

**STAKEHOLDER PERSPECTIVES ON USDA'S  
RURAL DEVELOPMENT PROGRAMS**

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**HEARING**

BEFORE THE

SUBCOMMITTEE ON COMMODITY MARKETS, DIGITAL  
ASSETS, AND RURAL DEVELOPMENT

OF THE

**COMMITTEE ON AGRICULTURE  
HOUSE OF REPRESENTATIVES**

ONE HUNDRED EIGHTEENTH CONGRESS

FIRST SESSION

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## CONTENTS

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	Page
Caraveo, Hon. Yadira, a Representative in Congress from Colorado, opening statement .....	3
Craig, Hon. Angie, a Representative in Congress from Minnesota; on behalf of Bill Broydrick, Executive Director, National Rural Lenders Roundtable, submitted statement .....	69
Johnson, Hon. Dusty, a Representative in Congress from South Dakota, opening statement .....	1
Prepared statement .....	2
Thompson, Hon. Glenn a Representative in Congress from Pennsylvania, opening statement .....	4
Prepared statement .....	4
WITNESSES	
Nesbitt, Debra, Chair, National Rural Lenders Association, Wilmington, NC ..	6
Prepared statement .....	7
Supplementary material .....	70
Bowman, J.D., Jessica S., Executive Director, Plant Based Products Council, Washington, D.C. ....	10
Prepared statement .....	12
Winslow, Joshua L. “Josh”, General Manager and Chief Executive Officer, Brunswick Electric Membership Corporation, Shallotte, NC .....	14
Prepared statement .....	16
Holmes, Matthew W., Chief Executive Officer, National Rural Water Association, Duncan, OK .....	20
Prepared statement .....	21
Supplementary material .....	71
Morales-Pate, Olga, Chief Executive Officer, Rural Community Assistance Partnership Incorporated, Washington, D.C. ....	26
Prepared statement .....	27
Blanding, Cornelius, Member, Board of Directors, National Cooperative Business Association CLUSA International, East Point, GA .....	35
Prepared statement .....	37
SUBMITTED MATERIAL	
CoBank, submitted statement .....	71



# **STAKEHOLDER PERSPECTIVES ON USDA'S RURAL DEVELOPMENT PROGRAMS**

**TUESDAY, JUNE 13, 2023**

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON COMMODITY MARKETS, DIGITAL ASSETS,  
AND RURAL DEVELOPMENT,  
COMMITTEE ON AGRICULTURE,  
*Washington, D.C.*

The Subcommittee met, pursuant to call, at 10:02 a.m., in Room 1300 of the Longworth House Office Building, Hon. Dusty Johnson [Chairman of the Subcommittee] presiding.

Members present: Representatives Johnson, Lucas, Rouzer, Bacon, Rose, Molinaro, Langworthy, Nunn, Miller of Ohio, Thompson (*ex officio*), Caraveo, Davis of North Carolina, Costa, Salinas, Perez, Budzinski, Jackson of Illinois, Craig, and Crockett.

Staff present: Nick Rockwell, Adele Borne, Wick Dudley, Erin Wilson, John Konya, DeShawn Blanding, Emily German, Josh Lobert, Ashley Smith, and Dana Sandman.

## **OPENING STATEMENT OF HON. DUSTY JOHNSON, A REPRESENTATIVE IN CONGRESS FROM SOUTH DAKOTA**

The CHAIRMAN. All right, the Committee will come to order, Subcommittee, rather. Welcome, and thank you to everybody for joining today's hearing, which is entitled, *Stakeholder Perspectives on USDA's Rural Development Programs*. After brief opening remarks from the Ranking Member and myself, Members will receive testimony from our excellent witnesses today, and then the hearing will be open to questions, of course.

I am glad to be joined by Ranking Member Caraveo and the rest of the Subcommittee as we talk with stakeholders about rural development programs. In the late 1990s, I worked in Washington, D.C., within USDA Rural Development, and so this is a topic near and dear to my heart. Obviously, there are a lot of very important programs that have an impact on rural America, and, like many of you, I represent a rural district. I would note, as a bit of a flex, that mine is the entirety of the state. And although it is not a particularly well populated state, it is a state that has a vibrant rural area, and that that rural area provides a tremendous amount of food, fiber, and fuel that helps to power our national economy. And for those communities to continue to do those things, they need additional tools.

