just through these programs. I would have all families go through some type of counseling before they go into homeownership. It helps to get them more sustainable. It helps them understand the responsibilities of homeownership. It helps them to understand how to maintain their home, the financial benefits of homeownership, how to prevent foreclosure. It could have helped in many ways to prevent some of the activities that have happened here recently. I cannot recommend strongly enough for those programs.

I would also like today to talk to you about the difference in the families, some of the families that I have had the opportunity to work with. The list is so long, so I will not even begin to try and go through all of them. But we have helped the disabled families. We have helped the single moms, the single dads, the elderly. We had an 83-, 84-year-old couple that came in. He had a great job whenever he was working, and he retired and they were going to live happily ever after. And he got sick and was in the hospital for 2 months. He was a very proud man. He did not want to file bankruptcy. He did not want to do all of those things. He paid his bills. He cashed in his retirement, sold everything that he owned. He got them all paid, and their living conditions were incredibly bad. Their house was so clean whenever I went to visit them. It was just immaculate. But you had to be careful where you walked because you might fall through the floors. It was just—it was something. And they went several different places. Nobody could help them. And they came in, and I went, "I can." I was so excited. And they got into a beautiful new home, decent housing, energy efficient. We do Energy Star, all of those things. Utility bills are less than $100 a month. You know, I am very proud, you can tell. I am very proud of what we do and how I get to work with all of these families hands-on.

We are a grassroots operation. We have five employees. And we have done over 135 houses. We have now got another grant to do another 25 houses. It is very exciting. It is very exciting. You have those families that touch your heart, and it carries with you from now on.

We had a family that he came in and his wife was in a hospital bed, and she had MS. He worked at McDonald's, and they did everything they could. They were able to keep their bills paid—or satisfied, not paid. Satisfied. So they were able to get in our program. They lived in a 800-square-foot apartment, three children, wife and

husband, one bath, and she was in a hospital bed, and so the hospital bed would not fit in the bedroom, so it had to be in the living room. They came to us, and it was, like, "I know you cannot help me, but I am going to tell you my situation, anyway." And when I got to call him—4 days before Christmas—to tell him he was approved, I thought the man was going to die. He was screaming, he was so excited. Now they have a four-bedroom house. Her health has taken a turn for the worse, but, I mean, this story, it just—I cannot even begin to tell you how great this program is and what an honor it is for me to get to work with all of these families.

I cannot even begin to tell you how much I am so proud of you and what you are doing and how much it means to me that you are here today and listening to what is going on and the need for so much more of this throughout the Nation.

Like I said, I have worked with organizations throughout the Nation. They need your help. They need your guidance. There is a lot more that we can do, but we have come a whole long way.

Thank you.

[The prepared statement of Ms. Gardner can be found on page 70 in the appendix.]

Chairman LINCOLN. Thank you, Ms. Gardner.

Well, that is a big part of what we have to do. Someone made the comment to me the other day that knowledge speaks but wisdom listens, and we do need to become wiser in this country about what we can do and how we can make a difference in people's lives, and certainly listening here today and throughout the Committee's effort is what we need to do to better understand the programs that exist, the good ones that are working, those that need the assistance or the motivation to improve our systems or the programs that exist out there. So we look forward to working with you for sure. But I want to thank all of you all for your testimony and just ask a couple of questions, if I may.

Director McCullough, there have been many occasions when I or my staff have called on USDA Rural Development staff on behalf of our constituents here in Arkansas, and I have always found our staff here in Arkansas to be so very helpful. And I just wanted to take a moment here, if you have any of your staff that might be here today, to recognize them because they do a tremendous job and we appreciate so much in our office, when constituents come to us, to have such capable folks to call on. Do you have any of your staff with you?

Mr. MCCULLOUGH. We sure do.

Chairman LINCOLN. Would you all stand? I just want to thank you all.

[Applause.]

Chairman LINCOLN. We just wanted to take a moment to acknowledge them and thank them.

Mr. MCCULLOUGH. They do a great job.

Chairman LINCOLN. They definitely do. I know from my staff they are called upon frequently, and there is always assistance on the other end of the line.

Director McCullough, many times Arkansans contact me because they are unable to identify, just as Ms. Gardner mentioned, the resources they need to improve the local infrastructure in this in-

stance or provide services to their communities. And I always tell people that it is not my job to dream their dream; it is my job to help make their dream become a reality. So I take the responsibility of helping Arkansans find the resources available to them very seriously, and your office has always been helpful.

You mentioned the Ozark Mountain Water Project, which is phenomenal, but it is important to note that we would have never been able to have started that project without the recovery dollars. It was a voluminous project. It included a lot of people that it was going to serve, but it was difficult terrain and just a difficult project to get started. And without those recovery dollars, it would have been virtually impossible, I think, or it would have taken us generations of people's lifetimes to get that done.

You mentioned in your testimony the number of field offices that USDA has around the State, but aside from having those field offices in several communities, what are some of the other of the agencies' outreach initiatives? And how do you ensure that people know that you are there and that you are able to help? Are there other programs of outreach that you all use?

Mr. MCCULLOUGH. That is a real good point, and I am glad you are bringing that up. One of the things that came with the ARRA financing was 3 percent of the funding was available to us for administrative. That enabled us to actually bring on board some employees, some additional employees. These employees are being channeled to these areas of persistent poverty, working—and, of course, we have talked about the housing program and the impact that it has had, $482 million in obligations, 5,000 loans. So ARRA has helped us.

We recognize that with the closure of some of the offices, it is going to be necessary that we do a lot more in the way of outreach and meetings, and going to these areas where we know need exists and making ourselves available, talking about our programs, and being very visible.

Also, through enhancing our performance goals, this is a means by which we can channel the attention of offices to those persistent poverty areas, and the national office has been involved also, utilizing again some of the ARRA administrative funding to make personnel available from a national level to actually come to Arkansas and to blitz the State, and we help them recognize areas that we need some help in.

So there are a number of things, and we realize that, you know, we have got to do more, and we will.

Chairman LINCOLN. Well, we look forward to working with you on that. We bug you enough as it is, but, nonetheless, we certainly want to look collaboratively in ways that we can be more helpful in getting that word out.

One last thing. One of my priorities as a Member of

the United States Senate is to ensure that whatever we are funding in terms of initiatives, that it provides the greatest return on investment. And maybe from your perspective you could let us know which of the rural development programs would you say provides the greatest return on investment in Arkansas. Which one of those programs providing that greatest return maybe needs the most funding? Or maybe those are two different things.

Mr. MCCULLOUGH. That is a real good question, and I have to be very careful how I answer it.

[Laughter.]

Mr. MCCULLOUGH. We have got three program directors that are here.

I have got a granddaughter who comes and visits me often, and her grandmother and I, we do something that we know we should not do. When she was 3 years old, we asked that question: Which one of us do you like best?

[Laughter.]

Mr. MCCULLOUGH. I know you should never do that, but at that very early age, the granddaughter would answer it very diplomatically by saying, "I like both of you the same."

We need all of the programs that we administer, as the testimony here has validated, and I think each of them we have, if the question is how many—which programs probably focuses more on dollars obligated, we would be talking about the housing program. It reaches a lot of people. But without water and sewer, you do not need housing. Without businesses, business loans and businesses, you do not need— you know, so it is a catch-22. We need all of them.

Chairman LINCOLN. Well, they are all interconnected, and we appreciate that, so we will not make you choose between any of your children.

Mr. Walls, in your testimony, you state that Arkansas ranks almost last in deployment of broadband telecommunications, and even though 87 percent of our population has access to broadband services in the home, only 49 percent subscribe. I would love for you to expand on that in terms of what role does affordability play in accessing broadband for rural communities. Is affordability the only factor? What can we do really to ensure that Arkansans have not only access but they can afford it, but they also understand what it can do for them? Is there ever any—I have to say, my husband, Steve, and I work really hard to make sure that our children are—that they are not just on the Internet. You know, we have specific times and how much time they can spend on it and where they can do it in the house, only in certain areas where we are close by so that we can kind of keep a watch on it, because obviously it provides great opportunity, but it can also be harmful if it is not used properly.

But what about the interaction, the intergenerational— my kids are the ones that teach me. You know, it is amazing. I will be thinking, "How do I do this?" And they will say, "Well, Mom, you can just go on the Internet here and do that." Do we ever think about using the intergenerational opportunity there to really educate people about the value and the opportunity that exists so that maybe they will want it, if we can make it affordable?

Mr. WALLS. Well, first of all, Senator, I would like to say that my colleague Mr. McCullough here has got a great second career in the Diplomatic Corps. That was a good move on your part.

[Laughter.]

Mr. WALLS. I admire the talent.

That is an issue, and one of the examples that I use about relevancy is I have an 82-year-old father-in-law who, as you know

from his age, was far removed from this kind of technology. And I said earlier in my comments about finding the relevance of the Internet to you in your life.

Somewhere along the line—it was not from me, and it was not from either of his two grandsons—he got exposed to the Internet, and he went from an individual who spent virtually all of his time alone in his home to a prolific user of the Internet for the social quality that it brings. He has his buddies on the Internet, and he had the working background, and so he found—he was able to connect with people who had common interests with him.

So for those of us who were not necessarily raised in this kind of environment, it really is about getting exposed to it one way or the other. Sometimes it is through our children. I am president of Connect Arkansas. My granddaughter is the one who put me on Facebook, and I refuse to be a Twitterer.

[Laughter.]

Mr. WALLS. Maybe I am not the right guy for the job. But when it comes to the young people and what is important about them—and we talk about investment. We talk about return on investment. The easiest positive return on investment is the young people. In many respects, this is about them, and it is about seeing to it that in our schools at a minimum they are exposed to the technology, they have ready access to the technology and the knowledge that goes with it, and part of that should be the teaching of the ethics or the appropriate use of the equipment.

It is my understanding—and I have struggled with this ever since we have taken this task on—getting a clear answer to where do we stand in our school system about the availability of the equipment and the availability of the instruction available to our children on this subject, that is something that we should not miss. But it is about the relevancy of it. It is about exposure of people to it. It is the sort of thing that I think that the individual has to find themselves. What we are in the business of doing in our additional application through the BTOP program is about public access and public adoption. It is about exposing people to the tool. And through their interaction with the tool, they will find the relevancy for themselves in the use of the products, and that is where we think the return on investment will come from.

Chairman LINCOLN. Well, it is true, and we have worked with a lot of our schools across the State to help them get some equipment that is helpful in expanding the children's access to computers and their knowledge of it. And there is no doubt that is important.

I noticed a group of college kids talking the other day who were a little bit angry that the older people had taken over Facebook.

[Laughter.]

Chairman LINCOLN. It was no longer hip because their parents were communicating with old military buddies and, you know, catching up with their kindergarten class from 50 years ago. They thought that it had been taken over by the older crowd, so I do not know. Maybe exposure is good, and we just keep creating things. But I do think it is important that intergenerational mix, the schools is a critical component of that exposure, and really seeing what you can do with it.

It is also a great tool for our kids, and one of our objectives in so many ways is to provide an economy that our children can stay here, that they do not have to leave our small rural communities. I know that was my Mom's first plea to me when I was first elected in 1992, is please, please, please, help us in our small communities to create an environment, a community, you know, the economics where our children will want to stay there and not leave. And with the Internet, that is a perfect tool to keep them connected with the outside world, to help them to be productive economically, without a doubt.

One last thing I would just ask. What have you learned from other States with Connect Arkansas? What is the next step for you all, and what have you learned from other States?

Mr. WALLS. One of the things that I mentioned in my comments was the collaborative nature of the Connect Arkansas philosophy. We at Connect understood early on that, as I said, for us to be successful—and, that is, the immersion of our people into this technology—it was going to have to be a very cooperative, very collaborative effort.

Some other States, for whatever reason, do not have that kind of environment. One of the States that has, frankly, been at this for several years before we came along and has shared a great deal of their knowledge with us—and we are great partners with them, and I am a great admirer of them, but they have an adversarial relationship with their providers, and I have never been able to understand that. It does not make any sense. But they do.

And so what I am very proud of here in Arkansas is that everybody who is involved with this Connect project, including the providers, it has been very collaborative, very supportive. And I said earlier in my comments we are ahead of the curve. We are ahead of the curve, and, quite frankly, with all candor, we have not put a lot of money in this. But we have gotten there because people have worked together. And these deadlines for this map that I told you about, the Federal Government has a definition of the kind of map they want to see, and we have a deadline of February the 1st in order to be "substantially complete," and I believe it is March the 1st to be "complete." And it is a formidable task. We will meet the deadline, and we will meet the deadline because the providers here in Arkansas are supportive and help us in what we do. And as Arkansans, you should be very proud of that.

Chairman LINCOLN. That is great. Thank you.

Mr. Sternberg, in your testimony, you state that the Arkansas Rural Water Association has trained more than 1,900 water and wastewater system personnel a year for over two decades, which is just absolutely amazing, and provided over 2,400 on-site technical assistance visits a year.

Right now, what would you say are the biggest challenges for water system managers in rural water?

Mr. STERNBERG. That is a good question, and I think Mr. McCullough is going to agree with me and his staff probably will, too. Management of these utilities is getting harder and harder for just the simple fact of the infrastructure. The existing information is probably 30 to 40 years old now—the aging distribution lines,

the aging infrastructure of the collection systems, the treatment plants. That is the big issue on the infrastructure.

Then you have the aging workforce in the water industry. We are going to have such a turnover in the industry of licensed, qualified operators coming before us that we have got to do a better job training and have money to do that, to educate and do more training of personnel.

AWWA, American Water Works, and the National Rural Water Association have both done surveys showing that the aging workforce in the water industry is approaching this in the next 10 years, we almost turn over.

Chairman LINCOLN. That is critical because we have got—and, of course, that is job creation.

Mr. STERNBERG. Yes, job creation.

Chairman LINCOLN. If we can train the folks that we need to come in——

Mr. STERNBERG. And that is the trouble with a lot of the small and rural communities, is hiring qualified licensed operators as some of these retire, because if you do not have good jobs, good-paying jobs in the rural community and have the infrastructure, most of the younger people are going to larger urban areas to try to find work.

Chairman LINCOLN. That is true.

Mr. STERNBERG. It is important to keep that infrastructure.

Chairman LINCOLN. What was interesting, I was traveling over in northwest Arkansas with a couple of the water guys, and one of them saw—there was a woman who had four children, and he said, "Come here, I want to show you." So we pulled up behind her, and she had her pick-up truck, and she had two of those huge plastic—she was filling up water. I mean, we turn our tap on, and we get nice clean, safe water. And to think that with four kids she was filling up those tanks in the back of that pick-up truck at least every other day just to have water in her home, to wash her dishes and wash her clothes, but to provide drinking water and cooking and everything else. I mean, it just seems unheard of in this day and age, but it still exists in our State. It is amazing.

When Dennis mentioned the fact that the money that came through attempted to take care of the backlog, then all of a sudden a new backlog appeared, and the reason being is that there are so many people out there that had given up hope that something was going to ever happen, and then all of a sudden when we apparently were trying, you know, to eliminate that backlog, all of those people that had lost hope began to put those applications back in. And so then we really got a true sense of what the need is that exists out there. So we appreciate what you all do.

Mr. STERNBERG. Can I add something to that?

Chairman LINCOLN. Sure.

Mr. STERNBERG. Talking about the need for additional funding, you know, USDA has done a tremendous job with their staff and what they do in rural Arkansas. But with applying a lot of times for funding, you have to deal with the regulations and the low-to moderate-income level issue. I truly think—you know, we rank in Arkansas, according to my list, 46th in the Nation. We need to look at that range— and possibly the Senate Ag Committee can look at

that—on how we can benefit and help our communities qualify easier for some of the funding that we need to make some of these big projects work.

Chairman LINCOLN. I have heard that same thing from some communities, that the current median household income requirements has just really limited their ability, so I think you are right. It is accurate to look at that and see how accurate it is. I think we actually rate third, the third lowest median income in the country, and if it does not fit us, then who does it fit? So that is a good point. But thank you, and thanks for all your hard work, and the years of working with you have been tremendously great, so I thank you.

Mr. STERNBERG. Thank you.

Chairman LINCOLN. Ms. Gardner, as Chair of the National Rural Self-Help Housing Association from 2004 to 2006, we are extremely proud that you have had that experience, and it is bound to have given you opportunity to work with nonprofits from across the country. Were there any lessons that just stick out in your mind that you learn from organizations outside of our State that you have been able to replicate here, any best practices for community development organizations that you can share with us?

Ms. GARDNER. Well, a lot of the building techniques, making our houses more energy efficient, and Mr. McCullough has also brought speakers in to talk to us about different methods and different ideas, not staying with the same— looking outside the box. How is that? Also, yes, I was the president there, but I also wanted to mention that I am also the president of the Arkansas Coalition of Housing—I have to read it—and Neighborhood Growth for Empowerment. It is a long time. And so that works more directly with the organizations here in Arkansas, and the needs of those organizations here are tremendous as well. And that is not all just rural development because now we are talking the urban areas also.

It would be wonderful—and I do not know that this is possible—if we could spread some of these programs into more of the urban areas for housing, because they need these programs just as badly. I thought I would throw that out.

Chairman LINCOLN. Well, I do not know if she is in the room, but Martha Jane Murray I know in our State working with the Clinton Foundation has done a tremendous amount in terms of energy efficiency. She went down to New Orleans after Katrina and worked there about how to work in energy efficiency in all types of different housing, low-income housing and others. And it was an initiative we worked on. I remember working back in 1992 over in East Arkansas in some of the subsidized housing of greater energy efficiency because the one biggest issue of losing people out of that housing was their utility bills.

Ms. GARDNER. Right.

Chairman LINCOLN. So making sure that it is affordable, and with all the great new technologies we have, I hope that energy efficiency will be a big issue that we draw into and incentivize in some of these things.

You mentioned counseling as well, which I think is really important. One of the big issues that I try to spearhead whenever I get the opportunity is financial literacy and really better under-

standing what an important role that plays. Maybe your involvement in counseling gives you a greater opportunity to expand on the real need for financial literacy and when we need to start that. If we started it earlier, it might be a little bit more helpful for your clients.

Ms. GARDNER. We have been working very, very closely trying to get into the colleges and trying to break in there, but really at that point, that is whenever your kids are going in and they are getting their first credit cards. But it even is happening in high school now, perhaps even as low as junior high, so that they can be more prepared.

There is an old saying that whenever you teach your child to drive a car, you teach them. But whenever you give them a checkbook, there is nothing. When you give them a credit card, it is just open. You just expect them to know it. They do not know. And so if we could start at an earlier age to teach them about finances and that type of thing, then perhaps we would not have some of the problems that we have today.

Chairman LINCOLN. Well, I remember vividly getting the lesson on reconciling my checking account when I got it from my father. But it is a critical step in really providing them the ability to be able to manage finances and to see all the things that are an opportunity to them if they manage that well, so it is important.

Just a last thing. You talked about land acquisition. Do you ever run into any problem with clearing titles?

Ms. GARDNER. Well, we just try not to buy that piece of property, is how we deal with that, because we do not have the time frame—our time is a 2-year program through Rural Development, and a 1-year program with 3 years to get the completion done with the Housing Assistance Council. So we really do not have the time to work on those kind of issue.

Chairman LINCOLN. It is a bigger issue in the more metropolitan areas, but it is one that we have run across in trying to help people with, you know, property that is abandoned and other things and really trying to get it back into profitable housing, which helps the neighborhood. But it is usually the clear title that is a problem.

Just a last question. How do you get the word out about your organization and encourage folks to work with you?

Ms. GARDNER. Mainly word of mouth, dropping our brochures, just kind of whenever you are eating at a restaurant, just kind of leave one.

Chairman LINCOLN. Conveniently.

Ms. GARDNER. We just kind of think of all different kinds of ways. We do advertising on Channel 9 because that is free. We are a nonprofit. We do not have enough money. Any money that you can get, all grantees will tell you they need it.

We do advertising in the newspapers. We will go and talk on the radio. Sometimes things work and sometimes they do not. It is amazing to me, with all the recruitment that we do, trying to get our word out, that we will have somebody come in and say, "Gosh, I wish I would have known you were here." It is like, "Ah, we are still not"—and so I wish that there was some way that perhaps Rural Development could work with trying to get the word out that there are organizations throughout the country that are there to

assist them and then direct them, because it is needed, especially with the foreclosures and the bankruptcies. You know, I wish that we could make it mandatory that everybody that was going into bankruptcy had to go through counseling first, anybody that was going through a foreclosure, you have to do these steps before we are going to let you do this, because I think it could make a tremendous difference.

Chairman LINCOLN. Well, I want to thank all of you all on the panel for being here today and sharing with us and, more importantly, for the incredible work you have done over the years. I am certainly grateful to have had the opportunity to work with you, and I look forward to doing more of that. Thank you all very much.

[Applause.]

Chairman LINCOLN. Now we are going to turn to our third and final panel for the day, and thank you all for your patience. I think it is good information for the Committee to have, and I am grateful to you for being here.

First, we are fortunate to have Annett Pagan with Winrock International here with us. She is program director for U.S. Programs at Winrock. There she is. Annett is going to share with us how her organization has utilized USDA Rural Development programs to implement successful community development initiatives here in Arkansas, and I just know, having worked with Annett, she really does think outside the box, and it is a great opportunity for us in Arkansas.

Our next panelist will be Dr. Robert Cole. Dr. Cole has 30 years of Federal experience, including some time at USDA. He is now the director of East Arkansas Enterprise Community. He will address some of the challenges he sees for rural communities in accessing rural development funding. Dr. Cole has been a long-time friend and somebody I have learned a great deal from, and I am grateful that he is here today.

Then we will also hear from Dr. Calvin King. Dr. King is the executive director of Arkansas Land and Farm Development Corporation. He is going to share with us the difficulties he sees for limited resource farmers. Again, Dr. King has been a longstanding advocate in East Arkansas and somebody I met years ago, and I am grateful for his assistance and help in me better understanding some of these programs early on, and we appreciate him being here.

Our final panelist is Doctor—I mean, Mr. John Squires, the CEO of Community Resource Group. Community Resource Group works with rural communities in seven States. Mr. Squires is going to discuss the challenges he sees for rural communities as they work to improve their infrastructure and generate economic growth.

So welcome to all of you all. Thank you for joining us today. We very much appreciate you being with us. All of your written testimony will be made a part of the official record of the Committee, and, Ms. Pagan, we will let you proceed with your testimony.

STATEMENT OF G. ANNETT PAGAN, DIRECTOR, U.S. PROGRAMS, WINROCK INTERNATIONAL, LITTLE ROCK, ARKANSAS

Ms. PAGAN. Thank you, Chairman Lincoln, and thank you for having us all here today. I am the director of Winrock International's U.S. Programs. Winrock is a large nonprofit organization based in Little Rock, Arkansas, that works with people around the world and in the United States particularly to empower the disadvantaged, increase economic opportunity, and sustain natural resources. I am pleased to be here today to discuss USDA Rural Development's programs and the benefits they provide to rural Arkansans and to sit on a panel with my colleagues who are my partners most of the time on these projects.

Winrock's U.S. Programs has implemented grants and cooperative agreements funded by USDA for more than 15 years. In this time frame, we have been awarded more than $4.8 million to complete 27 rural development projects. From community and economic development to value-chain agriculture, Winrock's U.S. Programs has used USDA Rural Development funding to improve the lives of rural Arkansas.

Winrock has implemented projects funded by the Rural Community Development Initiative, Rural Business Enterprise Grant, Rural Business Opportunity Grants, and Rural Cooperative Development Grants, as well as many other USDA programs outside Rural Development. We believe it is imperative that Rural Development programs remain committed to rural projects for increased success in small communities.

Winrock International's Nonprofit Improvement Program, funded by USDA's Rural Community Development Initiative, has proven vital to the success and growth of Arkansas' small municipalities and rural nonprofit organizations.

Winrock has been awarded this funding for this important project for 6 of the past 7 years. Winrock's Nonprofit Improvement Program began in 2003 with seven nonprofit organizations receiving technical assistance, allowing those nonprofits to build their capacity to take on larger and more complex projects within their communities.

The Nonprofit Improvement Program now includes 45 rural municipalities and nonprofits who participate in activities provided by Winrock's community development experts. Winrock has been awarded $1.3 million in grant funding for this program. But the program participants have used the tools learned in this program to bring home to Arkansas more than $20.3 million in Federal, State, and private funding.

Winrock's has long been involved with the Rural Cooperative Development Grant Program. The Arkansas Rural Enterprise Center was established in 1992 and has received approximately $1.9 million in funding from that program. Those projects always include assistance to minority and socially disadvantaged groups. Our activities in 2008 and 2009 focused on working with Poultry Partners, Incorporated, which is made up of more than 400 poultry producers in rural areas of northwest Arkansas, northeast Oklahoma, and southwest Missouri. Many of these producers employ minori-

ties; approximately 20 percent of those poultry producers are Hmong.

Other 2008–09 project activities included providing support to minority and limited-resource farmers who grow sweet potatoes in eastern Arkansas, and that 25-member Arkansas Delta Produce Marketing Association is 100 percent minority. This area of rural Arkansas is among the most impoverished in the State, with consistent high unemployment and low per capita income rates.

Winrock has also received funding from the Rural Business Enterprise Grant and the Rural Business Opportunities Grants, which are vital to working with new rural businesses. However, reduced funding for these programs means projects are limited in scope. For example, the Rural Business Opportunities Grant awards now only can fund a $50,000 grant for a one-State project or merely $150,000 for a three-State project. This funding amount is, unfortunately, inadequate to support the types of replicable projects necessary to reduce the risk of investors and bolster opportunities for building new industries in rural areas. To fully support regional projects, award amounts must be increased.

We are pleased that Congress has supported a funding increase for the Rural Cooperative Development Grant in 2010. The current appropriation is $7,924,000, or more than double the 2009 program funding. We appreciate your support on that, and I know that you remember when there was only about $1.9 million in that program.

Chairman Lincoln, I appreciate this opportunity to make this presentation today. I am happy to answer any questions and thanks again for a great woman, a great Arkansan, who is now the Chairman of the Senate Ag Committee.

[The prepared statement of Ms. Pagan can be found on page 93 in the appendix.]

Senator LINCOLN. Thank you.

Dr. Cole.

STATEMENT OF ROBERT L. COLE, PRIVATE CONSULTANT, EAST ARKANSAS ENTERPRISE COMMUNITY, AND PROGRAM COORDINATOR, UNIVERSITY OF ARKANSAS AT PINE BLUFF, NATIONAL WATER MANAGEMENT CENTER

Mr. COLE. Chairperson Lincoln, thanks so very much for allowing me to have the opportunity to make a statement, testify at this hearing. From a child to a young man, to now young senior citizen, I have pretty well dedicated my life to "Revitalizing Rural America." I appreciate having worked with you and having known you when I was employed for 30 years in USDA Rural Development, and since I have been retired for 15 years, I have continued to work closely with Rural Development and have appreciated your support since then.

As a native of Crittenden County and a resident of eastern Arkansas most of my life, I have seen the United States changed; I have seen the East Arkansas Delta change. That is where I spent most of my life. But whereas much has been done, there is still much to be done. During my 30 years at the U.S. Department of Agriculture, I served at all levels and retired in Washington and saw people go from the outhouse to the White House.

Part of this testimony was obtained through working and calling friends and co-workers throughout the State, and, of course, Eldridge and I work close together in rural development, so we felt that we would talk about rural development, and I want to say that sitting here between Annett Pagan and Dr. King, having worked together with both of them for years, they will kick me on the ankle when I say something that I should not say.

Lawrence McCullough, we are very proud to see you where you are, and although we are going to talk about rural development, you know, a lot of times, Senator, when you are on the payroll and an employee, there are certain things that you see and think but you cannot say them. But once you get retired, there are certain things that you think and you see and you can say them. And I do not know how to say anything but to be frank.

First, I will have to say rural development, that is where my love is, that is where my heart is. From Farmers Home Administration, Farm Security Administration, Farmers Home Administration, and now Rural Development, watching those changes, at some times we had administrators that would come in, and they would tell us, "You are the biggest banker in the county." And then when the administration changed, that administrator would come in and say, "You are not a banker." And working with that agency and that organization, I would like to commend that panel before us, because all of the great things that they were saying about rural development, self-help housing, and having to see Lawrence McCullough not answer your question, that just made me kind of like a father seeing a son saying, "Ditto, and I trained him well."

[Laughter.]

Mr. COLE. But back in to rural development, there are some things that when I was in DC and under President Clinton rural development was being reorganized, you know, you can—there is a way to reorganize something or to make changes without totally tearing it down. I was one of those that did not feel like it was broken as bad as some people felt like it was broken. But, nevertheless, I had enough time in to retire, and I left, and they just tore rural development up.

A lot of the changes were for the good, and some of the good was merging the old rural development, Farmers Home, and then changing the name to Rural Development, and closing some offices. We know that the cost/benefit analysis dictated that there needed to be some offices closed. But you know what? What we also know is that there is something wrong when a little old lady from Gillette, Arkansas, has to travel 225 miles round trip to talk about—to get information about a 504 loan or grant. We know there is something wrong.

Of course, Lawrence and I have kind of had some visits about things like this, and since he has not been there long but those were some things that I—being in Forrest City, I get calls from people in Clarendon, Arkansas, about a housing loan. They called me because they knew I was a former housing chief. But they want to sit down and talk with somebody, and they cannot talk to them one on one because many of them—I think Ricky Carter says that rural development forces people—Ricky, I am not telling off on you—forces people to drive uncertainty. In other words, people

have to drive and go places that they would not usually go or they might be too old to actually travel.

A lot of that I think can be done by re-evaluating situations where people drive from Jonesboro to Newport or from Batesville to—yeah, from Osceola to Jonesboro or from Newport to Batesville. Those are pretty long distances, and my sensitivity has to do here with primarily the single-family homeowner who has to do all of this driving. And I think that some of this probably could be—that Rural Development ought to relook at those situations such as that, and maybe look at having some satellite offices somewhere. I know they have a few in the State, but having more satellites possibly. Now, FSA and NRCS, they still have offices in all the counties. Work out something where they can go and spend a day a week so those low-income families can go to them and not have to drive 200 miles round trip. But I know that can be done, but somebody just has to look at it and utilize nonprofits such as ALFDC, the enterprise community, get them to help you do some of that outreach.

I do not know how much of that administrative money with the stimulus that Lawrence kept talking about, but maybe you can get some of these nonprofits to help you, or somebody like in the rural water, that outreach for those towns. That is just great. But these little single-family housing borrowers, they do not have that kind of help. The self-help is one thing, but that is talking about in a certain geographical area. I am talking about the total State of Arkansas.

U.S. Rural Development has many excellent opportunities for housing and community facilities. However, a certain part of the population do not have the knowledge, skills, and abilities complete the paperwork. Some of the paperwork that is simple to us every day is not simple to complete by these low-income families. And they have to have some of that one-on-one technical assistance. They cannot afford to hire a technical assistance provider or a consultant to help them. It has to come from somebody from rural development or somebody that is helping rural development to do this outreach.

Small towns and infrastructure, we have heard quite a bit of talk about small towns and infrastructure. On infrastructure, definitely you have to have infrastructure if a small town is going to do anything. But many of the small towns do not have infrastructure plans, and if you do not have an infrastructure plan, then you cannot go and talk to anybody about helping you with infrastructure. They cannot afford to hire an engineer to help them to do that.

So now I am going to talk a little bit about the East Arkansas Enterprise Community. In 1995, there were three et zones and 30 enterprise communities approved in the United States nationwide. The enterprise zones got $40 million each. Now, I am talking about the rural enterprise zones in rural enterprise communities because there were urban ones. The enterprise communities got $3 million each. After the administrative fee was cut off the top, it was $2.9 million.

Now, all of the towns in the enterprise communities— there were two in eastern Arkansas, but all of them and the one in Forrest City, East Arkansas Enterprise Community, all of those towns got

infrastructure plans. Not only do they have infrastructure plans, they have preliminary engineer costs and estimates on all of their needs. Eleven towns and communities in the East Arkansas Enterprise Community have $74 million worth of infrastructure needs identified and in a place. They have $13 million which are shovel ready and meet all the requirements of the stimulus funds. We have plans, preliminary plans on those, and they are shovel ready and ready to go. But I heard someone else talking about they cannot afford the 25-percent match or the 40-percent match based on this income. So they are just sitting there.

Now, we do have a collaborating agreement with the Corps of Engineers where they have approved $20 million for infrastructure for this enterprise community. The water bill also authorized that Federal funds can be used to match funds, but you have got $20 million authorize, but no appropriation to go with it.

Now, the Corps asked for $500,000 in 2009. That did not happen. They told us to get the match. We went to the Governor. We ended up with $3-point-something million in match, but we did not get the $500,000. So we are going to be able to do some projects without the Corps money. But the Corps money did not materialize. We could do a lot more projects.

This year, they said that they could use $6 million, and we told them that we can get that match. We know that we can. But the Corps tells us that they stand ready to go when Congress appropriates the funds. There is the authorization.

I know all the information about no new construction and all of that, but we have got to figure out something, some kind of way in 2010 to get some of this $20 million that is out there so that we can leverage this money that USDA got and also leverage money from the State.

Now, the enterprise community took that $2.9 million and leveraged $25.6 million during that certification. Community, human, and economic development is where those dollars went.

Chairman LINCOLN. We will work with you, Dr. Cole. I appreciate it.

Mr. COLE. We need your help on that.

[The prepared statement of Mr. Cole can be found on page 60 in the appendix.]

Chairman LINCOLN. Okay. Thank you.

Dr. King.

STATEMENT OF CALVIN R. KING, PRESIDENT, ARKANSAS LAND AND FARM DEVELOPMENT CORPORATION, BRINKLEY, ARKANSAS

Mr. KING. Thank you, Senator Lincoln. It is indeed a pleasure to have this opportunity to present to you today, and, of course, you have received my written testimony. I want to speak first in reference to the Arkansas Land and Farm Development Corporation. As you know, we have been around for some 29 years, and we have virtually basically three programmatic areas: that is, in agriculture and rural community development and our housing program and our youth program.

I am also happy to say here today that also our chairman, Dr. Brian Cornelius, is one of our program graduates from our Youth

Program, so we have what we consider as being a major achievement in that area, and where he is now president, he has returned to eastern Arkansas after finishing his doctorate at the University of Arkansas at Fayetteville and working for a major corporate, you know, C corporation in the Delta. Part of that contribution from a future workforce development that I consider as a major accomplishment for Arkansas Land and Farm Development Corporation.

Let me say also in our work as it relates to the limited-resource small farmers, we have some very serious challenges before us. One, we have a continued decline in the loss of black-owned land in the U.S. As you know, in 1910, African Americans owned roughly some 15 million acres of land. That has declined roughly to some 4 million or less acres in this country today, and there are major factors contributing to that.

I must say one of the factors that we have right now has to do with some of the policies that are being implemented by the Farm Service Agency that have proven to be detrimental in this area, not just to minority farmers but also to limited-resource small farmers in general, but particularly things that are occurring now with the farming community and with our small farmers is payment offsets. There should be a moratorium on payment offsets, on program payment offsets for small farmers and particularly for minority farmers in some of the crisis situations they are facing at this point.

We have situations now and issues, as we talk about providing stimulus, we are doing just the opposite for both families and households in this particular segment of the population in this community. The Farm Service Agency is offsetting Social Security payments, people's retirement where they have worked for a number of years in the farming arena, and have been forced out of that arena. As you well know, they have been some of the first to feel the pinch of the crisis some years ago. And as we move into what has now become a downfall type of economy for a much broader segment of our society, it is becoming a devastating process and application of policy for this segment of our society.

But the offset payments from both program services for families and farmers is very detrimental as well as the offset payments for those individuals where there are now accelerating programmatic and policy initiatives toward foreclosures.

I say that, Senator, to say that while that is an existing policy, there are alternatives. And I do not think we should be operating in a society today and implementing policies that are detrimental when there are alternative approaches to what is taking place with the small farmers and, in particular, with the minority farm segment of the population.

While we have worked to address the issue of small family farm decline, we realize also that we would not be able to do our work if we were not receiving the support from USDA, in particular from what has been the 2501 program over the years. And I urge you, Senator, to continue to support that program, its efforts, which is now with the Office of Civil Rights, actually under Mr. Purdue Reed and his administration and the work that he is seeking to do as it relates to both the 2501 program but also understanding what the issues are and what the needs are as it relates to limited-resource and minority farmers. And I think you would probably be

very sensitive to—it is very sensitive to some of the policy issues that are being faced right now in this segment of our community, particularly to the extent that, as I understand it, there are efforts taking place where the Farm Service Agency is being assessed on the part of USDA or the Federal Government itself to look at not just the Farm Service Agency but all USDA agencies, the type of program of service delivery that has been provided and to what extent it has been provided and how well it is being provided in today's time.

Another area that I want to talk about is our housing program. Over the years, both in partnership with USDA Rural Development under RCDI, the Rural Community Development Initiative, we have been able to both implement some housing development program initiatives by using the tax credit program. And, of course, you know, the tax program comes through Arkansas Development Finance Authority.

I must say while it has proven to be very beneficial to the State of Arkansas as well as the housing industry, along with the HOME program dollars, there is a need for more and changes in some of the existing areas right now, because along with the downfall, with the housing economy, as you know, so went the tax credits as far as purchase and marketability of those credits in a way where it was as attractive to both the banking industry and private industry as other segments were.

But as a result of some of the outreach—but the funding is limited, and I will say for Mr. McCullough, there is more funding need for rural community development issues and outreach for rural development, and I agree with Dr. Cole as well on that.

But from the housing development perspective, we were successful in the Lee County, Marianna area, where we by way of tax credits and HOME dollars, we built some 35 homes, a subdivision; there was equally some $2.6 million in housing development that was a result of tax credits and private investment dollars that took place in that. And that is what outreach can do.