And I have spoken with local leaders, business owners, farmers, families, and many others in South Dakota, and one thing is clear. Although those areas can be robust, of course, they face real chal-

allenges. Access to capital, reliable energy, workforce shortages, aging infrastructure, and, of course, rural health care is something we hear about all the time. And that is why today's conversation on how the 2023 Farm Bill can improve rural development programs is so important.

Programs offered by USDA Rural Development are crucial in helping rural areas develop and attract new economic opportunities. I think the 2018 Farm Bill made a lot of good progress in those areas. It significantly improved programs by establishing new and expanded authorities to help provide access to safe drinking water, dependable electricity, to repair crucial community infrastructure, to support rural employers and employees, and to foster regional economic growth. Our Chairman, GT Thompson, has called for building a robust, rural economy, and I think the changes in the 2018 Farm Bill helped to further that vision.

Now, before I recognize the distinguished Ranking Member, a quick note to folks—those of us on the Subcommittee. I know everybody loves broadband. I know people love to talk about broadband all the time. And there will come a time when we will have an opportunity to have a hearing on broadband. I know the Chairman very much wants to give us that opportunity. But today I think we will best use our time if we focus on the powerful programs within Rural Development, and save the broadband conversation for a more robust full Committee hearing to come soon.

I look forward to our conversation today, and I am really looking forward to the expert witnesses. This is a great panel. And so—help us better understand what we need to do with the 2023 Farm Bill.

[The prepared statement of Mr. Johnson follows:]

PREPARED STATEMENT OF HON. DUSTY JOHNSON, A REPRESENTATIVE IN CONGRESS  
FROM SOUTH DAKOTA

Good morning and thank you to everyone for joining us today. I am glad to be joined by Ranking Member Caraveo and the Members of this Subcommittee as we talk with stakeholders about rural development programs.

Like many of you, I represent a rural district. Mine just happens to be the entire State of South Dakota. While we may not have a large population, we do have a robust agricultural economy—one that depends on rural communities having the tools they need to grow and thrive.

I have spoken with local leaders, business owners, farmers, families, and many others in South Dakota, and one thing is clear—rural America continues to face challenges with access to capital and reliable energy, workforce shortages, aging infrastructure, and a lack of available health care services. That is why today's conversation on how the 2023 Farm Bill can improve rural development programs is so important.

Programs offered by the USDA's Rural Development office are crucial in helping rural areas develop and attract new economic opportunities. In the 2018 Farm Bill, this Committee significantly improved these programs by establishing new and expanded authorities to help provide access to safe drinking water and dependable electricity, repair crucial community infrastructure, support rural employers and employees, and foster regional economic growth. These pieces are critical components for what Chairman Thompson calls building a "robust, rural economy."

Before I recognize the distinguished Ranking Member, a quick note to folks on this Subcommittee. While we will hear from our panelists about an array of USDA Rural Development programs, including those under the Rural Utilities Service, we have encouraged today's witnesses to focus on rural development services outside of broadband connectivity. I'd like to encourage Members to do the same and save the topic of bridging the digital divide—which is understandably popular on this Subcommittee—for future Committee activity.

I look forward to our conversation today and hear from our expert witnesses on their perspectives on current USDA Rural Development programs and ways we can improve them through the 2023 Farm Bill.

The CHAIRMAN. And with that, I would recognize the distinguished Ranking Member, the gentlewoman from Colorado, Ms. Caraveo.

**OPENING STATEMENT OF HON. YADIRA CARAVEO, A  
REPRESENTATIVE IN CONGRESS FROM COLORADO**

Ms. CARAVEO. Well, thank you so much, Chairman Johnson, for working together to convene today's Subcommittee hearing, the first hearing of this Congress focused on USDA rural development and energy programs. And I would like to thank our distinguished witnesses, who represent a broad range of rural development stakeholders. We have an impressive panel of before us, and I look forward to hearing your perspectives.

We spent the beginning of this Congress focused on digital assets, but I am excited that we are now having a hearing on rural development and energy issues. Today's hearing is an important opportunity for Members of this Subcommittee to evaluate the effectiveness of rural development programs that impact many facets of the lives and livelihoods of our rural neighbors. As USDA's Rural Development agency is the only Federal agency with the sole focus of serving rural communities like the ones I represent, it is critical that we are providing these communities with the tools and resources they need to enjoy the same quality of life and services that enjoyed by families living elsewhere.