We have also in the four-city area been in partnership with the private sector to develop over $16 million in housing development that also is—this is in a multi-family type of housing development initiative, along with some in the El Dorado area. We presently have—which is pending now. And, again, understanding what is occurring in our economy—and these are basically low-income Delta region minority communities in the counties in which we have been working and other areas that we have worked in as well.

We have pending right now with tax credit approval at the State level, Department of Ag—I mean Arkansas Development Finance Sty roughly $3.6 million for housing development that is drastically needed in the Helena-West Helena area. But, again, there are some issues around the tax credit issues itself as well as the availability for the other type of dollars for the State of Arkansas, some that was made available as a result of the stimulus package, but definitely there is a need for more, and in the HOME program.

Now, what the HOME program does and how it has worked and been beneficial for the low-income communities in our area, it has been both for the renovation program as well as for the new housing construction program. As a result of, again, outreach and RCBI,

we are working with roughly some seven communities right now through the RCBI program. We have been able to provide the assistance to these small towns to put together the packages that would allow them to get the financing—these are the cities, Helena-West Helena being one, Marianna being another, and other towns we are working in to get the necessary funding to go in and renovate homes up to $25,000 in grant dollars through the HOME program, and up to $90,000 in new home construction, and, of course, it creates affordability by way of only having half of that being an obligation in repayment funding through the HOME program with the Arkansas Development Finance Authority funding program.

Now, that particular program, again, that is by way of HUD that comes into the Arkansas Development Finance Authority, and more funding is needed for that, and it is very beneficial not just for the housing industry but particularly for low-income communities.

The other area I want to speak to is on the youth. Now, youth we consider as being our future workforce and next generation, and I think there should be a lot more emphasis and more outreach support for a community-based organization at this as we seek to work with you in understanding the need to both encourage them and continue their education. High schools need all the partnership that they can get in a lot of our areas, but both to encourage them and to prepare them more in a fashion where they are ready for the workforce, but more than anything, I think it is important that we also have programs that encourage our youth to focus on and have a better understanding of agriculture.

There is an approach now as we talk about know your farmer, know your food, and as a part of that knowing your farmer and knowing your food, you know, I think that the education process for our young people is even more essential, both know your farmer, know your food, but also understand and know the structure of agriculture and the contribution that agriculture makes in our society and in our local community. And that is equally as important.

Now, my primary focus area, as you will see from the position paper, the testimony that we submitted, is around alternative crops or vegetable crops. We firmly believe that this particular approach at this is one particular area—and Ms. Pagan gave reference to that as well in some of the work that has been done, and we have partnered in doing some of that work and working with farmers to create what we call cooperative limited liability corporation type initiatives in this arena with added-value processing, but particularly vegetable crop production, that it can provide opportunities for both new business enterprise as well as a diversified approach for the retention both of minority farmers and for family farmers.

I think also in doing so, not should we just look at the focal point of the funding and the necessary funding in that area and that area, but that should be priority and possibly additional program diversity in that area as far as the farmers are concerned, be it by way of those individuals who become entry level into vegetable crops, that the Farm Service Agency can, by way of either its existing policy or new policy, be able to provide a certain forgiveness of debt that creates the flexibility for this segment of farmers to be

able to diversify their farms where they have a strong economic survivability in that area.

My final point, I think also along with that—and I commend what was recently announced with the dollars that went to the University of Arkansas at Pine Bluff for the establishment of a Foundation of Sweet Potato Plants for the State of Arkansas. But I would encourage more. I would strongly encourage more funding support for the University of Arkansas at Pine Bluff particularly as it relates to alternative crops and working in this particular area, this arena, from the added-value perspective as well as from the certification process in working with farmers and with communities and with organizations.

We were the organization to certify the first black farmers in the State of Arkansas, some of the first farmers in the State of Arkansas, to be certified for good agricultural handling practices. And as we all know, that is a barrier point to expanding new market opportunity because it is a requirement in the marketplace.

Again, I know my time is out. I am going to close at this juncture and say again, thank you, Senator Lincoln, for your support, and we look forward to that continuation.

[The prepared statement of Mr. King can be found on page 80 in the appendix.]

Senator LINCOLN. Thank you, Dr. King.

Mr. Squires.

STATEMENT OF JOHN SQUIRES, CHIEF EXECUTIVE OFFICER, COMMUNITY RESOURCE GROUP, FAYETTEVILLE, ARKANSAS

Mr. SQUIRES. Senator Lincoln, congratulations on earning your title, and thank you very much for trying to bestow the title of Doctor on me.

[Laughter.]

Mr. SQUIRES. I appreciate that very much, though I think most of the people that know me, that is not the first thing that would come to mind as far as what to call me.

Before I start my remarks, I think I would be remiss if I did not acknowledge that the work that I have done for the last 34 years and that my organization has done would not have happened had it not been for another person with a title that he earned after the fact, and that is Judge Olly Neal.

Back in 1976, Olly was administering the Lee County Cooperative Clinic, and as I understand the story, he would see people coming into the clinic every month, and they would be having gastrointestinal problems, and they would be back the next month. And it did not take him very long to realize that it was because they were drinking contaminated water from shallow wells, and with that hooked up with the National Demonstration Water Project, and pretty soon he was trying to peddle this need for water all over the State of Arkansas and came up to northwest Arkansas back in 1976, and the rest is history. Thank you very much, Judge Olly Neal.

My name is John Squires, and I am the founder and CEO of Community Resource Group based in Fayetteville, Arkansas. We are multi-State nonprofit rural development corporation with a 34-year history of helping people in the rural South build a future in

their own hometown. We work on issues that define quality of life in rural areas such as water and wastewater infrastructure, transportation, affordable housing, and access to capital.

When you consider that three-quarters of the 1.2 million small businesses in rural America have less than 20 employees, it is easy to see why small business is so important to a rural State like Arkansas. Surveys indicate that small firms in rural areas are more likely to provide community leadership, invest in the local community, and are less likely to relocate. The challenge is to find ways to strengthen and help grow small businesses because in finding that, we find ways to strengthen and grow rural Arkansas' economy.

The Center for the Study of Rural America at the Federal Reserve Bank of Kansas City identified three major challenges to the growth of entrepreneurial activity in rural America: labor, capital, and infrastructure. How do we invest in the small businesses and entrepreneurs in rural communities to help them grow and prosper, thus creating the good-paying jobs that will attract the skilled labor necessary to take rural Arkansas businesses to the next level and further improve the vitality of our rural communities?

Thirty years as a rural development practitioner, including 6 years on the board of Alt Consulting, a nonprofit business consulting firm based in the Arkansas Delta, has convinced me of three things.

We need to focus our finite resources and efforts on businesses that have real growth potential. Before extending credit to small businesses, we need to provide high-quality, on-site, capacity-building assistance that is affordable but not free.

We need to find alternatives to traditional collateral-based lending. Small businesses located in low-income areas typically lack the assets to qualify for the loans they need to grow their businesses.

Community Resource Group supports rural businesses by providing on-sit assistance and capital to improve rural community water and wastewater infrastructure. Thirty years ago, we started helping rural communities across the Ozarks Mountains to plan, finance, construct, and manage community public water systems that provided first-time services to hundreds of families that had previously relied on shallow wells and springs for water.

Incidentally, these are the very community systems that we helped build that are now being connected to the regional system, and we are delighted.

Today, CRG provides on-site assistance to approximately 500 rural communities across seven States to ensure that public water and wastewater systems that are needed by the residents and business alike are operating properly.

Since launching our infrastructure loan fund in 1992, CRG has closed over 300 loans to water and wastewater systems totaling more than $20 million. But it is the USDA's water and wastewater disposal loan and grant program that does the heavy lifting in rural America in providing major funding to rural water and wastewater needs of rural communities.

This long-running program works well and has contributed mightily to the viability and vitality of so many rural communities. This program works. It simply needs an increased appropriation if

it is to meet more of the backlog that we are discovering every day in order to provide safe water in our rural communities so that everyone can take it for granted.

Like small private sector businesses, nonprofits providing technical and financial assistance to rural communities and small businesses are also challenged by the lack of access to adequate capital, especially for re-lending. The rural development programs, such as the Intermediary Relending Program, or IRP, represent an important source of financial support for nonprofits working on the front lines of rural development. However, in fiscal year 2009, the appropriation for the IRP program was $33.3 million, or just $660,000 per State, if divided equally. Funding for the IRP program needs desperately to be increased.

While not perfect, USDA's Rural Development programs work. I would urge the Committee to build on what works and expand those USDA programs that are already successfully investing in rural America.

In conclusion, for most of the 60 million residents of rural America, Rural Development at USDA is a primary source of Federal financial support for community economic development efforts. We appreciate the hard work and the responsiveness of the staff here in Arkansas and their hard work on behalf of rural communities across the State—even if the director cannot choose among his children.

[Laughter.]

Mr. SQUIRES. The American Recovery and Reinvestment Act this year provided a very welcome influx of funds for rural development programs and is providing a significant but one-time shot in the arm. We hope the important work of rebuilding essential community infrastructure that began in 2009 will not be forgotten in 2010 and beyond.

We do understand that the Federal deficit is growing and that securing increased appropriation for rural programs will not be easy. But rural has never been easy, but it has always been worth investing in.

Thank you, Chairman Lincoln and the Committee, for considering my testimony and for your focus on the needs of rural America and in Arkansas.

[The prepared statement of Mr. Squires can be found on page 97 in the appendix.]

Chairman LINCOLN. We very much appreciate your testimony, Mr. Squires. Thank you so much for being here. And I would like to echo your words of thoughtfulness to Judge Olly Neal, who I also have found in my career to be a great counsel and someone whose main objective is to help his neighbor and to work through the community to do that. So I appreciate that. I appreciate him being here.

Thanks to all of you all for your testimony. I have got a few questions that I would like to kind of converse with you about.

Ms. Pagan, when I meet with constituents who are just starting a project and they have got a dream—and as I tell them, it is not my job to dream their dream, but to help them make that dream happen—I also tell them that it is unlikely that they are going to find all of the funding they need in just one program. Oftentimes,

they have to apply for several different grants, combine them in order to have enough funding to complete the project. I am just curious, and I hope I know the answer, but has this been Winrock's experience as well? And if so, can you give us some examples of partnering that have happened that you feel like is a wise use of collectively bringing dollars together?

Ms. PAGAN. Chairman Lincoln, Winrock's U.S. Programs has had the unique ability to piece together several USDA programs to move a project from the conception to reality, as I know several other members of this Committee have been able to do so.

Winrock was awarded a Rural Business Opportunities Grant to look into value-added opportunities for farmers in eastern Arkansas a number of years ago, and the study indicated that there was really a need for oilseed processing in the Delta and resulted in private sector investment by the England Grain Dryer to bring a soybean oil extrusion plant on board. And this England Grain Dryer also needed some technical assistance. Through the Rural Cooperative Development Grant funding, we provided some much needed on-the-ground technical assistance, subsequently giving the England Grain Dryer the tools to leverage some funding with the Delta regional authority along with that private sector investment to complete the construction of the soybean oil extrusion plant.

The building of this plant led to other private sector investments in several biodiesel production facilities in Arkansas. Biofuel refineries have potential to create jobs across the mid-South. A recent study coordinated by the Memphis Bioworks Foundation and Winrock International indicates the expanding biofuels and bio-based products business sectors could bring more than 25,000 jobs in the mid-South Mississippi Delta region, so a total of about 34 programs put together made that possible.

Chairman LINCOLN. Well, you mentioned the success you have had with the Nonprofit Improvement Program, and certainly it is impressive to see 45 rural municipalities and nonprofit organizations that you have worked with have been able to obtain that $20 million. Could you talk a little bit more about how local leaders can participate in that program in the kind of mentoring activities that Winrock provides? Or are there programs that you all do that help get leaders engaged and involved in that?

Ms. PAGAN. First of all, we have marketed the program through both the Arkansas Department of Rural Services and the Arkansas Municipal League. Because or this marketing effort and the great success of the program—and leaders around rural Arkansas have heard about the program—we now have a waiting list for participants in that program.

The grant application requires that we have project recipients identified and secured for participation at the time of the grant. The real criteria for getting into the program is that the smaller the community and the more distressed the area, the higher the poverty rates and more likely they are to get into the program because we actually are scored higher with USDA Rural Development.

They have historically decreased the amount of awards and raised the match requirements, and it leaves many organizations unable to participate and without technical assistance.

In September, we submitted a new grant application that would include seven new participants, and at Winrock, because we believe that once you are a client, you are always a client. If funded, then those seven participants add and join the 45 others who have continued to access our mentoring programs and workshop trainings. I know that you are well aware of the national study tool that is attached to this program.

We know, though, that our on-the-ground experience shows that the short 18 months that these communities participate does not solve all their needs and their problems. So we continue to struggle to support those communities and nonprofits. Because of this limited funding amount and the 50/50 match requirement, we must limit our services as well as the amount of organizations we can assist.

We have seen and rural Arkansas has seen the success of this program. We strongly believe that rural communities and nonprofit organizations can strengthen their capacity and see projects to fruition. As I mentioned in my opening statement, this program is vital to continued improvements in rural communities.

Chairman LINCOLN. Well, it is so important because when you work with those rural communities, as we do in our office, you realize that there is a real need for technical assistance, and it is a real key for them to be able to reach that dream, because they do dream those dreams and it is a wonderful thing to see the innovation and the ideas that come out. But the technical assistance is absolutely critical to be able to access the resources and the things that they need. So that is very important.

You mentioned biofuels. We are working hard. In the Senate Energy Committee, we marked up a bipartisan bill, and hopefully we can see that to fruition pretty soon because, unfortunately, we are seeing a lot of our biofuels industry dormant at this juncture—about 90 percent of them dormant, about 50 percent of them are bankrupt at this juncture. We have got to get that back into the economy. We have got to figure out—because those are good jobs. They are sustainable jobs. And, again, the excitement and the enthusiasm in rural America is there for that, so it is going to be important.

Dr. Cole, you mentioned that the East Arkansas Enterprise Community has taken $2.9 million and leveraged $26 million more for community and economic development, and that 9:1 ratio of leveraged resources is so impressive. Can you tell us about some of the projects that you were able to implement with that? And what were your priorities there in terms of using the leveraged dollars to really maximize the outcome?

Mr. COLE. There are 11 working benchmarks that the enterprise community had, and infrastructure was one of the important ones where we did the most leveraging. An example would be a community center. We were working with 11 small towns, and only three of them had community centers to start with. So we are talking about community development, and the community had no place to go to meet and sit down and talk about community and economic development.

So we zeroed in on community centers for all of the small towns, and at the end of the certification, there were only two towns that

were left that did not have community centers. But an example would be Wynne, the McCallum Center in Wynne, and most of this leveraged fund came from USDA Rural Development because it fits the programs and we knew the programs having come from there. So that particular community got together—they did not have a community center—and they raised $100,000 from the community, from the businesses. The enterprise community took $100,000 of the resources that it had and helped. They provided the land. They got the land, furnished the land, and we put $100,000 in to help with furniture and some other things. And the USDA Rural Development actually financed the community center.

So there we took $100,000 and leveraged in excess of $1 million. So those type of projects throughout the period enabled us to have what we saw was an economic impact and provided the towns and communities a place to meet and actually sit down and talk about community development.

A town without a community center, they really cannot— they have no place for a youth program; they have no place— you know, some of them try to meet in churches, but you will have some people of the community that will not go to a certain church. So in order to be inclusive, every town needs this own meeting place. But that is just one example.

Chairman LINCOLN. Sure. You know, we just had a hearing on the child nutrition reauthorization, and one of the programs that we are really focusing on that is so important that is very difficult to important, particularly in rural areas, is the summer feeding program. Without a meeting place in those small rural communities, the idea of transporting those children to another congregate place where they could have that summer feeding program does not really seem like the best solutions. But when they do have a local community center, a place where you can do that, it is better—certainly you have got a better option at being able to feed those children during the summer. So thank you very much.

Dr. King, you discussed the need to provide more training and technical assistance, which I have just been talking about, in farm development, crop production, risk management, local co-ops, and LLC development. I know that your organization has provided technical assistance to farmers. Can you describe some of your recent work and what has been successful for those limited-resource farmers that you have worked with?

Mr. KING. Well, one of our real focus areas has been retention of the farms, and success has been each farm that we have been able to retain and dealing with the consistent regulation changes with USDA Farm Service Agency, particularly as it has had to do with the program servicing area. That is both in the debt restructuring and working with farmers from that perspective to the extent of even going through the process of working with them through appeal proceedings and the processes for appeals, where you do know that individuals get the full benefit of what the full due process, what is allowable to them by way of USDA and use of the National Appeals Division to make sure that everything has been dealt with in a fair and equitable manner from a policy application perspective.

We also provide training in that area, and we also bring together partners, and I am saying resource agents, that is, USDA itself. And we bring them together on a frequent basis to talk about both our programs and the application process of those programs, what is available to them, be it with Rural Development, be it with NRCS, including the Farm Service Agency as well as other agencies, both private as well as State agencies.

The importance of that is that what we find in the communities we work in is the information dissemination just does not get there, or does not get there to the extent that people are really able to comprehend and really identify because there is so much. There is so much both in application process, there is so much also in the regulation aspects of that.

So we find it beneficial when we have sessions just of this nature where we are working with our constituents from a training perspective and an information-sharing standpoint, they also understand the resource agencies and how those agencies can partner and best benefit them with the type of services that they provide.

You mentioned the fact that there is a dream, you know, and you cannot necessarily get or really understand the fulfillment of that dream until you clearly understand what resources are there that could enable you to realize that dream and understanding what Rural Development does and how it can help from a housing perspective, how AFDA can help you and how AFDA and rural and urban partners together to provide housing, ownership opportunities, or how to bring about or create a safe housing situation about where use of the home monies and partnering the home monies back in with the HPG, the Housing Preservation Grant dollars, and that when you have a situation that is both unhealthy and unsafe, at all the same time where the income is not as set, where individuals are able to improve the status of what their situation is.

So we work with them both from a training and from a hands-on perspective on all of our clientele, in our housing areas, in our farm program area, and from a cooperative development program perspective as well.

As I mentioned, one group with which we have been doing some partnership work, Winrock International along at Arkansas Land and Farm Development Corporation and others to deal with the issue around farm safety and farm security from a food perspective. The group that Ms. Pagan gave reference to, we have worked with them also as a collective group working from an LCC or the equivalent of a cooperative to understand what the food security and food security really represents in giving them access to market opportunity. There is a requirement within the marketplace and equally as much of a necessity for that in the future as we try to move more toward expanding and building on that type of enterprise.

It is an enterprise that we believe that there are opportunities for expansion and development in, one, from an infrastructure perspective because now both Farm Service and Rural Development offer additional resources in that arena from a financing perspective, but it is important that our constituents and the small farmer and the minority farmers understand the process for accessing those resources, be it for getting the loans where you can put the cooling systems on those farms now, which it was not, you know,

available at one given point in time, as well as the cooperative development funding. I think cooperative development funding and support by way of USDA—and I think Ms. Pagan would probably agree with me on this, is that we do not have the sufficient resources, the type of resources that are necessary in that arena. But we find also it is imperative that the small farmers and limited-resource farmers work in a collective manner but from a core perspective of LCCs to build those type of organizations, small type of business enterprises in our rural community and in that particular area of the business community.

Chairman LINCOLN. It is essential. I had a friend that I grew up with in East Arkansas who wanted to move to fresh fruits and vegetables, and realizing how expensive it was going to be to have that equipment to be able to process or cool down immediately was something else. And you mentioned know your farmer. We had a great discussion, as I mentioned earlier, over at Heifer about the farm-to-school program, and also you have to do is visit downtown to the farmers market here where people truly do enjoy and certainly appreciate being able to know their farmer. And I think it is a great tool to really bring back the kind of respect and consideration that Americans need in terms of knowing where their food comes from, that it is not just coming from a grocery store shelf. And that is, I think, an important thing.

Mr. Squires, your testimony focused—or you mentioned, anyway, the USDA Intermediary Relending Program, and as you mentioned, it makes loans to nonprofit lenders who in turn make the loan to finance business and community development projects in those rural areas. Your comments that the Community Resource Group has had difficulty in competing for those funds in recent years because of the IRP's scoring preference for organizations serving less than 14 counties, can you tell us why an organization like the Community Resource Group could use the IRP funds more effectively if it was allowed to serve that larger area? Administrative costs, I would think.

Mr. SQUIRES. When you are doing infrastructure loans, it is a difficulty. The restriction we are talking about here is a 14-county—a preference for 14 counties or less, and if you do not serve less than 14 counties, you do not get those points in that category. If you are an infrastructure lender—and we do small infrastructure loans—it is very difficult in a 14-county area to revolve that money as quickly as it comes in. On a larger area, we are able to ensure that that money gets to the communities that need it as quickly as it comes back in. And it seems to us that the emphasis should be on not the size of the lender's service area, but the amount of distress in the community that is borrowing.

Chairman LINCOLN. The need.

Mr. SQUIRES. We would prefer to see the preference being given to USDA's persistent poverty counties, for example, of which there are 17 in Arkansas. That seems like an artificial restriction that keeps certain lenders from having access to that money.

Now, I will say that we started our——

Chairman LINCOLN. Is there a definition for the persistently poor counties?

Mr. SQUIRES. Yes, it is basically that—I think the last three censuses have had more than 20 percent poverty, since, I think, 1960.

Chairman LINCOLN. How many of our counties in Arkansas are——

Mr. SQUIRES. Seventeen. We have a lot in the Delta. We have some up in the northwest, in Newton and Searcy, and then we have some down in the southwest.

Chairman LINCOLN. One of the other things we have talked a lot today about is the huge infrastructure needs that we have in our State's water systems and a host of other things. We talked about how expensive those improvements are going to be.

You mentioned the Community Resource Group had made a $70,000 loan recently that would allow a small community in north-central Arkansas to upgrade equipment for its water system, and that is going to improve efficiency. It is going to save money for local residents. Maybe you could just briefly touch on how important it is for these rural communities to have access to this type of capital for maintenance and repairs. That is always hard to find, but it seems it is the sort of thing that really meets a critical need.

Mr. SQUIRES. As somebody mentioned earlier, our operators are getting older. They are getting older along with their systems.

Chairman LINCOLN. Dennis. Yes.

Mr. SQUIRES. And both USDA and EPA have indicated that the financing need for repairing these systems that are, frankly, wearing out is beyond—what appears to be beyond our ability to fund these. While USDA and the State SRFs, the State programs do the large funding, the transactions cost of doing a small loan is usually about the same as it is for a larger loan. And in USDA's case, for example, last year USDA did about 1,230-some loans for about a total of about $2.5 billion, which means that the average loan size was $2 million.

A small system of, say, less than 1,000 customers does not need a $2 million loan. It needs money to repair the leaks in its system, to upgrade its equipment, to extend that line out to another family. And those are the kind of loans that we provide, as well as when a system does need that big improvement, somebody has got to pay for the engineering up front. So we do those pre-development loans that coordinate very closely, and then we get taken out by USDA.

A lot of our referrals, frankly, come from our State offices, both on the regulatory side and on the financing side. It is another way for them not to say no, and we can turn these loans typically in 2 weeks. We are very proficient at it, no loan losses in 300 loans, and it works very well. I think it is a nice add-on to the rural development programs.

Chairman LINCOLN. Well, that is great. Well, we want to thank this panel very much for your input in today's hearing, and we are grateful to you all for the tremendous work you do across our State and the great working relationship we have. We want to continue that with your good ideas and suggestions and concerns.

This is going to conclude the Senator Agriculture Committee's field hearing. I want to thank all of our participants who have participated today, and I am grateful that you all were here to share your perspective with us. It is truly an honor for me to be the first Arkansan to serve as Chairman of the Senate Agriculture Com-

mittee, and I really look forward to working with you to shape the Committee's agenda.

We have all worked, many of us, hand in hand and certainly for a long time in Arkansas to pursue rural development because most of us grew up in rural communities. We grew up in small towns, and we still believe in them. We still know that the best place to travel to is our Mom's kitchen table. We like to go home and oftentimes reminisce about what it would be like if we had been able to stay there. And I think as we look to try to build on rural development here in Arkansas, we know that there is a great opportunity that exists there, and we want to work together.

I also want to thank the audience. You have been very patient. I appreciate your interest. As I mentioned earlier, I hope that you will take the opportunity to fill out the cards that you were given as you entered today. We would like to have an opportunity to answer your questions or address any concerns that you may have and certainly to get your feedback on the issues affecting our rural economy.

Finally, the Committee will keep the official record open for 5 business days if you would like to submit a written statement. We are glad to take that. But I do appreciate the input from Arkansans to the Senate Agriculture Committee and am grateful for your passion and your interest in what we can do. And we look forward to working with you again with your feedback and concerns and hope that you will share those with us.

So thank you all for being here. I wish everyone a wonderful, wonderful Happy Thanksgiving. We are blessed to live in this great country, much to be grateful for, and much to do in our work ahead of us. So thank you all for coming.

The Committee is adjourned.

[Whereupon, at 4:12 p.m., the Committee was adjourned.]

A P P E N D I X

NOVEMBER 23, 2009

Allen Bedell
Comments before the Senate Committee on Agriculture, Nutrition, and Forestry on November 23, 2009.

Madam Chairman Sen. Blanche Lincoln, Senators, fellow panel members, and guests.

My comments today will concern the part that Forestry plays in the rural economy. First, I know that you are aware of the obvious fact that most, if not all, of the forests and the harvesting of forest products occur in rural Arkansas and America. Chain saws are seldom heard in the city and most harvesting in urban areas occur when forested land is being removed from productivity in favor of shopping malls and housing developments.

The prolonged downturn in housing construction has devastated the "solid-wood" sector of the forest products industry, and the downturn in the global economy has negatively affected the pulp and paper industries. This segment of the timber industry has shown some slight improvement in recent months, but mill closures and consolidations are continuing. Recent employment trends reflect that in 1995 there were some 44,000 workers directly employed by the timber industry, but Dr. Matthew Pelkki of the UAM School of Forest Resources estimated a reduction to 32,000 some 10 years later. Employment numbers are certainly a moving target, with mills in Arkansas and across the nation announcing temporary shutdowns and permanent closures almost on a weekly basis. International Paper recently announced the permanent closure of two mills, and a reduction in capacity at another with the resulting lay-off of 1700 workers. In Arkansas, recent closures of sawmills or plywood plants have been announced by Potlatch, Georgia-Pacific, and Weyerhaueser Corporations, and several other mills are operating on severely restricted schedules.

Each mill shutdown or closure asserts tremendously negative impacts on supporting businesses, such as logging contractors, equipment dealers, repair facilities, local hardware stores, automobile dealers, and even mom-and-pop stores. The American Loggers Council, representing 24 state and regional organizations, estimated recently that 30% of the forest harvesting contractors has been lost. In Arkansas alone, approximately 30 logging businesses in the Mechanized Logger Program have shut down in 2009, probably never to return. Once forest products facilities are closed, and logging contractors cease operations, these jobs are difficult to recover. The industry is highly capital intensive, and labor lost to other industries is difficult if not impossible to re-attract.

The timber industry is a major economic factor, especially in the compensation of wage-earners. Dr. Pelkki reports that in the five Arkansas counties where paper mills exist, the average wage of timber industry workers exceeds that of the average county wage by from $360 to $894 per week. Even in counties with solid wood plants, that is sawmills or plywood mills, the average wages in wood-processing facilities is $200 per week higher than the county average.

Each mill closure devastates local economies; not only the logging contractors but tax supported entities are also affected, including school systems and state, county, and local governments.

In Arkansas, the Forestry Commission is supported in large part by the collection of "severance" taxes. The Commission staff estimates a net loss of $1.2 million over the next year because of decreased tax revenue generated from the downward trend of harvesting of forest products.

I won't continue to attempt to impress on you the seriousness of the plight of the timber industry. But I will attempt to make you aware of its importance in the rural agricultural regions of our state and the United States. For too long the timber industry has been a "step-child" in the agricultural field, whatever the reasons. This industry provided the materials for our homes and the paper products that we use daily. Even today we furnish 50% of the energy needs in our manufacturing plants by burning otherwise waste materials.

Let's focus on some other realities. Recent weather occurrences in Arkansas have caused major problems in the agricultural fields. Flooding was at major levels and continues to cause problems. The state is some 25 inches above the annual rainfall totals for this year. But rain falls in the forests just as it does on the fields. Just as flooding wreaks havoc with production and harvesting of crops, so it does with timber. Retrieving timber from the forests becomes much more difficult and expensive, if not totally impossible. The rural timber access roads and county roads deteriorate and suffer increased damage. Tracts offered for sale are often much farther from the normal base of operations, resulting in increased logistical problems and costs, especially for fuel.

Meetings with Federal, State, and Local officials are ongoing. I am especially appreciative of Senator Lincoln's staff for providing audience to the timber industry representatives that have been in contact with that office. In addition, Representative Mike Ross of the Fourth Congressional District and Governor Mike Beebe have listened attentively to our concerns. Some ideas that surfaced from these meetings are:

Possible involvement of the Small Business Administration on financial matters.

Possibilities of legislation, i.e. "cash-for-boards", tax breaks for housing purchase, anything that puts housing construction back on track.

Recognition of forestry/timber issues when considering agriculture relief legislation.

Continue the efforts to look responsibly at Biomass Energy Programs that are economically feasible and provide value to the American citizen.

Serious consideration of proposed legislation to increase gvw limits on highways with the addition of a sixth axle.

In closing, I must tell you that in the 49 years I've spent working in the forest, with some 35 years of that time being actively engaged in the logging business, things have never been this bad. Forests and harvesting have always been a great part of the American landscape and I honor the time and experiences that I've been privileged to spend in this arena.

I have defined a logger as a timber harvesting professional who is fiercely competitive, independent, and hard working, that goes about the daily process of delivering wood fiber to manufacturing facilities regardless of the pitfalls confronting all of agri-business, including weather, government and industry imposed regulations, always aware of the financial restraints confronting them. Loggers are the "sharecroppers" of modern agriculture.

I urge you to consider ways to help preserve an industry that is a vital part of the fabric of rural America.

Statement of Dr. Robert L. Cole, Private Consultant
East Arkansas Enterprise Community and
Program Coordinator of the University of Arkansas at Pine Bluff
National Water Management Center
Before the Senate Committee on Agriculture, Nutrition and Forestry
Field Hearing - University of Arkansas Clinton School of Public Service
Little Rock, Arkansas

Monday, November 23, 2009

Thank you, Chairperson Lincoln and members of the committee for allowing me to speak to you today. From a child to a young man, and now to a young senior citizen I have committed 45 years (30 before retirement plus 15 after retirement) of my life to "Revitalizing Rural America" and helping to improve the quality of life for rural Americans and especially in Arkansas.

As a native of Crittenden County and resident of Eastern Arkansas for approximately sixty (60) years, I have seen the face of the United States and the East Arkansas Delta change. Whereas much has been done, there is still much to be done. During my thirty (30) year career at the US Department of Agriculture, I served as Assistant County Supervisor in Arkansas and retired as Special Assistant to the Administrator in Washington, DC. I saw families move from the Outhouse to the Whitehouse.

Since retiring in 1994, I have maintained a close relationship with the Department of Agriculture. This relationship leads me to talk about what can be done to help continue to revitalize rural America. The specific agency I am going to speak about is the one I know the most about; the USDA Rural Development.

I have a special love and respect for the USDA-Rural Development (RD) for what it has done, what it is doing and what it has the potential to do. I have seen USDA – RD change with each administration. One administrator will tell its employees that "they are the biggest banker in the country." The next administrator will tell them "that you are not a bank." To work with/for USDA – RD for thirty (30) years you have to be flexible to remain sane.

Although there have been many changes, this organization has sustained itself from the Farm Security Administration (FSA) from 1938-1947, to the Farmers Home Administration (FmHA) from 1947-1994 and now Rural Development. The USDA-RD has both traditional and innovative programs to address the full needs of rural communities. The questions could be, are these programs adequately funded, adequately accessible and are they being utilized.

The major programs of discussion are Single Family Housing, Multiple Family Housing, Community Facilities and the newly re-established office of Community and Economic Development Services.

At one point in the State of Arkansas, the USDA-Rural Development led the nation in Energy Efficient Single Family and Multi Family Housing. It also ranked high in Community Facilities, Water and Sewage.

You cannot travel in Rural America by interstate, state highways and county roads without seeing evidence of community and economic development of which the USDA – RD played some role in financing. Many of us who are retired, get calls frequently from low and very low income families expressing their thanks to USDA as they have paid their home loans in full and achieved the "American Dream" by owning a home, debt free with only taxes and insurance to pay.

What are some of the "barriers" to USDA – RD service delivery in the United States today?

Senator, the only way I know how to say anything is to be frank.

When Farmers Home Administration was reorganized in 1994, I am not sure it was broken to the point some people thought it was. Sometimes when changes are needed they can be made without total destruction and/or reorganization.

Some changes made by USDA in 1994 were good, (example-Merging the old Rural Development Agency into the Farmers Home Administration and changing the name to its current status (Rural Development). However, some changes made were not so good. **Example**-Yes, we know that a cost benefit analysis played its role in office closing. But it's something wrong when a little old lady from Gillett, AR has to go to Forrest City, AR which is 225 round trip miles to get a 504 loan or grant. Senior Citizen and low income families have to travel unnaturally from Osceola, AR to Jonesboro, AR or from Newport, AR to Batesville, AR and other similar locations to submit an application for Rural Development Services.

Recommendation:

1) Re-evaluate these and other similar situations particularly in distressed counties and come up with some strategy to improve access to services offered by Rural Development. Consider outreach and collaboration through partners and/or sister agencies such as FSA and

NRCS shared office space. Maybe more satellite offices in remote locations.

2) USDA-Rural Development has many excellent opportunities in its Housing and Community Facility Programs. However a certain part of the rural population, (people, small towns and communities) do not have the knowledge, skills and abilities to do the complicated paper work to access the programs. Neither do they have the resources to hire technical assistant providers or consultants. **Example** – Small towns need infrastructure but do not have infrastructure plans or 25-40% matching funds. We cannot continue to let these towns and communities suffer the indignities of not being able to compete for resources. Utilize the brilliant minds in USDA to find ways to get more stimulus dollars in distress communities.

   The EAEC serves 11 small towns and parts of 4 counties all of which have infrastructure plans. The plans show that a total of $74 million is needed to address infrastructure needs. Of this $74 million, $13.6 million has been identified as shovel ready with preliminary plans and specification completed. These projects could be financed with Stimulus funds from USDA and from the Corps of Engineers ($20 million), which has been authorized but not yet appropriated.

Recommendation – Special efforts by USDA through third party partners must exist. Empowerment Zones and Enterprise Communities, Faith Based Organizations and Non-Profits should be better utilized to enhance the services offered by USDA-Rural Development.

Broadband Internet Services - The EAEC is part of a Broadband application now pending at USDA Rural Development. If this application is awarded, many towns in the Delta benefit; such as Earle, Forrest City, Lake View, Marianna, and West Memphis - to mention a few. The application was filed by Edgenics, Inc.

Legislation vs. Regulations/Policies

Congress passes legislation, employees write regulations and management establishes policies. Usually the legislation is clear with intent of the law. Sometimes the regulations and policies may be conflicting and/or at least left open for different interpretations. **Example** – USDA Rural Development Instructions (1942-A) regulation for rural utilities allows for funding of infrastructure such as drainage, streets and bridges. National office policy dictates that states give priority to water and waste water. States do not have

the latitude to look at a town or community based on its needs or on a project case by case basis. Some communities may need water and sewage. Another may be flooding and needs a bridge, streets and drainage. We understand the need to prioritize funding. But, this is critical when there are sufficient funds such as the Recovery and Reinvestment Act (Stimulus Funds). States should have the latitude to use this "one" time investment based on needs.

Recommendation – That the states be the decision/policymaker on projects where there exists no historical data as far as similar system rates or loan/grant needs for a community project. Selection of project funding under the Recovery and Re-Investment Act should not be restricted to existing regulations/policies, but regulate these to the State Director for none water and waste water projects.

Future Consideration

In 1995 USDA approved three (3) Empowerment Zones and thirty (30) Enterprise Communities. These certifications expired on December 31, 2005 (10 years). The three EZs received $40 million each and the ECs received $3 million each. Two ECs were selected in Arkansas-Forrest City and Blytheville.

The EAEC in Forrest City took $2.9 million in 1995 and leveraged $26 million in Human, Community and Economic Development. Much of the leveraged funds were from USDA-Rural Development during the ten (10) year certification period. Of the 30 ECs established, many have continued to sustain themselves. To leverage resources (9 to1) is a noticeable impact on any rural community.

The previous USDA-Office of Community Services in Washington, DC was closed. This office was reopened in July, 2009 by USDA. Existing EZs/ECs feel that this was a great move on behalf of USDA-Rural Development.

Senator Lincoln and members of the committee, we are requesting your support of USDA-Rural Development funding for this newly reestablished Office of Community and Economic Services, and to sustain EZs/ECs. The beneficiaries will be the citizens, towns and communities located in the EZ/EC service area. Also, if this office is legislated, it would not be closed with the change of administration and would become a part of USDA-Rural Development.

Land Grant Institutions

It would be remised if I did not express my appreciation to Rural Development for its extraordinary efforts in assisting the 1862s and 1890s universities in Arkansas. Rural Development in 1994 transferred 871 acres to the University of Arkansas at Pine Bluff (UAPB) advancing the university's acreage to 1100 acres to carry out its mission of enhancing rural, economic development. In 2002, UAPB received fifty (50) plus acres in Lee County, AR. This acreage is most critical for research and demonstration to small farmers engaged in specialty crop production and conservation practices. UAPB an 1890 Land Grant Institution needs an increase in USDA extension and research dollars in excess of the amounts prior to these land acquisitions.