The farm bill is an opportunity to address these issues that rural communities face every day and help ensure our rural neighbors have access to affordable, high quality health care—particularly important to me as a pediatrician—economic development opportunities, and solid infrastructure that delivers clean drinking water. As a pediatrician, I have seen firsthand how families struggle when they don't have access to resources and supports that they need. Now, as a Member of Congress, I am advocating for those hard-working families, including on solutions to support mental health in rural communities, and ensuring that rural families have more reliable access to childcare. Just this week I joined a group of my House and Senate colleagues in introducing a bipartisan bill that prioritizes childcare in existing rural development programs (H.R. 3922/S. 1867).

Additionally, as the representative for the richest agriculture county east of the Rocky Mountains, and the largest agriculture-producing county in Colorado, I know the importance of investing in the bioeconomy, which relies on our farmers and ranchers. The energy title of the farm bill does just that, but available funding for these programs has decreased in recent farm bills. From chromologic electric and water programs to economic development, technical assistance, and energy programs, today's diverse set of panelists brings valuable knowledge and insight on how rural development programs work on the ground, and how they can be improved to better serve our rural communities. This everyday experience and insight will be foundational to liberate—delivering a farm

bill that meets the needs of our rural communities and the farmers, ranchers, and producers who feed our families.

Again, to our panelists, thank you for accepting our invitation to speak before us today. I look forward to hearing your testimony, and having the benefit of your insights to better the important programs that many of our communities rely on. Thank you, Mr. Chairman.

The CHAIRMAN. I would now ask the Subcommittee to lend their attention to the Legend of Howard, Pennsylvania, the Chairman of the full Committee, Mr. Thompson.

**OPENING STATEMENT OF HON. GLENN THOMPSON, A  
REPRESENTATIVE IN CONGRESS FROM PENNSYLVANIA**

Mr. THOMPSON. Well, Mr. Chairman, thank you. It is good to be a standout among 600 people. Most of them my relatives, so they would probably debate the standout part. So, thank you, Mr. Chairman, thank you, Ranking Member, for this incredibly important Subcommittee hearing, rural development. And good morning, everybody, and thank you again to our witnesses for sharing your time and your expertise with us today.

Since the early 1930s, the Federal Government has provided much needed technical and financial support to rural families and farm households. According to the 2020 U.S. Census, the rural population, unfortunately, has declined between 2010 and 2020, which marked the first decade-long rural population loss in history. Using science, technology, and innovation as guiding points, the House Agriculture Committee has a great opportunity to build upon previous efforts and authorizations to restore a robust rural economy through the 2023 Farm Bill.

To best equip rural America for success, it is critical we have thoughtful and well-developed rural development and energy titles. These programs are well positioned to make a difference for the citizens each of us represents, whether it be providing reliable, affordable, and accessible baseload power, supporting economic development through loans and grants, or assisting ag producers with their own operations. As I often say, rural America is essential America, and without our rural producers, America would wake up in the cold, dark, and hungry.

Now, I appreciate the panelists joining us today, and I look forward to today's conversation. Thank you, Mr. Chairman, and I yield back.

[The prepared statement of Mr. Thompson follows:]

PREPARED STATEMENT OF HON. GLENN THOMPSON, A REPRESENTATIVE IN CONGRESS  
FROM PENNSYLVANIA

Thank you, Mr. Chairman.

Good morning and thank you again to our witnesses for sharing their time and expertise with us today.

Since the early 1930s, the Federal Government has provided much needed technical and financial support to rural families and farm households.

According to the 2020 U.S. Census, the rural population declined between 2010 and 2020, which marked the first decade-long rural population loss in history.

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As I often say, rural America is essential America, and without our rural producers, America would wake up in the cold, dark, and hungry.

I appreciate the panelists joining us and look forward to today's conversation.

Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Very good. Thank you, sir. The chair would request that other Members submit their opening statements for the record so the witnesses may begin their testimony, and that we have time for questions. So, to introduce our first witness today, I am pleased—and actually a couple of witnesses, I believe, I am pleased to yield to the gentleman from North Carolina, Mr. Rouzer.