The research and demonstrations carried out on these farms have local and national significance in water management issues, wildlife habitat, marketing specialty crops for small scale farmers, reestablishing prairie grasses and other areas where green jobs can be expanded.

The Lonoke farm was designated as a National Water Management Center by the former Secretary of Agriculture, Daniel R. Glickman while visiting at

UAPB. Virtually most of the USDA's National Water Management Center research and demonstration are performed on the UAPB 871 acre farm.

Recommendation – That serious consideration be given to targeting funds to this 1890 Land Grant Institution to help minimize the disparities that exist.

In conclusion, Chairperson Lincoln and members, I appreciate the opportunity to make this presentation and will be happy to answer any questions you may have.

Teddy L Gardner

President/Executive Director South Arkansas Community Development (SACD)

U.S. Department of Agriculture
Witness before the Senate Committee on Rural Development
Field Hearing – Clinton Library, Little Rock, AR

November 23, 2009

Thank you Chairman Lincoln for this opportunity to talk about something so dear to my heart, assisting proud families that don't make enough money to have decent living conditions and that would otherwise never have the dream of homeownership in the greatest nation in the world. Without a doubt, in my opinion, the USDA Rural Development Mutual Self-Help Housing Program is the greatest program ever created by our national leaders such as you. I have had the privilege of serving as Chair for the National Rural Self-Help Housing Association during the years of 2004-6. This was quite a honor for me to work with so many non-profit organizations throughout the nation in trying to make a difference in families quality of life and the way they look at their future when they have a warm home they can call their own. I have also had the honor of serving on the Advisory Committee for the Housing Assistance Council (HAC) in Washington, DC; they offer funding to help non-profits with land acquisition. When SACD buys a lot for a family using HAC's program, only 10-20% of the monies have to be repaid. The 80-90% can either be granted to the family (if needed) or be put in a reserve account for buying other lots for other families. This is a critical piece to help make this program more affordable. I have also served for several years as Chair to the Arkansas Coalition of Housing and Neighborhood Growth for Empowerment (ACHANGE). SACD is a HUD counseling office, which means that we are HUD Certified for counseling families on issues such as credit, finances, budget, responsibilities of a homeowner, how to maintain your home, financial benefits of homeownership, and how to prevent foreclosure. I strongly recommend the need for counseling of the families. I will advise you that I am very passionate about what I do and I try very hard to look at both sides in every situation. In the future I would be glad to visit with you about possible new ideas that could help more families.

In our local Rural Development office (which is in Malvern, AR) out of the thousands of mortgages they do, they currently have 592 delinquent accounts, 7 of those are families that we have helped through the Self-Help Housing Program. We have helped 135 families through Self-Help over the last ten years, 109 in the Malvern office. We currently have a two year grant to help an additional 25 families which started in April 2009 and we have 5 homes under construction (3 of which are almost complete) and we have three others ready for closing. Mutual Self-Help is a sweat equity program where the family helps with the labor in the construction of their new home. This is generally a savings to the family of about $10,000 - $20,000. This means that a new home that appraises for $115,000 has a mortgage of around $98,000. The mortgage is locked in at a low interest rate (now 5.00%) for 33 years. For a household size of three and the total household income of $33,950 at 5% interest the payments would be $625 PITI. That same mortgage at 5% interest, now subsidized to 1% because the families household income is $20,000, the mortgage payment is now $410 PITI. If the family is on Section 8 their mortgage could be as low as $200 and sometimes even lower. The new homes built are energy efficient with maximum electric bills of around $100 for a 1400 square foot home. All the homes built currently are "Energy Star."

I would like to talk to you today about the difference you have helped us make in the families we serve. Our very first family was a single man that had his legs crushed in an accident and was living in a very old 14 foot camper on a small piece of property that was left to him by his grandparents. Both of his legs were in braces. We explained the program to him and he was willing to try but still not sure this was legitimate. Now ten years later, he is still a proud homeowner and treasures his new home.

We had the opportunity to serve a young single female and then in turn were able to help her mother and grandmother with new homes. Their homes are immaculate. We had a single mom come into the office who is deaf. She was on Section 8 and her living conditions were not good. She brought her son in with her so that he could help her understand the program. They both worked so hard for this new home. Her son, who was struggling in school turned around

his life and saw the positive in what his mother was trying to do for him and since has served in the Army and is now in college. His dreams are becoming reality for him. After the mom and son got into their new home, her mother and two aunts got new homes through this program. All but one had never owned a home before, but always dreamed of owning. We served an 84 year old man and his 83 year old wife. They were very proud and had worked hard all their lives. After he retired he got sick and was in the hospital for two months and lost or sold everything he owned. He had to cash in his retirement to pay the medical bills. Their credit scores were in the 800's. After all this tragedy they were able to have a new home. Their retired children helped with the labor; the respect the children had for their parents was incredible.

All the families that we serve are very dear to our hearts, but I would like to talk to you about one family that made my life change. The family consisted of a husband and wife with three children (2 boys and 1 girl). The husband worked at McDonald's. The wife was diagnosed with MS and in a wheelchair. Their medical bills were outrageous, but were able to keep them satisfied. They got no help through the MS Foundation. They lived in a two bedroom, 800 square foot apartment with one bath. The wife had to be in a hospital bed which would not fit in the bedroom so it had to be in the living room. They contacted me to see if I could help them, but they didn't really think I could with their situation being so bad. When I got to call them (4 days before Christmas) to let them know they were approved, I thought the husband was going to pass out. He was so excited. His wife had a new mission of selecting colors and planning the decorations of their new home. They were getting a 1500 square foot home with 4 bedrooms and 2 baths, with a fenced in yard for the kids to play in. Since then the wife has become gravely ill and at times they're not sure if she will live. After construction of their new home the husband left McDonald's to begin working at the Housing Authority to help other families in similar situations. This is a remarkable family. They think I helped them with a life changing experience when they actually helped me.

I am so very honored that USDA Rural Development has allowed me to continue helping more and more families with various programs. We have helped, through all of our programs over 3000 families with counseling, 330 with homeownership, and approximately $26 million in loans. With this program we help to keep working approximately 25 sub-contractors, title companies, insurance companies, etc., which makes this program very valuable to each and every community that is served through USDA Rural Development. SACD is one organization in a county of 25,000 and we serve about an additional 35,000 outside of our county. If we could multiply this by how many organizations there are throughout the nation doing what we do, USDA Rural Development is making a tremendous difference in our great nation.

As with any program especially one of this size there are barriers that are encountered from time to time, and we can visit about those in the future if you would like. Again I would like to say that I believe that the Mutual Self-Help Housing Program is the best program ever created.

Chairman Lincoln, I appreciate the opportunity to tell you of my story and to say that I am very proud of you and the work you have done for this state and with this current position you hold, what you can do and will do for the entire nation. I would be glad to answer any questions you may have.

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Senator Blanche Lincoln
Chairman U.S. Senate Agriculture, Nutrition, and Forestry Committee
Washington, D.C. 20510-2035

Dear Madam Chairman,

I appreciate this opportunity to speak to you today on behalf of the Fruit & Vegetable producers of Arkansas. This has been a very interesting and challenging year for agriculture and rural communities in Arkansas. Even though we face trials and hardships every year, this has been an especially difficult year for most. Many of us are still recovering from the Easter freeze of 2007 and now have had to deal with another freeze and massive amounts of rainfall in 2009.

I am a blackberry and muscadine grape producer located in the north central part of the state. We have experienced the same unfortunate weather as my friends and colleagues have this year. My farm has received more than two feet of rainfall above our normal amounts. We started our harvest this year in near drought conditions and finished in flood conditions. This has not only caused many problems with harvesting crops, but has also placed a strain on our rural infrastructure. Many of our roads that we use for our daily lives have been damaged by the excessive rainfall.

The impact on the horticulture or specialty crop sector has also been significant. Our industry, as you know, is very dependent upon weather. The extremes that we experienced this year with our weather has had a domino effect on not only our business but also our daily lives. The losses to our livelihood would have been bad enough but the impact that the weather, specifically the rain, has had on our communities must also be taken into account. One such example is the loss of our pumpkin crops this year. Our pumpkin growers in the state had most of their crops rot in the fields due to the rain. This in turn impacted many of our states fall festivities including pumpkin patches. Not only did this directly impact the agri-tourism industry but it also impacted our communities who did not get to enjoy these cultural events.

Many of our growers that suffered crop losses this year will also have losses next year as well. The late spring freeze that affected many in our state caused whole plantings to be lost. The cost of replanting may keep some of that acreage from being replaced for the foreseeable future. Phytophthora root rot has affected nearly every grower in the state. The volume of rain was more than even the best ground could take. Peach growers are reporting losses between ten percent and fifteen percent of their orchards due to this disease, which is caused by excessive moisture in the ground. My farm has lost five percent of our blackberry plants. The presence and increased likelihood of this disease has caused growers, including myself, to have to spray more than usual to keep our crops healthy. The additional fungicide applications cost more money which is

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compounded by the fact that we don't have as much to spend because of the decreased harvest brought on by the rainfall. Root rot creates long term harm to perennial crops.
This means we have less money to replant with.

This is just one of the input costs that has increased, and when you factor in the decrease in revenue with all of the other input costs that continue to rise, our industry is placed in a very bad position. Gauging the extent of the damage is made more difficult by the timing and lack of reporting services for fruit and vegetable growers. We will not know just how severe the damage is until the statistical services issue their reports.

I believe that the weather circumstances that have occurred this year highlight the need for better access to, and improved crop insurance for fruit and vegetable growers. The year that we have all experienced will severely alter the base yields that will be used to calculate next year's payouts. If something were to happen next year the insurance companies would pay out much less than they normally would. For those farmers who are able to obtain insurance, this will have a significant effect on their future. It is my sincere hope that our experiences here in Arkansas will help to shed light on the need that all specialty crop growers have for better crop insurance.

In closing, I would like to thank you again for the opportunity to share with you our experiences as fruit and vegetable growers here in Arkansas. I hope that my information will be helpful to the committee in all of your future endeavors. Your interest in our industry is very much appreciated.

Sincerely,

Jeremy Gillam
Gillam Farms

Senate Committee on Agriculture, Nutrition and Forestry
Field Hearing
Clinton Presidential Library
Little Rock, Arkansas
November 23, 2009

Michael Jones
President
Merchants and Farmers Bank

Each year brings challenges for the farmers of Southeast Arkansas – and for their lenders. The variable factors in modern agriculture are numerous – weather, market prices, input costs, equipment prices, federal policies, international treaties. In farming communities, weather is always a topic of conversation, but in 2009 in the mid-South, weather conditions have affected more than coffee shop talk – weather has affected the bottom line of every producer.

The spring of 2009 brought unusually heavy rains which flooded young crops and caused expensive replanting, particularly of soybeans. The summer of the year also brought unusually heavy rains which generally were helpful in reducing irrigation costs. But the torrential rains during harvest, particularly during October, damaged crop yields and crop qualities to disastrous extent. Statewide rainfall measurements are nearly 30 inches above the normal averages, and some localized measurements exceed those numbers. Fields which drain poorly were the first to suffer, even in spring planting. The volume of rain at harvest harmed all fields, even those that drain well, and those near swollen waterways were completely submerged and may be complete loss.

All crops produced locally – cotton, rice, soybeans and corn – have suffered. The rice and early variety soybeans harvested in September brought good yields and qualities, but the rains of October made it virtually impossible to harvest in a timely manner. Not only was the rain in large volume, but it came nearly every day, saturating the ground and drenching the harvest ready crops. Late rice went down and experienced sprouting, corn lost quality and yield in the damp conditions, cotton yields were off by at least one-third, and Group IV soybeans yields ranged from 20 to 90 percent loss. The only noteworthy exception to this devastation was the Group V soybeans which have had average to good yields overall. The harvest of all crops is now virtually complete.

Every farming entity which we finance has experienced damage. For some, it means a break-even year where large yields and higher than average commodity prices were anticipated. For many, it means uncertainty about going forward, and those operations with higher debt, either from equipment financing or past carryovers, will struggle most. Unfortunately, many of our younger farmers are in this category. For a few, it will mean failure.

In discussing the crop and surrounding conditions with farmers and lenders across Southeast Arkansas, I have heard many different issues raised. Some made use of the crop insurance

program, but most believe that southern crops – cotton and rice – are not benefited by existing insurance programs. Nearly all are willing to participate if these fairness issues can be addressed going forward. Talk of a disaster payment tied to insurance enrollment is unpopular, even with those who bought coverage, because it ties emergency assistance to a requirement which was not made known at planting. Low interest loan programs have appeal to younger farmers with higher equipment debts or to those with thin equity in the operation. Of greatest appeal to most farmers and lenders alike would be a second full direct payment – it is perceived as fair to all producers, easily administered, quickly received.

Farm Service Agency is an important partner to the bank which I serve and to most banks in our area of Arkansas. Whether it is for current year crop production, equipment purchase or structured repayment of crop failures, the guarantees offered by FSA are critical to the survival of the producers and the security of the lenders. The payment programs disbursed through FSA are likewise critical to every-year operations in our area. The importance of these functions points to the need for these programs to be administered efficiently. I would appeal to you to insure that FSA offices are staffed adequately to handle the volume of work, and that these offices are staffed by personnel who have been adequately trained and equipped to administer the various programs. I would also appeal to you for accountability in timely performance, whether for disbursement of an emergency payment or for routine review and approval of guaranteed loan applications.

Regardless of political affiliation, most farmers and lenders in our area understand that agriculture is a complex industry which is influenced by far more than local weather conditions. Nonetheless, when nature destroys a crop as it did this fall, a reasonable emergency response is needed from our government. Please do all that you can to craft programs to help our beleaguered farmers and their lenders recover from the losses of 2009.

Tom Jones
Talking points
U.S. Senate Agriculture Committee Field Hearing
Nov. 23, 2009

Good afternoon, senator, and I echo the previous comments welcoming the committee to the great state of Arkansas.

My comments this afternoon are on the behalf of those involved with animal agriculture. You may know that we raise a few animals in Arkansas, which makes us a target for some and a godsend for others.

As was mentioned earlier, I am a beef producer and am fortunate to serve as secretary/treasurer of the Cattlemen's Beef Board as well as the Arkansas Farm Bureau state board of directors.

Livestock agriculture has also felt the impact of this year's weather, though the direct costs of that impact are not as immediately felt in our sector.

There are some definable losses in the quality and availability of hay, but the full impact to our sector will come in the next several months.

When we have turmoil in the grain markets, the result is almost always higher feed prices for those involved in animal agriculture.

If I might, I would like to discuss the Role of Animal Agriculture in Arkansas:

- Agriculture accounts for 20 percent of Arkansas' Gross Domestic Product, and nearly half of that is from animal agriculture;
- Animal agriculture accounts for more than 57,000 jobs and more than $3 billion in wages and labor income;
- 1 in every 4 ag jobs is in the poultry industry;
- Animal agriculture accounted for more than $4.1 billion in 2008.
    - $3.1 billion in poultry and eggs;
    - $611 million in beef and swine;
    - $41.5 million in dairy;
    - $185 million in misc. livestock;
- Our state ranks near the top producers in a number of categories;
    - No. 1 in baitfish;
    - No. 2 in broilers;
    - No. 2 in catfish;
    - No. 4 in turkeys:
    - No. 8 in eggs;
    - No. 11 in beef cattle.

Impact of weather on animal agriculture

- $7.8 million loss in forage (lost production and quality);
- Again full impact to come in form of;
    - Higher prices for hay;
    - Higher prices for grains;
    - Lower quality for both;
    - We'll be dealing with these issues throughout the winter feeding season.

Seen some significant distress in the poultry industry

- Industry is just now coming out of a period of production cutbacks due to high feed prices and export market interruptions;
- Dealing with the closure of two Arkansas poultry complexes operated by Pilgrim's Pride;
    - El Dorado;
    - Clinton;
- Certainly, the loss of job at those plants hurt those communities, but as significant was the impact on the poultry growers who provided animals to those facilities;
    - 142 poultry growers were affected in the Clinton closure;
    - 290 growers in South Arkansas.
- Vast majority of those growers could NOT get contracts with other poultry integrators;
- As a result, millions of dollars in farm loans remain, with no income to service this debt;
- Impact of that is rise in bankruptcies, especially with younger farm families who don't have as many assets.

Swine industry

- Not much of an industry left
- Major integrator ceased swine operation a few years ago
- Most producers were unable to contract production elsewhere
- Less than 1,200 operations continue today
- That number is declining

Dairy industry

- Arkansas milk producers are still coping with sluggish market prices and a higher level of production costs

Social challenges facing our industry

- Existence of industry is constantly under question by animal activists;
- Seeing activist legislation being passed at state level
- These will almost certainly lead to higher food costs for the consumer
- Also need viable rural development efforts to allow farmers and ranchers to live and work in their local communities, but compete on the national and international stage;
- We need more foreign markets open for our products;
- U.S. producers raise the safest, highest-quality food in the world;
- Full opportunity to prove that to the world.

Welcome you, senator, to our farm any time you are in Pope County.

Calvin R. King, President
Arkansas Land and Farm Development Corporation
November 23, Little Rock Arkansas

An Economic Solution for Rural Community Development And Limited Resource and Minority Farmers

The barriers and problems faced by today's limited resource and minority farmers have been extensively discussed and repeatedly documented. The comparison of operator and farm characteristics for Blacks and Whites, points to a continuing uphill struggle to sustain their farms by many Black operators. Across an eight southern state region, Black farmers tend to:

- Operate smaller farms, with more than four out of every five having less than 180 acres.
- Generate, on a per acre basis, about half of the sales and government payments as their White neighbors
- Rarely have annual farm revenues of more than $25,000 a year
- Be disproportionately older than their White counterparts.

Table 1: Farm and Farm Operator Characteristics by Race and State, 2002

	Number of farms	Pct with 180 acres or more	Sales & govt payments per acre	Pct receiving govt payments	Pct with $25000 or more sales & govt payments	Operators age 65 or older	Pct of operators with no days worked off farm
Alabama							
White	42176	26.1	387	28.9	19.0	24.0	45.0
Black	2350	15.0	107	21.4	5.6	30.1	46.5
Arkansas							
White	45555	36.8	360	16.5	27.2	20.9	44.5

Black	982	24.2	152	20.3	15.1	26.5	46.0
Georgia							
White	46966	26.4	472	31.5	21.8	23.8	45.3
Black	1988	18.9	249	32.3	16.3	32.8	44.0
Louisiana							
White	25332	30.6	249	28.1	24.4	19.7	47.6
Black	1856	12.8	197	22.7	9.9	29.6	46.2
Mississippi							
White	36882	31.0	306	30.7	18.8	26.2	45.5
Black	5324	15.4	94	19.6	5.6	32.5	47.6
N. Carolina							
White	51524	19.4	785	22.8	26.0	23.3	47.8
Black	1686	11.5	459	24.9	17.9	37.2	51.9
S. Carolina							
White	22441	24.7	322	25.2	13.7	23.7	43.8
Black	1829	11.9	175	21.4	9.3	38.6	46.8
Tennessee							
White	86008	17.4	192	18.3	11.3	23.6	40.8
Black	1054	10.8	198	24.5	8.3	33.9	48.3

We contend that the further development of the fresh produce industry in Arkansas and the region can be a vital tool in the revitalization of the African American farm sector in the South and a spur to local economic development in our rural communities. Our experience has taught us that this development can only occur if we successful address certain issues such as:

1. A continuing instability in minority land ownership due to accumulated debts, low farm earnings, and retirement of existing land owners.
2. A lack of sustained entry-level training and support for beginning farmers or farmers converting to fruit and vegetable production.
3. A continuing lack of technical service to access needed public and private financing.
4. Slow adoption and under-utilization of newer production and post-harvest handling technologies, safe food handling practices, and other appropriate risk management tools.

Inadequate infrastructure to efficiently move current and potential production into mainstream marketing channels for fresh produce production by limited resource and socially disadvantaged farmers present additional challenges. Additionally, these limited resource minority producers face a number of other barriers that have kept them out of national markets.

- An under-developed market structure and an over-reliance on small, easily saturated local markets
- Inadequate post-harvest processing, packing and storage facilities
- Inability to comply with increasingly complex food safety; trace back, packing, and labeling requirements.
- Inability to access operating capital for irrigation, equipment & machinery for the conversion to nontraditional crop production
- Lack of a safety net price or price support mechanism to mitigate market risks.

To realize the full potential of the fresh produce industry in Arkansas and other southern states, strong partnership and collaboration must be established between the USDA and Community Base Organizations (CBO) to meet the following three challenges over the next several years.

Challenge 1 – Providing Training and Technical Assistance to Producers and Local Packing and Grading Facilities

Full development of fresh produce production among minority and limited resource farmers will require continuing efforts to provide training and technical assistance in farm development, crop production, risk management and local co-op or LLC development. Training and technical assistance (TA) that focus on farm improvements and production issues must go hand-in-hand with market development activities. TA should include support to new co-ops who are seeking first time Good Agricultural Practices/Good Handling Practices (GAP/GHP).

Importantly, this ongoing training and technical assistance should be predicated on producers formation of a co-op or other collective structure to finance and operate appropriate packing and grading facilities when sufficient production in a local area has developed. These post-harvest handling facilities must be designed, equipped, and operated so that they qualify for "Safe Food" certification and can then participate in regional marketing.

Challenge 2-Successfully Compete in the Market Place

Continuing consolidation and concentration in grocery retailing largely drives the increasing concentration of the wholesale fresh produce industry. In 1997, the 50 largest supermarket firms controlled 61.7% of market share; by 2002, their share had grown to 68.3%. As these retail grocery chains have increased in size they have worked to streamline their supply chains and have sought to enter into season-long market

agreements with suppliers as close to the field as possible. This industry trend is driven by several factors:

- Increasing consumer demand for higher quality, fresher produce, which requires tighter more direct delivery schedules.
- Increasing concerns about microbial and chemical contamination in produce.
- Increasing requirements for produce to be delivered in consumer-ready packaging.

In order to successfully compete in this market environment limited resource farmers must have access to and control a marketing entity that can do the following:

- Develop longer-term, stable supply agreements with selected retail grocery chains and food service wholesalers. This will involve negotiating produce and packaging specifications and delivery schedules with prospective customers.
- Develop a brand identity and branding strategy that differentiates its products from commodity vegetables and signifies high quality, safe, fresh produce.
- Provide quality assurance and quality improvement support and technical assistance to associated growers and packinghouse operators to ensure full identity preservation and traceback capability. This will include internal "safe food" auditing and inspection services.
- Provide growers with guidance on varieties to be planted, planting and production recommendations, and harvest schedules in order to meet market conditions and timing requirement.
- Increase its aggregate produce volume by recruiting new groups of producers.

Challenge 3 – Facilitate Additional Farm Conversions by Limiting Market Risk

A major deterrence that keeps limited resource and minority farmers from converting to vegetable and other higher value crops is that they have little ability to absorb the risks involved in undertaking a new farm enterprise and limited assets to invest in the effort. These factors are compounded by the reluctance of local lenders to make operating loans for nontraditional crops, especially for new producers.

While this testimony presents in short the challenges and issues facing limited resource and minority farmers the intent is to bring attention to initiatives, strategies and opportunities to foster rural economic development.

In summary, the fore mentioned challenges facing limited resource and minority farmers cannot be overcome without government support, as the government has continuously supported traditional row crop agriculture.

Lawrence McCullough
State Director

Rural Development
U. S. Department of Agriculture
Before the Senate Committee on Agriculture, Nutrition and Forestry
Field Hearing – "Investing in Rural America"
William J. Clinton Presidential Library
1200 Clinton Avenue, Little Rock, Arkansas

November 23, 2009

Thank you, Senator Lincoln, for the opportunity to be here today. On behalf of Agriculture Secretary Tom Vilsack, Under Secretary for Rural Development Dallas Tonsager, and all of us at USDA Rural Development, I want to express our appreciation for your commitment to rural America and your leadership on rural issues.

Rebuilding and revitalizing rural America is a high priority for the Obama Administration and is the mission of USDA Rural Development. I am honored to have been chosen as a member of the President's team, and I look forward to working with you to ensure that Arkansas is among the leaders in building a new and stronger rural economy in the years ahead.

The subject of today's hearing, "Investing in Rural America," addresses directly our mission at USDA Rural Development. Rural Development administers and manages over 40 housing, business and community infrastructure and facility programs as laid out by Congress through a network of 6,100 employees located in approximately 500 national, state and area offices. We are among the most decentralized of federal agencies. You don't have to come to Washington, D.C. to do business with us. We make house calls.

In Arkansas you will find us not just in Little Rock, which is our State Headquarters, but also in Harrison and Jonesboro, and in Forrest City, Hope, Monticello, and Ft. Smith as well. As a long-time career employee before being named State Director, I know every one of the 124 dedicated men and women who make up our Arkansas staff. We live in the communities we serve. We are your friends and neighbors, and we will go the extra mile to deliver the services rural Arkansas needs to thrive and grow.

We do face challenges. We are not immune from the economic downturn; many Arkansas communities and businesses have been hard hit. We cover a lot of territory. Most of Arkansas is rural. There are areas of persistent poverty, and we are making a concerted effort to step up our outreach to the

neediest communities. There are also areas that are dynamic and growing, and we will help these rural communities build on their success.

Our staff has a wealth of experience. I am proud of them personally, and proud of what they do. Nearly half of our staff will reach retirement eligibility in the next three years. They do a great job, and they will be hard to replace. Continuity planning is a priority.

Rural Development in recent years has steadily increased investment in rural America while reducing staff and consolidating many offices across the country. We are doing more with less. In that context, I am appreciative of the authority the Congress provided in the Recovery Act to use up to three percent of appropriated funds for administrative purposes. We need that flexibility, and I want to thank you and the Congress for making this possible.

But the bottom line is, we're here to help. Rural Development is the one agency in government that can build an entire community from the ground up. Last year, using both our regular program funds and additional funds made available by the American Recovery and Reinvestment Act (ARRA):

- We provided over 5,000 guaranteed and direct Single Family Housing loans totaling over $480 million, to put more than 5,000 rural Arkansas families into new homes.

- We provided over $3.8 million to 20 Multi-Family Housing developments providing affordable rental housing in rural communities across the state.
- We assisted 16 rural businesses with loans and grants totaling over $3.3 million, creating jobs and strengthening the economy of rural Arkansas.

- We invested over $15 million in essential community facilities; more than $22 million in telecommunications infrastructure; and over $132 million in modernizing and extending the rural electric grid.

- Last but not least, we assisted 58 rural Arkansas communities with more than $31 million in loans and grants for water and wastewater projects.

But the numbers don't tell the whole story. Many of the projects in which we are involved are community-led. Partnerships are a key element. A good example is the new Phillips County Library in Helena. Although this is a persistent poverty area, several community organizations led the effort and

provided a significant local cost share. Rural Development provided $200,000 to assist with the cost of renovating an existing building, a 13,000 square foot structure (formerly a grocery store) which is owned by the County with an estimated total project cost of over $1.5 million.

In Dermott, Rural Development helped Dermott Day Service Center with a B&I Guaranteed Loan in the amount of $650,000 to purchase and renovate an existing building to house 8 classrooms, offices, kitchen, cafeteria, and a multifunctional auditorium. This facility will allow for future growth and enhance the overall environment for the children and staff. The Center is a non-profit organization that provides early childhood education and clinical services for children ages 6 months to 5 years old. The service area includes 4 counties in southeast Arkansas. This one project will save 28 jobs and create 5 jobs in Chicot County.

And just a few weeks ago, we announced a major regional water initiative with the Ozark Mountain Regional Public Water authority. They will receive $55.728 million in water loan and grant funds to be used to construct an intake structure and water treatment plant on Bull Shoals Lake as well as 5 water storage tanks and over 100 miles of transmission line extending from

northern Boone County to Newton and Searcy Counties in Arkansas. The new system will provide a dependable supply of quality water to 19 rural water systems of which many of them are facing water quality and/or quantity problems with existing wells. These 19 systems serve around 7,500 users with a population of 21,000.

It's examples like these that make Rural Development an exciting place to work, and a great resource for the communities we serve. I am grateful for the opportunity to serve as State Director, and grateful for the partnership and support of our partners in the private sector, local government, and the not-for-profit community. We have a job to do, and I know we can count on your continuing support as we move ahead. Thank you.

USDA RURAL DEVELOPMENT
2009 ARKANSAS INVESTMENTS

HOUSING PROGRAMS

Single Family Housing

621 direct RH loans and grants for	$31,891,545.00
4,447 Guaranteed RH loans for	$449,085,736.00
5 Self-Help Housing Grants for	$1,207,520.00
TOTAL SFH	**$482,184,801.00**

Multi-Family Housing

19 direct loans and grants for	$2,349,119.00
1 guaranteed MFH loan for	$1,518,000.00
TOTAL MFH	**$3,867,119.00**

BUSINESS & COOPERATIVE PROGRAMS

B&I	
2 guarantees for	$1,350,000.00
RBEG	
9 grants for	$1,469,719.00
RBOG	
1 grant for	$ 50,000.00
IRP	
1	$ 400,000.00
REAP	
5 for	$ 79,122.00
TOTAL B&CP	**$ 3,348,841.00**

COMMUNITY PROGRAMS

Telecommunications Program	
11 loans and grants for	$22,113,532.00
Water and Wastewater	
31 projects for (loans)	$18,897,000.00

27 projects for (grants)	$12,931,000.00
Community Facilities	
10 projects (loans)	$11,580,000.00
118 projects (grants)	$ 4,183,000.00
TOTAL RUS PROGRAMS	**$69,705,392.00**
TOTAL ALL PROGRAMS	**$559,106,153.00**

Submitted testimony of
G. Annett Pagan
Director, US Programs, Winrock International

Senate Committee on Agriculture, Nutrition and Forestry
November 23, 2009
William J. Clinton Presidential Library Great Hall
Little Rock, Arkansas
1 p.m.

Chairman Lincoln, Ranking Member Chambliss, distinguished members of the committee, thank you for having us today. My name is Annett Pagan, and I am Director of US Programs at Winrock International. Winrock International is a nonprofit organization based in Little Rock, Arkansas that works with people in the United States and around the world to empower the disadvantaged, increase economic opportunity, and sustain natural resources. I am pleased to be here today to discuss USDA Rural Development's programs and the benefits they provide to rural Arkansans.

Winrock International's US Programs has implemented grants and cooperative agreements funded by USDA for more than 15 years. In this time frame, we have been awarded more than $4.8 million in funding from Rural Development to complete 27 projects. From community and economic development to value chain agriculture, Winrock's US Programs has used USDA Rural Development funding to improve the lives of rural Arkansans through various activities.

Winrock has implemented projects funded by the Rural Community Development Initiative, Rural Business Enterprise Grant, the Rural Business Opportunity Grant, the Rural Cooperative Development Grant as well as many other USDA programs outside of Rural Development. We believe it is imperative that Rural Development programs remain committed to rural projects for increased success in small communities.

Winrock Community Development Success

Winrock is proud of the success we've seen in rural communities across Arkansas. Winrock International's Nonprofit Improvement Program, funded by USDA's Rural Utilities Rural

Community Development Initiative has proven vital to the success and growth of Arkansas's small municipalities and rural nonprofit organizations.

Winrock has been awarded grant funding for this important project for six of the past seven years. Winrock's Nonprofit Improvement Program began in 2003 with seven nonprofit organizations receiving technical assistance, allowing them to build their capacity to take on larger, more complex projects. Since its inception, the Nonprofit Improvement Program has grown to include 45 rural municipalities or nonprofit organizations participating in classroom workshops, field tours and mentoring activities provided by Winrock's community development experts. Over the past seven years, Winrock has been awarded approximately $1.3 million in grant funding for this program. Program activities have given participants the tools that allowed them to bring home more than $20.3 million in federal, state and private funding.

Winrock Economic Development Success

Winrock's US Programs supports rural enterprises to allow them to see the same success as large agricultural producers. Winrock has long been involved with the Rural Cooperative Development Grant Program. The Arkansas Rural Enterprise Center, a fully established cooperative development center, has received more than $1.9 million in funding since 1993. While working with cooperatives in all areas, Winrock's Arkansas Rural Enterprise Center always includes assistance to minority and socially-disadvantaged groups in its RCDG applications. Our activities in 2008-2009 focused on working with Poultry Partners, Inc., which is made up of more than 400 poultry producers in rural areas of northwest Arkansas, northeast Oklahoma, and southwest Missouri. Many of these producers employ minorities and approximately 15-20% of Poultry Partners producers are Hmong.

Other 2008-2009 project activities included providing support to minority and limited income farmers who grow sweet potatoes in eastern Arkansas. The 25-member Arkansas Delta Produce Marketing Association, with farms located in St. Francis, Monroe and Lee Counties, is 100% minority. This area of rural Arkansas is among the most impoverished in the state, with consistent high unemployment and low per capita income rates.

Winrock and Rural Development Programs

Winrock has seen great success through the Rural Business Enterprise Grant. We began our work in this area with wood manufacturers, providing a cost-sharing technical assistance program that required a manufacturer to support half of the cost of the technical assistance. From this initial program, Winrock saw 100 businesses move to a new stage of commercialization as well as the hiring or retaining of 800 employees.

In 2009, Winrock was awarded a RBEG grant that will, again, cost share with startup companies in manufacturing, value-added agriculture, and bioenergy sectors to provide necessary commercialization techniques that allow them to move from start up to viable businesses. Winrock has had the unique opportunity to use funding from nine Rural Business Opportunity and Rural Business Enterprise Grants during the past 15 years. Winrock has used RBOG funding to establish the feasibility of establishing a bio-fuel refinery in England, Arkansas, and to provide technical assistance to poultry producers in northwest Arkansas. A recent study coordinated by the Memphis Bioworks Foundation, notes that within the next decade expanding biofuels and biobased products business sectors could create more than 25,000 jobs in the Mid-South Mississippi Delta Region.

We believe the RBEG and RBOG programs are vital to support new rural businesses, often young or beginning farmers and entrepreneurs, with the support needed to see a business succeed. However, reduced funding for these programs means projects are limited in scope. The RBOG program now only funds a $50,000 grant for a one state project, while a mere $150,000 supports work in three states. This funding amount is, unfortunately, inadequate to support the types of projects necessary to reduce the risk of investors and bolster opportunities for building new industries rural areas. To fully support regional projects, it is our opinion that this funding opportunity be increased. It is difficult to provide the technical assistance necessary to fully support rural businesses in one state, much less three, with this limited funding.

We are pleased that Congress has supported an increase in funding for the RCDG program in 2010. The current appropriation is $7,924,000, more than double the 2009 program funding. We believe this increased funding will help Cooperative Development Centers such as Winrock's Arkansas Rural Enterprise Center expand their cooperative development efforts.

Chairman Lincoln, Ranking Member Chambliss, distinguished members of the committee, I appreciate the opportunity to make this presentation and am happy to answer any questions you may have.

Testimony of

John Squires

Community Resource Group Inc.

to the

Senate Agriculture, Nutrition & Forestry Committee

Field Hearing on "Revitalizing Rural America"

Clinton Presidential Library

Little Rock, Arkansas

November 23, 2009

Introduction

Thank you, Chairwoman Lincoln, for this opportunity to address the committee, and congratulations on becoming the new Chair of this important committee that is so important to the people of Arkansas. I would also like to thank you for the leadership and dedication that you have shown for helping to address the numerous issues and problems that face rural areas and small communities throughout the State of Arkansas and across rural America.

My name is John Squires and I am the Chief Executive Officer of Community Resource Group Inc. Community Resource Group Inc. (CRG) is a private non-profit corporation, established in Fayetteville, Arkansas in 1975. As a regional, non-profit rural development corporation, CRG has a 34-year history of assisting residents of small towns and rural communities successfully address basic problems like safe drinking water, sanitary waste disposal, transportation, affordable housing, and access to credit.

Rural Water & Waste Disposal Infrastructure

CRG started working in the mid 1970s helping small communities across the Ozark Mountains of north Arkansas to plan, finance and construct community water systems to provide first-time public water service to rural residents. In many of these communities the primary method of obtaining drinking water was hauling water from another nearby community—especially during the summer when shallow wells would go dry. Because of the need, our work quickly expanded to helping small communities throughout Arkansas as well as six other states (including

Alabama, Louisiana, Mississippi, Oklahoma, Tennessee and Texas). Annually we provide onsite technical assistance to some 400 to 500 communities with water and waste disposal problems throughout our seven state primary service area. As an aside I would note that CRG was instrumental in helping organize the Arkansas Rural Water Association in the late 1970's and I had the honor of serving as the Vice President of the Board for a number of years.

CRG is also a founding member of the Washington DC based, Rural Community Assistance Partnership, Inc. a nationwide non-profit network with nearly 200 highly qualified professionals working on-site with rural water systems in all fifty states and the territories. This work is focused upon achieving the following outcomes:

- Improved public and environmental health in rural communities
- Sustainable community water and wastewater facilities
- Improved capacity of local decision makers to address current and future community needs.
- Community Water and Waste Systems Compliance with Federal and State Regulations.

In 1992, Governor Clinton created the Arkansas Water and Wastewater Advisory Committee (WWAC) by Executive Order. Arkansas was one of first states in the nation to create such as committee which serves as a formal mechanism for coordination of financing programs in Arkansas with respect to local water and wastewater improvements. CRG currently serves as a member of the WWAC and proud to have been involved in creation of this committee.