Mr. ROUZER. Well, thank you, Mr. Chairman, and I am not worried about them getting it right. I am worried about us getting it right. Yes. I have the great privilege to introduce a couple of members of our distinguished panel this afternoon.

First, I am going introduce Ms. Debra Nesbitt to the Committee, who is Chair of the National Rural Lenders Association, and Vice President for Energy and Infrastructure at Live Oak Bank, which is in Wilmington, North Carolina, a little place I happen to know something about. Ms. Nesbitt has over 30 years of experience in rural economic development, and, through her work with Live Oak Bank, has been providing capital to small businesses and farm families across rural America as part of one of the country's largest—again, largest—USDA program lenders, and the largest lender for SBA loans in the nation as well.

Currently, in North Carolina's Seventh Congressional District, Live Oak Bank is financing the Brunswick Battery Portfolio Project, utilizing the USDA Rural Energy for American Program, or REAP, as we know it, and this project comprises 12 solar sites in Columbus, Brunswick, Bladen Counties, and doing a lot of other great work as well.

The other gentleman I want to introduce today is Josh Winslow, who is the CEO and General Manager of Brunswick Electric Membership Corporation, a member-owned electric cooperative and supply in North Carolina, serving Brunswick County, Bladen, Columbus, and Robeson Counties. Since joining the company in 2004, he has been involved in engineering, system planning, and operations management at Brunswick EMC. And I will let him talk more about their work in his testimony, but great to have both of these stellar witnesses with us today. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Very good. Thank you, Mr. Rouzer. Sitting between the North Carolinians, and batting second in today's lineup is Ms. Jessica Bowman, the Executive Director of the Plant Based Products Council. Then in the fourth chair we have Mr. Matthew Holmes, Chief Executive Officer of the National Rural Water Association. Our fifth witness is Ms. Olga Morales-Pate, who is the Chief Executive Officer of the Rural Community Assistance Partnership. And then sixth, and final, witness is Mr. Cornelius Blanding, who is a Board Member of the National Cooperative Business Association CLUSA International.

Thank you to all of our impressive witnesses today. We are now going to proceed to your testimony. As you all know, you are going to get 5 minutes. The timer in front of you will count down to zero. When the red light comes on you will be hit with an electric shock as a reminder that we need to keep things rolling today. So, Ms. Nesbitt, you are first. Model good behavior. You up with your 5 minutes.

**STATEMENT OF DEBRA NESBITT, CHAIR, NATIONAL RURAL  
LENDERS ASSOCIATION, WILMINGTON, NC**

Ms. NESBITT. Thank you. Thank you, Chairman Thompson, Chairman Johnson, Ranking Member Caraveo, and Members of the Committee. I appreciate you allowing me to testify today. I am Chair of the National Rural Lenders Association, and I grew up on a dairy farm outside of Ashville, North Carolina. I have worked with rural development programs in various capacities for over 30 years. Over the life of my career I have seen firsthand the benefits of Rural Development's programs to rural communities across the country.

The National Rural Lenders Association was established in 2014, and now has over 80 members who utilize the Community Facilities Program, the Biorefinery Assistance Program, the Rural Energy for America Program, the Water on Waste Disposal Program, and the Business and Industry Guaranteed Loan Program. All provide much needed funds for rural businesses, infrastructure projects, essential community services, such as fire departments and medical facilities, and for renewable energy systems, such as solar and anaerobic digesters.

The programs mentioned bridge the gap in financing for rural communities when a conventional loan may not be a fit. With a USDA guaranteed loan, a community or business owner understands that they will be a partner in the loan with the lender and with Rural Development for the long-term, with no surprises on rates or renewals of the loan. Most importantly, in difficult economic times, which we believe is the current lending environment, many conventional lenders are not able, or are unwilling to provide financing to rural businesses. Guaranteed loans ensure rural communities have access to capital.

The USDA guaranteed lending programs directly result in job creation, business efficiencies, reduced energy consumption, clean energy creation, and investments contributing to the long-term capital and rural vitality. All of this is done with a small investment from the Federal Government. For example, in FY 2023, the Business and Industry Guaranteed Loan Program provides \$47 in lending for every Federal-appropriated \$1. Today, the \$1.8 billion loan authority costs less than \$39 million. For REAP, and Community Facilities, and for the Water and Wastewater Program, there is no cost to the Federal Government.