CRG Community Lending

Also in 1992, as the result of our water and wastewater work, we launched a loan fund for water and wastewater improvements by borrowing $3 million in initial loan capital from the USDA Intermediary Relending Program and the Ford Foundation. The CRG Loan Fund was established to provide relatively small loans directly to rural water and wastewater utilities for pre-development expenses, small capital improvements, and emergencies. Since that time CRG has developed considerable expertise as a water and waste disposal lender closing approximately 300 loans to water and wastewater systems totaling more than $20 million dollars. We operate as a lender of last resort for rural communities that need relatively small, affordable loans with flexible terms and underwriting, often in a hurry --- loans of a size not typically available from commercial or governmental sources given the transaction costs. An example of the type of lending we do, last Thursday we closed a loan with the Ozark Acres Water Association in Hardy

This community in north central Arkansas is currently experiencing a 25% to 30% water loss due to aging equipment in their system. A $70,586 loan from CRG will allow them to upgrade their equipment thereby reducing water loss. This will significantly improve not only their conservation of water but substantially improve their operating efficiency while reducing costs to every one of their 375 customers.

CRG's Loan Fund, currently capitalized at over $10 million, has received support from a wide variety of investors including USDA Rural Development IRP, The Ford Foundation, Bank of America, U.S. Department of Treasury CDFI Fund, and the Houston Endowment.

CRG is recognized as a Community Development Financial Institution (CDFI) by the U.S. Treasury Department and is one of only 8 certified CDFIs in Arkansas. In addition to our water and wastewater technical assistance and lending program, since 1995 CRG also has supported a variety of housing-related activities initially along the Texas-Mexico border, and now across our seven-state geographic region. Some of our housing-related achievements include: completing the largest low-income land-titling project in the country, clearing title to over 2,200 parcels of land and transferring clear title to over 1,400 low-income families in the Texas *colonias*. During this process, we gained a new appreciation for the huge housing needs along the Texas-Mexico border. In 2000, we began a grant-based housing rehabilitation program for elderly and disabled homeowners and in 2001, we launched a home improvement loan program (*Nuestra Casa*) that provides unsecured signature loans to low-income families for use in constructing or renovating their homes. To date, we have closed over 1,200 *Nuestra Casa* loans in Starr and Hidalgo counties with cumulative lending activity to date of $3.3 million.

CRG New Home Construction

For the past four years, in south Texas, CRG has been constructing new, affordable single family homes that are Energy Star certified, low maintenance, and that improve the living conditions for our home buyers. CRG acts as the general contractor while subcontracting to local small businesses – a direct investment that results in steady employment in a rural county with double-digit unemployment rates. Our goal is to provide low-income working families with:

- A high quality, well-built home that is affordable to purchase and own.
- A home that is affordable to maintain.
- A home that will become a valuable asset to be passed on to the next generation.

CRG homes are built with Eco-Block (www.eco-block.com) – a brand of insulating concrete form (ICF) construction blocks. These blocks easily snap together to create the walls of a highly energy efficient home that is stronger (wind resistant to 150 MPH); quieter; resistant to fire, moisture, mold; and "greener" than most "site-built" affordable homes. The walls are essentially a "foam sandwich" consisting of a 2.5 inch foam panel on the outside, a 4 inch internal space filled with rebar and concrete, and another 2.5 inches of foam on the inside. The space between the foam panels is filled with concrete that cures and hardens into a monolithic, steel-reinforced core of incredible strength. ICF construction has been used for many years for commercial and high-end residential construction. Our unique partnership with the manufacturer allows us to pioneer the use of Eco-Block for affordable housing. We find that the slightly higher initial cost for this type of construction is well worth the investment as the homeowner will realize significant cost savings over the life of the home due to the energy efficiency and durability. Over the past three decades we have worked in close partnership with USDA Rural Development offices and staff, and with various USDA/Rural Development programs. We know from experience that the USDA Water and Waste Disposal Loan and Grant program is one of the best programs ever initiated at the federal level, and represents a vital resource for small communities in Arkansas and other rural states. Over the years we have worked in innovative and sometimes unconventional ways to address the very difficult problems that small communities and lower-income Arkansans face on a daily basis—whether the issues involved infrastructure, affordable housing, availability of credit or a car for families moving from welfare to work. As an organization, our philosophy has been to continually build upon our strengths and expertise in helping rural communities. Based upon our years of work in these areas, we are pleased to offer the following recommendations for revitalizing rural communities:

Our Recommendations

RECOMMENDATION #1 We strongly recommend that Congress provide adequate annual appropriations levels for USDA/Rural Development's Water and Waste Disposal programs, including technical assistance set asides to help small communities gain access to USDA financing and insure the sustainability of facilities in small communities. For most of the 60 million residents of rural America, USDA's Rural Development agency is the primary source of federal financial support for community and economic development efforts. The role of Rural Development programs in rural America is critical, and we appreciate your interest in ensuring

that these programs are robustly funded and working as intended. Unfortunately, Rural Development funding has declined in recent years; both the programs and the agency staffing to implement them. Since 2003, funding has been reduced by 25% for water and wastewater facilities, 28% for rural community facilities, and 33% for rural housing loans and grants. The Recovery Act this year provided a very welcome influx of funds for Rural Development programs and is providing a significant, but one-time, "shot in the arm". We would hope that the important work of rebuilding essential community facilities that began in 2009 will not be forgotten in 2010 and beyond.

RECOMMENDATION #2 We recommend that the USDA/ Rural Utilities Service Revolving Loan Fund program, which was authorized in the 2002 Farm Bill, receive appropriations of $5 million annually (which is the authorization level). The RUS Revolving Loan Fund enables very small communities to receive financing for pre-development costs and small capital improvements. Pre-development costs are those which are necessary and essential to secure permanent financing for major water and wastewater capital improvements and include such items as preliminary engineering costs; environmental studies or assessments, including water and well testing; legal fees, including fees associated with developing water rights purchases and other necessary easements. Qualifying small systems improvements are those which serve to preserve, improve, or enhance water or wastewater disposal services and are not a part of the regular operations and maintenance activities of a utility. Examples include line extensions, rehabilitation of water storage facilities, replacement costs of existing critical system components, and other capital improvements that do not exceed $100,000 in total project costs. CRG has successfully utilized RLF funds in the past to provide short-term loans to small utilities nationwide. The availability of this type of financing can often be crucial in meeting predevelopment costs necessary for enabling larger scale projects to proceed, as well as to respond to the need for emergency situations should critical facility components fail.

RECOMMENDATION #3 Rural Development's Intermediary Relending Program (IRP) has been a critical source of loan capital for CRG's regional water and wastewater loan portfolio. However, in recent years we have not been able to compete successfully for these funds since our Board of Directors and Service area is not limited to 14 counties. Shut out from the points awarded in this category we are not competitive for IRP funds. To keep IRP funds deployed and

revolving; to maximize impact--- we need to be able to serve low income rural communities in a geographic area larger than 14 counties.

CRG recommends that consideration be given to either eliminating this scoring criteria or automatically award applicants that lend for pollution control and abatement purposes, the maximum points awarded under Section (5) of the point system used to determine an applicant's priority for funding.

RECOMMENDATION #4 Helping low-income families across rural America achieve and live out the dream of homeownership requires more than just a home that is initially affordable. The home must also be affordable to operate, i.e. energy efficient, and it must be low maintenance and durable enough to outlast the mortgage. As I mentioned earlier, this is why CRG is building Energy Star homes using insulated concrete form (ICF) technology. But the dream of affordable home ownership for many low income families requires one more thing. It requires an affordable, mortgage. This is why the 502 Direct Loan product offered by USDA's Rural Housing is so important. It can literally make the difference in determining whether or not a low income family achieves their dream of home ownership. The ability of this loan product to offer a graduated interest rate tied to the borrower's income is often critical for making the home affordable. We believe it's important to make this loan product more widely available.

To do this we would urge that consideration be given to expanding, modifying, and funding the 502 Housing Application Packaging Program authorized under Section 509 of the housing Act of 1949 , as amended (42 U.S.C. 1479.

- Expanding-the packaging program needs beyond just the Texas colonias and other designated counties. Low income rural families, regardless of where they live need access beyond what RD's ever shrinking county and district staff can provide in the way of marketing, application origination, underwriting, processing and loan servicing.
- Modifying-Training for packagers should be outsourced to nonprofit intermediaries such as NeighborWorks America which already provides training on the 502 loan product. Mandatory financial literacy and homeownership training for borrowers should be an integral part of every packaging grant.
- Funding- Payment to nonprofits for 502 Packaging should be similar to the private sector origination fee—but large enough to cover the added cost of providing financial literacy and home buyer counseling to borrowers.

Consequently, we urge Congress to push for mortgage financing and support programs specifically targeted to low-income families who often need additional down payment funds, credit counseling and repair assistance, and mortgage programs that are based on more that just the family's credit score. For example, a 502 direct loan program addendum that would allow non-profit organizations who have a U.S. Treasury Department Certified Development Financial Institution (CDFI) designation, like CRG, to serve as a guarantor of mortgages for low-income families.

RECOMMENDATION #5 HUD has recently proposed a $25 million Rural Innovation Fund as a set-aside from the larger Community Development Block Grant program. This funding is designed to "support a limited number of highly targeted and innovative approaches dedicated to addressing the problem of concentrated rural housing distress and community poverty." In our opinion, such a Rural Innovation Fund should more logically be under the auspices of USDA Rural Development given RD's mission, history, existing delivery system of rural offices, and commitment to developing rural housing and economic opportunities nationwide. As we noted in our recommendations #1 – 4 above, all of those recommendations build on existing strengths of Rural Development. We strongly believe that RD needs to create some type of innovation program, perhaps similar to the one proposed by HUD, that seeks to identify best practices and creative solutions to the problems of rural housing and economic development that are plaguing small rural communities across the United States. RD is uniquely positioned to work with CDFIs and other non-profit organizations to encourage their best ideas and identify what works, what does not work, and how to bring the best ideas to scale as part of future programs of USDA Rural Development. We envision this activity as a type of "farm club" for creativity or the equivalent of a research and development division within a private, for-profit organization. Over the next few years this could become a very important way for the non-profit and governmental sectors to work together to test innovative approaches to some of the most pressing rural issues such as preservation and construction of energy efficient housing, figuring out how to make manufactured housing, which is home to 1 in 7 Arkansas families, the best it can be, including securing long-term security for residents of manufactured home parks, and crafting transportation solutions that address the needs of rural families so they can obtain a job, continue their education or seek appropriate health care for their family.

My thanks to you, Chairwoman Lincoln, and to the Committee for considering my testimony, and for your focus on meeting the needs of America's rural communities and citizens.

John Squires
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Senate Committee on Agriculture, Nutrition and Forestry
Field Hearing
Clinton Presidential Library
Little Rock, Arkansas
November 23, 2009

Dennis Sternberg,
Executive Director
Arkansas Rural Water Association

Thank you Chairman Lincoln, Ranking Member Chambliss, and members of the Committee for this opportunity to testify today. My name is Dennis Sternberg and I speak to you today on behalf of the Arkansas Rural Water Association which is one of a non-profit federation of State Rural Water Associations that operate in all 50 states.

Madam Chair, it is an honor to testify before you and this committee today on the important topic of safe drinking water. Before I get started, I would be remiss if I didn't also recognize that you are the first person in the history of Arkansas

to become Chair of the Senate Agriculture Committee. With your strong rural roots I don't need to tell you of the many of the barriers our rural communities face every day. And I don't have to tell you that in spite of these barriers, these are some of the best places in the world to live. This is why we are proud and honored that you hold this position, and we can firmly say rural American is well represented.

The importance of safe, clean water and why we must continue and strengthen the efforts to make sure our citizens have it cannot be stressed enough. Simply put, water is life. However, far too many of us take it granted that the water we need to keep us healthy, and our economy strong will always be there as soon as we want it. Every day, millions of your constituents count on the very first drop of water that comes out of their kitchen faucet to make that first pot of coffee, and prepare breakfast. And when they do, they expect that water to

be safe for themselves and their families. We must not forget that it takes a great deal of effort to make that first clean drop of water your constituents count on each and every day possible. It takes positive programs, and well trained personnel to make this happen. This is why I am proud to talk about the strong USDA programs that make it possible to have the facilities and trained people who can make sure that the clean water we must have will be there in the future.

The current water and waste disposal grant and loan programs operated by the Department of Agriculture's Rural Utilities Service have a long successful history of providing critical infrastructure assistance to meet one of the most basic needs in rural America---providing safe and affordable water and waste water assistance to low and moderate-income communities. This is one of the highest rated government programs in history, and one with a default rate that

is almost non-existent and with a delinquency rate is currently .6 percent nationally. Arkansas Rural Water helps these communities not only access these funds, but help to ensure that these funds are used efficiently to protect the community and government's investment.

Rural Development also has the unique advantage over other federal agencies by having a field structure with experience staff with community development expertise scattered throughout small town Arkansas and throughout rural America. Without this assistance, many of these communities could not survive or compete in this global economy. As you are aware, the economic downturn has also disproportionally impacted many of these small rural communities more than our urban counterparts. Small rural communities are also faced with the additional burden of reduced tax revenues that impact their

ability of providing essential services like water and waste water assistance.

Arkansas Rural Water is there to provide on-site assistance to these small rural communities in Arkansas. Many of these communities lack the staff, capacity, funding or expertise to address technical water and waste-water issues. I hear daily from rural communities in need of assistance, whether it is to design or construct a new system, repair an existing system or respond to a pending emergency, we are always there. Our mission is simple----we are there to restore and improve the public health, environment and sustainability of these small communities or in other words, to give them a level playing field with our urban counterparts so individuals and small communities can prosper in this global competitive environment.

We are able to accomplish this important mission because of the help we get from the Rural Development NRWA Circuit Rider Program and Wastewater Technician Program. This program provides technical assistance to eligible systems to meet the real world challenges of bringing safe, clean water to the people. These challenges are real, and so are the solutions we provide because of the Circuit Rider Program. This program succeeds because of the high quality circuit rider technicians that serve the water utilities in your states. These technicians work with the local operators that have the responsibility of keeping the safe water flowing on a wide variety of issues to include: operations and maintenance, treatment, compliance, construction, financial management, general management and board training.

The primary objective of the programs is for the circuit rider and wastewater technician to work alongside the rural system officials and operators to show them how to solve their problems. The on-site system personnel must participate in the corrective actions taken during the visit. Technical assistance services will be prioritized as necessary to ensure the most effective and efficient operation of the program. I have placed in the record of my remarks some letters from local operators that were reprinted in our *ARWA Water Insight* magazine. Please take a moment to look at them. Their words tell the story why this program is important and they come from every single part of Arkansas.

In Arkansas, we have trained over 1900 water and wastewater system personnel a year for over two decades and provided over 2400 on-site technical assistance visits a year.

Over sixty-five (65) ground water protection plans have been adopted by local communities like the Highway 63 Water Association near Rison, Arkansas, and others are in the process of being adopted. We are on the front lines everyday ensuring water is safe and available each time someone in rural Arkansas turns on the tap. When the northern half of Arkansas was hit with a major ice storm in January of this year, ARWA was called on to help provide emergency assistance with generators to scores of smaller community water and wastewater systems throughout the areas hit by the storm. Our technical staff made a difference in the lives of Arkansans who needed water more than ever during a tough time.

We conduct this work though three USDA programs that are currently authorized in the 2008 Farm Bill. -

First is the Rural Development Circuit Rider Program- Since 1980, Circuit Riders have produced on-site technical assistance to small communities in all states for water infrastructure development, compliance, training, certification, operations, management, rates, disaster response, public health protection—all necessary to encourage local responsibility and local solutions for protecting and enhancing water resources. This mission is simple- grassroots assistance to communities in need by providing safe, affordable and sustainable water and waste water service.

Second is the Farm Service Agency Grassroots Source Water Protection initiative-- This is the only statewide initiative ensuring environmentally progressive local land-use decisions

for local elected officials, landowners, agricultural producers and other interested parties.

Third is the Waste Water Technical Assistance program- This initiative provides on-the ground technical assistance directly to communities for waste water treatment facilities. Assistance includes design and upgrade recommendations, daily operation and maintenance advice, assisting with permit renewals and helping these systems meet compliance requirement from state and federal regulations.

These programs are essential for the long term health and vitality of these communities. Thank you Madam Chair for your continued support.

I must also thank you for your leadership and support in the passage of the American Reinvestment and Recovery Act

(ARRA) and I would like to briefly discuss the impact of that legislation thus far in Arkansas. The ARRA provided $3.778 billion in water and waste loan and grants funds which represented the largest single infusion in the USDA Water and Waste Water programs in history, enough funds to completely eliminate the backlog of existing projects at the time the bill was passed. The Department has spent about half of their recovery money to date. The only concern is the new backlog for assistance has actually increased to $5.9 billion.

Let me bring it home to Arkansas- The Ozark Mountain Regional Public Water Authority recently received a $19,365,000 loan with a $36,363,000 grant for this needed project. This project would have never been possible without a larger influx of funds made available by this bill. It is also

worthy to note that 76 percent of the users for this system fall in the persistent poverty range for income.

In closing, NASA scientists recently announced that they have discovered water on the moon. This was widely reported in the media a major news story. It made me think: There has never been a news flash when an Arkansan turns on their faucet to get a safe, clean drink of water. I would like to keep it that way. And with this committee's support of the outstanding USDA programs we have, that is one headline we should never have to see.

Thank you Madam Chair for allowing me to testify and I would welcome any questions that you may have at this time.

Randy Veach
Talking points
U.S. Senate Agriculture Committee Field Hearing
Nov. 23, 2009

Good afternoon. It is certainly a privilege to be with you this afternoon.

Sen. Lincoln, thank you for scheduling this field hearing.

Appreciate the presence of several of your colleagues on the Senate Ag Committee and I welcome them to Arkansas.

Rural Arkansas depends on agriculture. Agriculture also depends on a stable rural Arkansas.

Arkansas Farm Bureau is a general farm organization, and we understand the impacts these weather-related disasters have had on all of agriculture.

Any disaster programs that are considered need to cover the full spectrum of agriculture, row crops to livestock, poultry growers to fruit and vegetable producers. There is not one area of agriculture that has been impacted more than another.

- Timber losses
- Poultry plant closings
- Impact of rain on row-crops

Our weather disasters started with ice storms at the beginning of the year, and have continued throughout the year.

The situation facing Arkansas farmers is challenging, to say the least.

The impact the weather has had on Arkansas farms and ranches is significant.

That impact, we believe, will be felt throughout the Arkansas economy.

Arkansas Farm Bureau has, in fact, projected the total economic loss in Arkansas could reach $650 million.

In a state that serves as headquarters to Wal-Mart, the largest corporation in the world, agriculture remains the largest industry in Arkansas.

I believe that point is significant. Our state's economy is tied undeniably to agriculture. It is the foundation of our economy, and, Senator, as you know, the foundation of our country as well.