These are many examples of projects that illustrate the effectiveness of guaranteed lending. In eastern North Carolina, in Congressman Rouzer's district, Live Oak Bank made some of the first REAP solar and battery storage loans in the country to the local electric membership corporation. These projects provide low cost solar energy to the co-op members and compound the value by de-

delivering the energy exactly when it is needed. Another notable project is the acquisition of a community hospital in Maricopa, Arizona. U.S. Eagle Credit Union and Madison One provided two B&I loans, totaling \$13 million. This provided a new micro-hospital with a 24 hour emergency department, a digital imaging suite, and inpatient hospital beds.

Shifting to the farm bill, NRLA has several priorities to improve the guaranteed loan programs and increase benefits to rural communities. Guaranteed loan lender fees should be capped at three percent. NRLA believes that fees over three percent adversely impact program utilization, and that higher fees are too expensive for quality borrowers. Under REAP, we support increasing the loan size limit from \$25 million to \$50 million to support newer technologies, such as farm-derived renewable natural gas, geothermal, standalone battery storage, renewable hydrogen, and refurbished hydroelectric dams. We also support a 90 percent guarantee for REAP loans under \$1 million.

Separately, financing for standalone battery storage is only eligible when it is paired with a renewable energy system, and we believe this is a technical oversight, and request a correction or enhancement be made to allow financing of standalone battery storage in REAP. We also recommend that the small business size standard for guaranteed loan be limited to the entity filing the application, and that that business be limited to 1,000 employees.

NRLA is dedicated to the long-term prosperity of rural America. Many of our member organizations reside in, are close to, or have historical ties to rural communities. As we continue to offer credit to business and organizations in low populated areas, it is our goal to educate communities and work with entities to advance public and private services, while also helping to diversify and maximize income for businesses and our citizens in rural areas. We will continue to work with Congress and the USDA to provide opportunities to improve public services and grow the economic base of communities while creating jobs and opportunities in rural communities throughout the United States. Thank you very much.

[The prepared statement of Ms. Nesbitt follows:]

PREPARED STATEMENT OF DEBRA NESBITT, CHAIR, NATIONAL RURAL LENDERS ASSOCIATION, WILMINGTON, NC

### **Introduction**

Chairman Johnson, Ranking Member Caraveo, and Members of the Committee, thank you for inviting me to testify today.

My name is Debra Nesbitt, and I am Chair of the National Rural Lenders Association (NRLA). I grew up on a dairy farm in a rural community outside of Asheville, NC, and began working with USDA programs in the late 1980s. In 1993, I went to work for USDA when the Farmers Home Administration was transitioned over to Rural Development. While having worked in banking for many years, I have also worked for nonprofits and state government, and in doing so I have seen firsthand the benefits of Rural Development's programs to rural communities across the country.

In addition to being Chair of NRLA I am also the Vice President for Energy and Infrastructure at Live Oak Bank whose mission is to become America's small business bank. Live Oak, based in Wilmington, NC, has been one of the top three USDA lenders for the past several years and is the number one SBA lender in the country.

### **Background**

NRLA was established in 2014 and has grown from 12 original members to an organization exceeding 80 members and represents hundreds of billions in lending

activities. NRLA regards itself as the primary association focused on lending advocacy for rural communities and specifically for USDA Rural Development and Farm Service Agency guaranteed loan programs. Our membership includes banks, credit unions, Farm Credit System entities, and non-traditional lenders. NRLA's primary goal is to ensure the availability of capital and business opportunities for rural communities throughout the country.

NRLA members participate in all of Rural Development's guaranteed loan programs including the Community Facilities Guaranteed Loan Program, Biorefinery Assistance, Rural Energy for America Program (REAP) Loan Guarantees, Water and Waste Disposal Loan Guarantees, and the Business and Industry Loan Guaranteed program (B&I). These programs provide much needed loans to rural businesses; loans for infrastructure projects such as water and wastewater systems; loans for essential community services such as fire departments and medical facilities; and loans for renewable energy systems such as solar and anaerobic digesters.

### **Services Lenders Provide to Rural Communities Through Guaranteed Loans**

The above-mentioned programs bridge the gap in financing for rural communities when a conventional loan may not fit. Many rural businesses are specialized and face obstacles in obtaining financing. The USDA guaranteed loan programs allow for longer loan terms that are fully amortizing and have no calls or balloons. With a guaranteed loan a community or business owner understands that they will be a partner in the loan with the lender and Rural Development for the long-term, with no surprises on rates or renewals of the loan. Most importantly, in difficult economic times many conventional lenders are not able or are unwilling to provide financing for rural business and the types of projects that are targeted for rural communities. In these cases, loan guarantee programs are essential to ensuring rural communities have access to capital. Eligible entities for the loans include nonprofits, for-profits, Tribal entities, and local governments.

In addition to providing credit for rural businesses, USDA guaranteed loans directly result in job creation, business efficiencies, reduced energy consumption, clean energy creation, and general investments that contribute to the long-term vitality of rural communities. All of this is done with a small investment from the Federal Government. Along with up-front guarantee fees and annual renewal fees on each loan, the Federal Government invests a small amount of dollars in the operation or execution of these programs. For example, in the current fiscal year the B&I program provides nearly \$47 in lending for every one federally appropriated dollar. Today, the \$1.8 billion loan authority that invests in rural communities' costs less than \$39 million. Alternatively, the REAP program, the Community Facilities program, and the Water and Wastewater program today cost no Federal dollars to operate while supporting rural energy projects and bolstering essential local services.

To further illustrate the effectiveness of the program, below are a few examples of projects our members have funded:

North Avenue Capital provided a \$25 million B&I guaranteed loan in Ashland, KY, for a mining company to refinance debt, purchase new equipment and provide working capital. The company has 70 employees, and with the new loan added 30 more full-time employees.

Compeer Financial provided a Community Facilities guaranteed loan for a new nonprofit hospital located in Cumberland, WI. The project cost around \$40 million and was a collaboration between local banks, USDA financing programs, and Farm Credit institutions. The original hospital was outdated and did not have capacity to provide modern health care and limited use of new technology like CT and MRI machines. The new 96,000 square feet facility has provided positive and immediate impacts on the economy of the local communities.

U.S. Eagle Federal Credit Union and Madison One Credit Union Services Organization provided two B&I loans totaling \$13 million to finance the acquisition of a community hospital in Maricopa, AZ. This provided a new micro hospital in the community with a 24 hour emergency department, a digital imaging suite, and inpatient hospital beds.

Live Oak Bank made a Water/Wastewater guaranteed loan in Orangefield, TX to a nonprofit water supply corporation in the amount of \$8.9 million to provide wastewater services to 900 additional customers. The system upgrades support the development of the community, reduced water contamination, and improved the quality of life for families.

A \$2.1 million REAP loan in Cologne, MN, for a 1 megawatt solar farm that features active sheep grazing below the solar panels. This was a win because it created a partnership between the solar company and the sheep farm, as well as an additional revenue for the sheep farm. The sheep grazing also removes

the need to mow at the solar site, with the financing provided by Live Oak Bank.

In 2020, USDA Rural Development streamlined their guaranteed loan programs. This action has increased private investment in rural communities with more participation from lenders. Guaranteed loan programs now have a common application which reduces customer burden and adds ease and clarity to the loan process. We are also appreciative of changes to the last farm bill that made the definition of a rural area consistent across all Rural Development programs. Also, the local staff at RD area and state offices are vital to the success of the programs, and we appreciate our partnership with the area, state and national RD offices.

#### **NRLA Farm Bill Priorities**

Turning to the upcoming farm bill, NRLA has several priorities that would improve the delivery of guaranteed loan programs and increase benefits to rural communities.

We recommend that guaranteed loan lender fees for guaranteed loan programs be capped at three percent. Each year since the 2018 Farm Bill, NRLA has advocated for limits on the Secretary of Agriculture's discretion regarding lender fees at no more than three percent in annual appropriation measures. NRLA believes that fees in excess of three percent would adversely impact program utilization. A higher fee would cause the program to be too expensive for quality borrowers.