In Arkansas:

- Agriculture contributes more than 270,000 jobs;
- Workers received $9.1 billion in wages and salaries last year;
- 16 percent of our state's total labor income is derived from agriculture;
- Agriculture contributes 18 percent to all value-added in Arkansas, $15.9 billion
- Arkansas ranks No. 11 nationally in total farm receipts;
    - 46,500 farms and ranches in our state;
    - 14.3 million acres in production (including ranches);
- Arkansas is No. 4 in timber production;
    - 18 million acres;
- Our state ranks near the top producers in a number of crops;
    - No. 1 in rice;
    - No. 2 in cotton;
    - No 5 in grain sorghum;
    - No. 10 in soybeans;

Impact of weather on Arkansas agriculture, to date, as calculated by the University of Arkansas Division of Agriculture: $471.2 million

$309.4 million loss, through reduced gross receipts (row crops and hay)
Decreased yield, quality and additional field expenses

Cotton, soybeans and rice have seen biggest losses

- $115 million in cotton
- $127 million in soybeans
- $50 million in rice

Additionally, the value-added loss totals almost $162 million

- Lost almost 3,000 jobs due to weather;
- Lost wages totaling $83 million;
- Loss of more than $27 million in rice, corn and sorghum processing;
- Another $8.3 million loss in cotton ginning;
- Reduced household spending of $126 million as a result of value-added losses.

When you combine the $309 million production loss with the $162 million value-added loss, the UA projects a total impact, to date, of the adverse weather to be $471.2 million.

We anticipate additional losses added to that total as more crops are abandoned, or harvested with reduced yields. Also, additional costs will be incurred in field preparation for next year's crop due to damages occurred as a result of the muddy harvest.

Another issue as a result of the wet year will be the reduced availability of quality seed for next year's plantings. That will also result in higher input costs for the farmer.

You can see the impact that the rains, at almost unprecedented levels, have had on Arkansas row-crop production.

SURE PROGRAM

- It is critical that the SURE regulations be released as soon as possible;
- We are at the end of harvest season and many farmers still do know if the SURE program will provide necessary assistance;
- However, it is NOT likely that the formula for SURE will benefit southern agriculture;
- Most southern farmers have a diverse crop production that will prohibit them from reaching the 50 percent loss threshold;
- Also, few farmers in the south purchase crop insurance because of investments they have made in irrigation capacity, which mitigates the risk for drought loss, the most common disaster;
- This year's wide-spread flooding creates a unique situation that may demand additional disaster assistance.

Thank you for your time this afternoon.

Thank you for your commitment to American agriculture.

Thank you for your commitment to the men and women of agriculture.

Statement of C. Sam Walls, President, Connect Arkansas

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

Field Hearing – William J. Clinton Presidential Library
Little Rock, Arkansas

November 23, 2009

Thank you Chairman Lincoln and Ranking Member Chambliss, and members of the Committee for the opportunity to discuss broadband as an *investment in Rural America*. I serve as the CEO of Arkansas Capital Corporation and President of Connect Arkansas and appreciate the opportunity to be here today.

In 2007, Governor Beebe signed into law Act 604, which called for the creation of two entities. One provision of the Act created the Arkansas Broadband Council and the other provision authorized Arkansas Capital Corporation – a 52 year old, private non-profit business development entity – to create what is now Connect Arkansas.

While the Broadband Council is tasked with advising the Governor and General Assembly on policies regarding broadband, Connect Arkansas is a non-profit that promotes broadband mapping, adoption, and access for Arkansas.

Although no funding was authorized for Connect during the legislative session in which it was created, through the help of the Governor and our partners, we raised funds to develop a strategic broadband adoption plan and to also deploy a pilot rollout of this initiative for Arkansas.

We became active in August 2007 and are a 501(c)(3) non-profit. We also have an expansive board that is representative of many interests – public, private, and education – and includes broadband providers representing the various types of broadband technologies. In 2009, we became the State designated entity for Broadband Mapping and the coordinating entity for broadband education and access programs throughout Arkansas.

As I mentioned a moment ago, Connect Arkansas's parent company *Arkansas Capital Corporation* has been in existence for over 50 years. During that time, we have assisted in providing almost $900 million dollars in investment into Arkansas companies and have played not an insignificant role in the economic development of our state. As I have become more involved in the issue of broadband connectivity, however, I have come to believe that Connect Arkansas is the single most important endeavor our organization has ever been involved in.

Over the last few years, there have been numerous reports and studies that have stressed the economic impact that increased broadband usage will have on our nation. To note a few:

- A February 2008 report estimated that if broadband adoption were to increase an additional 7% in every state, the U.S. would experience aggregate economic benefits of approximately $134 billion a year. The estimated Arkansas impact would be almost $964 million and 20,577 jobs created/saved annually.

- A December 2003 report estimated that full-scale deployment of broadband in Arkansas had the potential to create 8,200 jobs and add more than $2.6 billion to the Gross State Product.

While the estimates of the size of the impact vary, the common theme among these and other reports is that increased broadband usage will have a profound impact on our state's economy and the lives of our citizens.

In Arkansas, we rank 49th in deployment of broadband telecommunications. According to our survey and mapping data, we found that, although approximately 87% of our population has access to broadband services in the home, only 49% of households subscribe to it. Just as importantly, it was found that approximately 30% of households are not even interested in the internet. In essence, although people may have access, the usage of broadband in our state is very low.

To address the needs of our state, we are addressing three initial, principle endeavors.

- Mapping. Earlier on, to better focus our efforts and begin our work to bring internet to unserved and underserved areas, we worked with providers to develop a first generation broadband map that is vendor and technology neutral. This map depicts not just where coverage exists, but also where it does not exist, and at what speeds. To enhance our mapping efforts, this October, we were more recently awarded $1.58 million through the American Recovery and Reinvestment Act broadband provisions which were

administered by the National Telecommunications and Information Association (NTIA). We are now working to develop an enhanced and substantially complete map by the first quarter of 2010.

- Public Education. I mentioned earlier that through our maps and survey data, we found that, in Arkansas, although people may have access, the usage of broadband in our state is very low.

  When addressing internet connectivity, it is not enough to just "provide" access. You have to teach your communities how to use it. Of paramount important is the need to increase the number of Arkansans that are getting online. It is safe to say that, as more Arkansans get online, the service providers will continue to expand and enhance their coverage. As part of the initiative, Connect Arkansas will work with each county to develop their IT Strategic Plan as it relates to broadband. We will work with each county to help them determine why broadband is relevant and important to them, and what they can do to get more of their population online.

  We currently have initiated four pilot programs in Columbia, Desha, Faulkner, and Woodruff counties. This pilot rollout will be completed in the first Quarter of 2010. In addition to the NTIA funding that was awarded for mapping, we also received an award from the NTIA of $500,000 to deploy a regional rollout of the IT Strategic Planning program for Arkansas.

- Implementation. Finally, Connect Arkansas's task does not stop with assisting communities to develop their broadband strategies. Connect will continue to work with each community to implement their vision. Further, there will inevitably be communities and individuals that, for various economic reasons are unable to get online. We will work with service providers, state leaders, and private foundations to resolve these problems.

Oftentimes, when discussion regarding broadband occurs, there is much emphasis on access. Although enabling access is important, one cannot underestimate the scale and complexity of an initiative such as this. In many ways, we are trying to change the way people think and that is rarely an easy task. As a state, we cannot afford to delay this undertaking. As the world continues to progress, it is of utmost importance that we address this education and access issue for, not just Arkansas, but our nation to ensure that broadband technology use is a part of every aspect of our communities. This initiative is about the immersion of our people in the internet.

In our rural state, the improvement in educational opportunities, improvement in the quality and access to healthcare, the ability to enable global opportunities for our businesses, and the cost savings are significant. In order for our people to be more efficient and competitive in this global economy, we must address the broadband use and connectivity needs in our rural areas.

If you see where Arkansas ranks nationally, according to the 2008 State New Economy Index, Arkansas was ranked the 47th digital economy in the nation, only ahead of Alabama, Mississippi,

and West Virginia. This ranking was a cumulative score based on seven aspects of the digital economy:

- **Percentage of population online** – rank 47th
- **Internet domain names** – rank 47th
- **Technology in schools** – rank 30rd
- **e-government** – rank 21th
- **Online agriculture** – rank 38st
- **Broadband Telecommunications Deployment** – rank 49th
- **Healthcare Information Technology** – rank 38th

In many of our communities, our research further indicates that there are, likewise, low levels of broadband demand, especially in our rural areas. In the rural County of Desha, 38% of households subscribe to broadband internet. In the rural County of Columbia, broadband subscribership is at 39%. This is a significantly different from the more populated Faulkner County which touts broadband subscribership levels of 70%. Even for rural areas in our state that tout have robust broadband connectivity levels, we still find that broadband subscribership levels are as low as 15%. It is statistics such as these that further illustrate the need to not just provide access, but to also ensure that our people can use it.

In Arkansas, like every other state, we struggle with how to improve areas such as education, healthcare, economic development and a myriad of other "quality of life" issues. I can promise you, that in a majority of instances the internet is a fundamental component of any strategy to deal with these issues. We all believe in the potential of our rural State. Addressing broadband

internet usage is an opportunity for Arkansas to take a huge step forward to meet our potential. Addressing broadband nationally is an opportunity for our nation to ensure that our country, and especially our rural areas, can remain globally competitive.

Chairman Lincoln and Ranking Member Chambliss, I thank you for your time and now would like to answer any questions that you may have.

DOCUMENTS SUBMITTED FOR THE RECORD

NOVEMBER 23, 2009

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November 30, 2009

Honorable Blanche Lambert Lincoln
Chairman, Committee on Agriculture, Nutrition and Forestry
United States Senate
Washington, DC 20510

Dear Senator Lincoln:

Enclosed is testimony of the Housing Assistance Council (HAC) for the record of your recent hearing on rural revitalization. The testimony is by HAC Board Member and former President Peggy R. Wright. Ms. Wright is Director of the Delta Studies Center at Arkansas State University-Jonesboro.

Thank you conducting this important hearing on a vital topic. Please let us know if HAC can provide any more information or be of assistance.

Sincerely,

Moises Loza
Executive Director

Encl

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Statement for the Record of
Peggy R. Wright,
Delta Studies Center, Arkansas State University-Jonesboro
and Board Member, Housing Assistance Council
before the
Committee on Agriculture, Nutrition and Forestry,
U.S. Senate
November 23, 2009

My name is Peggy Wright and I am Director of the Delta Studies Center at Arkansas State-Jonesboro. The Center works to promote change in communities and to foster partnerships and relationships across the Delta region for ASU.

I am submitting this testimony as a Board Member and former President of the Housing Assistance Council (HAC). We appreciate this opportunity to submit testimony on the revitalization of rural America. HAC and others in the rural housing world – as well as all of us who work on rural issues in Arkansas and the Delta -- greatly appreciate and commend Senator Lincoln for holding this hearing and for her support and leadership on rural concerns.

HAC was established 38 years ago to provide financing, information, and technical services to nonprofit, for-profit, public, and other providers of rural housing. Created to meet the housing needs of the poorest of the poor in the most rural places, HAC works closely with local organizations in rural communities throughout the nation. HAC has worked in all states, Puerto Rico, and the Virgin Islands. These relationships provide us with first-hand knowledge of rural areas and help us develop the strategies we believe have led to sustainable growth in many communities across the nation.

HAC IN ARKANSAS
HAC has worked extensively in Arkansas to help rural communities build affordable housing. HAC has made almost $5.5 million in grants and loans to help rural nonprofits build 976 homes. Our funding has leveraged over $43 million in additional support. In Arkansas HAC has particularly supported self-help, sweat-equity homeownership housing developed by such outstanding community organizations as the Northwest Regional Housing Authority, South Arkansas Community Development, and Universal Housing Development. We were very pleased to see that Teddy Gardner of SACD testified in this hearing.

CONDITIONS IN ARKANSAS
Rural Arkansas has over 382,000 homeowner-occupied units and 143,000 occupied rental units. Over 27 percent of all occupied rural units in Arkansas are rentals (versus 34 percent of all occupied urban units). Some high-poverty rural counties in Arkansas have high rental rates. This could be in part because mortgages are hard to come by in rural parts of the state. In one recent count of mortgage-loan applications in Arkansas, 23.1 percent in rural and 16.5 percent in urban areas were denied.

Rural Arkansas also has a higher poverty rate than urban Arkansas (17.7 percent versus 14.0 percent); a lower percentage of high school graduates (71.3 percent rural versus 79.5 percent

urban); substantially fewer college graduates (12.7 versus 20.8 percent); higher unemployment (5.7 versus 4.2 percent); and lower median incomes ($28,648 rural versus $36,639 urban).

RECOMMENDATIONS FOR RURAL HOUSING AND INFRASTRUCTURE

How do we turn around some of those numbers? In our view housing can be a vital component to rural revitalization. A decent, safe and affordable home is a basic need and, we feel, ought to be a basic right of every American family. Good, stable housing helps families build wealth, provides children a place to learn and grow, offers adults a stable platform for successful employment, and shelters the elderly and disabled in times of need.

During the current recession it is particularly important to support the rural housing programs administered by USDA Rural Development (RD). Foreclosures and mortgage markets have become the major housing-related news topics, but the housing needs of both urban and rural low-income people predated the housing crash and will undoubtedly outlast it. RD's programs, with a long history of success in meeting these needs, can help rural America both recover from the recession and move forward.

One of every five U. S. homes is located in a nonmetropolitan area. More than one quarter of rural households pay more than the federal standard of 30 percent of their monthly income for housing. Most of these cost-burdened rural households have low incomes. At the same time, 1.7 million rural homes (6.3 percent) are either moderately or severely substandard. Minorities in rural areas are among the poorest and worst housed groups in the entire nation, with much higher levels of inadequate housing conditions. Complicating efforts to improve rural housing, many rural places lack strong, experienced nonprofit housing organizations. Housing needs are particularly severe for certain rural places and populations.

Currently the mortgage crisis threatens to erase gains in homeownership and asset-building, while rental units in aging buildings need to be rehabilitated and preserved as affordable housing.

HAC is grateful to Congress for including substantial funding for RD programs, both in the American Recovery and Reinvestment Act (ARRA) and recent appropriations acts.

HAC has developed several recommendations for RD housing programs. We realize that the Committee on Agriculture does not have jurisdiction over these programs. But you do have outstanding expertise in rural issues and might be able to advise other panels such as the Banking and Appropriations Committees. HAC urges the Congress to:

Support continued strong direct lending programs for single- and multifamily rural housing development. Among RD's housing programs are direct loan programs for homeownership and for development of rental housing, and loan guarantee programs for the same two purposes. Recent budget proposals consistently suggested defunding the direct loan programs in favor of the guarantee programs. While guarantees cost the government less than direct loans, the guarantee programs cannot replace the direct loans because they serve different populations. Homebuyers receiving Section 502 direct loans have substantially lower incomes than homebuyers with Section 502 guaranteed loans.

The Section 502 direct loan program is particularly important in the current economy because it makes homeownership possible for very low- and low-income rural residents who cannot qualify for private mortgages, ensuring that they will not turn to predatory lenders to achieve their

dreams. The Section 502 homeownership and 515 rental direct loan programs, we believe, must be kept in place with full funding, along with the Section 502 and 538 guaranteed programs.

Support provision of decent, affordable rental homes in rural places. Funding could enable development of new affordable rental units in the many rural areas where they are needed; fully fund the programs and demonstrations at USDA and HUD that address the needs of many existing federally funded rental developments for renovation and for preservation of their owners' obligations to keep rents affordable; and provide USDA or HUD rental assistance, as needed, for tenants in USDA-financed buildings, tenants whose landlords convert properties to market rate rents, and tenants in foreclosed rental properties.

Despite a general neglect of rental housing by national housing policy through most of the first decade of the 21st Century, RD and Congress recognized the need to preserve affordable rental housing in rural America and developed useful demonstration programs that are now ready to be made more broadly available. Past successes also illustrate effective ways to develop new rural rentals for low-income tenants.

Continue building the capacity of rural housing organizations to meet their own communities' needs. Mission-driven community organizations, primarily nonprofits, play an essential role in putting rural housing funds to work in rural places. To use rural housing programs effectively to improve housing and contribute to sustained economic recovery, a strong nonprofit presence is required. To support community-based nonprofit organizations, their employees, and their vital role, the Housing Assistance Council recommends strong support for USDA's Rural Community Development Initiative (RCDI), which funds intermediary organizations that build organizational capacity for local housing organizations.

HAC further encourages the Congress to:

Re-establish the field office structure of Rural Development. Before 1994, the old Farmers Home Administration had an office in almost every rural county and a unique accessibility to rural residents. More recently, cost-saving measures have led to consolidation of many field offices. Clients are now served by regional offices covering numerous counties, loan servicing is centralized in a single national office, and the agency's clients are encouraged to communicate electronically. These changes have not benefited low-income rural residents. HAC encourages the Obama Administration and Congress to avoid further consolidation of USDA RD field offices. Centralization works well for RD's multifamily programs, when the agency's customers are for-profit or nonprofit housing developers, and for water/ sewer programs. But rural families needing RD assistance to purchase or repair their homes should be served by people who live near them and share their culture, at least until universal access to high-speed computers is achieved, as well as universal ability to use them. In addition, local offices can better implement flexible policies to serve local conditions. Therefore servicing for the Section 502 and 504 programs should remain in local offices.

Encourage and fund green building methods. Efficient use of energy and natural resources, healthy surroundings, and sensitivity to the environment are as important in affordable housing as in market rate buildings. Potential avenues could be to direct some weatherization funds to use with USDA programs, and allow the new green retrofit program for HUD-supported apartments to be used also with USDA units.

Ensure adequate funding for rural residential water and sanitation services. Hundreds of rural communities nationwide still do not have access to clean residential drinking water and safe waste disposal systems. The budget should continue to make loans and grants available, including funding for assistance to local governments, tribes, and nonprofits that lack the necessary expertise, through USDA's Rural Water and Waste Disposal program.

In the last five decades the United States has achieved remarkable success in improving access to modern water and sanitation services for its residents. Hundreds of rural communities nationwide, however, still do not have access to clean residential drinking water and safe waste disposal systems. Most of the people affected are the poorest of the poor or the elderly, usually living in rural areas with incomes below the federal poverty level.

The per capita cost of water investments can be very high for small, sparsely populated rural communities lacking economies of scale. Once their systems are functioning, they also face higher per capita costs for operations, maintenance, and compliance. According to the Environmental Protection Agency, most violations of federal drinking water standards are made by small communities that have limited resources for compliance.

Many small communities look to USDA's Rural Water and Waste Disposal program as their sole source of affordable financing for drinking water, sanitary sewage, solid waste disposal, and storm drainage facilities. The program assists rural areas and cities of up to 10,000 residents that are unable to finance their needs through their own resources or with credit from commercial sources. Available financing includes both direct and guaranteed loans. Communities with low median household incomes are also eligible for grants.

CONCLUSIONS

HAC looks forward to working with the Agriculture Committee and all in the Congress on these crucially important concerns. We think rural renewal could be tied to how children grow up and prosper. Housing plays a vital role in whether children succeed. Writing in a USDA/HAC children's art contest to answer the question, "What does self-help housing mean to my family and me?" eight-year-old Victoria Mitchell of Dover, Arkansas, said,

"It means our whole family doesn't have to live in a one room house anymore. It also means I can plant flower gardens around our home. I even have my very own peach tree."

To us that peach tree may be one seed of rural revitalization.

○