For guaranteed loans under the Rural Energy for America Program, we support increasing the loan size limit from \$25 million to \$50 million except for solar and wind projects. There is a shortage of financing for newer technologies such as farm-derived renewable natural gas, geothermal, standalone battery storage, renewable hydrogen, and refurbished hydroelectric dams. To fully support these technologies in rural communities, NRLA supports increasing the loan size limit to \$50 million. This will directly benefit farming operations and other rural businesses.

We also support giving USDA the authority to provide a 90 percent guarantee for Rural Energy for America Program loans under \$1 million. Increasing smaller loans to a 90 percent guarantee would assist smaller borrowers and boost lender participation. It would also help with emerging and more novel technologies.

Under current REAP authorities, financing for standalone battery storage is only eligible when it is paired with a renewable energy system. We believe this is a technical oversight and request that a correction or enhancement be made to allow financing of standalone battery storage in the REAP guaranteed loan program.

As a final recommendation for REAP, we request that the small business size standard for guaranteed loans be limited to the entity filing the application. Legislative authority for the REAP program does not include a definition for small business entities and USDA has mandated the small business definition criteria as established by SBA. SBA's definition includes both the entity making application for the program and any affiliated organizations, including parent companies. This structure has limited both customer use and the deployment of available dollars within the program. Additionally, companies who do not meet the SBA definition make application to other guaranteed loan programs that do not have the lending authority to support large numbers of energy projects. NRLA recommends a threshold of 1,000 employees for an entity making application for guaranteed loans under the REAP program.

The Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program provides loan guarantees up to \$250 million to assist in the development, construction, and retrofitting of new and emerging technologies for advanced biofuels, renewable chemicals, and biobased products. NRLA believes some improvements during reviews for these loans could improve participation in the program, and we urge Congress to have USDA provide clearer and detailed review criteria during the Phase 2 reviews for commercial technologies. The current process gives limited feedback from USDA technical staff and contributes to confusion and delayed actions. The Part 2 application process for each project should be customized to reflect detailed information on review criteria based on the technologies that are being used in the project.

Last, prior to the passage of the Fiscal Responsibility Act (FRA), we recommended that USDA revise their standard and flexibility regarding the application of the National Environmental Policy Act (NEPA) for all guaranteed loan programs. Borrowers, lenders, and agencies spend considerable financial and personnel resources on NEPA analyses and documentation. This environmental review has been, in application, duplicative of city, state, and U.S. Corp of Engineers review of projects. With the signing of the FRA and its inclusion of language that guaranteed loans are not a major Federal action, we believe this reduces the duplicative nature of

NEPA regarding guaranteed loans. It is our hope that USDA will quickly issue a rulemaking consistent with FRA.

**Conclusion**

NRLA is dedicated to the long-term prosperity of rural America. Many NRLA member organizations reside in, are close to, or have historical ties to rural living and communities. As we continue to offer credit to businesses and organizations in low populated areas, it is our goal to educate communities and work with entities to advance public and private services while also helping to diversify and maximize centers of income for businesses and secure prosperity for our fellow citizens who live in rural areas. To that end, we will continue to work with Congress and USDA to provide opportunities for business and nonprofit organizations to improve public services and grow the economic base of communities while creating job and job opportunities in rural towns throughout the U.S.

Thank you for the opportunity to provide testimony and I am happy to respond to any questions.

The CHAIRMAN. Well done, Ms. Nesbitt. Ms. Bowman, you have 5 minutes.

**STATEMENT OF JESSICA S. BOWMAN, J.D., EXECUTIVE DIRECTOR, PLANT BASED PRODUCTS COUNCIL, WASHINGTON, D.C.**

Ms. BOWMAN. Thank you. Good morning, Chairman Johnson, Ranking Member Caraveo, Members of the Subcommittee, and Chairman Thompson. Thank you for the opportunity to share the Plant Based Products Council's perspective on USDA's Rural Development programs.

PBPC's members use agricultural feedstocks, like corn, soy, and hemp, to make many of the products that we use every day, from plastics, to personal care products, to building materials. Biobased products bring at least \$470 billion in value to the U.S. economy and support 4.6 million American jobs that range from manufacturing to STEM. But the overall U.S. bioeconomy accounts for less than 2½ percent of American economic activity, and we are falling behind other global markets. Now is the time to seize on a crucial opportunity to develop our rural economies, strengthen domestic supply chains, and address numerous environmental challenges.

PBPC is also a founding member of the Ag Bioeconomy Coalition, which includes 12 leading agricultural organizations who all support the advancement of Federal policy initiatives that foster growth of our nation's ag bioeconomy. Paramount to these priorities is the modernization of the farm bill's energy title and recommended improvements to key USDA Rural Development programs, including BioPreferred and the Biorefinery Assistance Program.

USDA's BioPreferred Program aims to spur economic development, create new jobs, and provide new markets for farm commodities by developing and expanding markets for biobased products through mandatory Federal procurement and a voluntary labeling initiative. But the program has not reached its full potential in part due to inadequate tracking, reporting, and compliance with Federal procurement requirements, and flat funding that has long remained at \$3 million, failing to account for inflation and the program's growing needs.

Through modernization and robust funding, the program can maximize its ability to spotlight the broad array of biobased products for government procurement and for use by businesses and

consumers. So some recommended improvements include establishing minimum requirements for biobased only procurement contracts, improving compliance, reporting, and data collection across the Federal Government, regular updates to product categories and biobased content requirements, and updating funding levels to help ensure that the U.S. will remain competitive globally.

The upcoming farm bill should also ensure that bioeconomy related North American Industry Classification System codes, or NAICS codes, are developed for inclusion in the 2027 NAICS updates. Such codes are key to the future success of the bioeconomy because they allow for accurate tracking and analysis of the industry's economic impact and help inform where investment and policy support is needed. In addition, Federal leadership is needed to harmonize basic biobased product terminology. Some relevant terms are already defined in the farm bill's energy title, but taking additional steps to harmonize relevant terminology definitions within the Federal Government and among states, including preemptively, when necessary, would create clarity for consumers and a consistent marketplace.

Now moving on to the Biorefinery Assistance Program. So one of the most significant challenges to growing the U.S. bioeconomy is the lack of pilot and demonstration-scale infrastructure that is essential to de-risking investment in newer innovations that are aiming for full-scale commercial production. Today U.S. innovators are often forced to go overseas to access the infrastructure that is needed to bridge that proverbial Valley of Death. Many mid-scale biorefineries are based at public universities because of the expertise, the research, and the workforce development opportunities that they provide.

But, unfortunately, universities can't access commercial loans that would provide the capital that is needed to develop pilot and demonstration-scale facilities. Importantly, Congress can help by providing funding support for additional mid-scale infrastructure to help de-risk and accelerate the commercialization of new and emerging bioproducts here in the U.S. USDA's Biorefinery Assistance Program presents an opportunity to deliver the resources that are needed to alleviate this bottleneck.

The program currently provides loan guarantees up to \$250 million for the development, construction, and retrofitting of commercial-scale biorefinery facilities that use eligible technology to convert renewable biomass into advanced biofuels, renewable chemicals, and biobased products. But specifically, we recommend expanding the program to include cost-sharing grants for pilot and demonstration-scale plants that are necessary to scale commercial breakthroughs.

Thank you again for the opportunity to share our perspective. We look forward to continuing to work with the Committee to make sure the farm bill provides the support that is needed to bolster the U.S. bioeconomy.

[The prepared statement of Ms. Bowman follows:]

PREPARED STATEMENT OF JESSICA S. BOWMAN, J.D., EXECUTIVE DIRECTOR, PLANT  
BASED PRODUCTS COUNCIL, WASHINGTON, D.C.

Good morning, Chairman Johnson, Ranking Member Caraveo, and Members of the Subcommittee. My name is Jessica Bowman, and I'm Executive Director of the Plant Based Products Council, which is an association representing a broad range of companies that support Federal policies to facilitate greater adoption of products and materials made from renewable, plant-based inputs.

Thank you for the opportunity to share our perspective on USDA's rural development initiatives and their role in the growth of the U.S. agriculture bioeconomy.

Members of the Plant Based Products Council use agricultural feedstocks, like corn, soy, hemp, and more, to make many of the products we use every day—from plastics to textiles, personal care products to building materials. These plant-based products play a critical role in our nation's bioeconomy, delivering \$470 billion in value to the U.S. economy and supporting 4.6 million American jobs that range from manufacturing to STEM.<sup>1</sup> Whether large or small, businesses involved in the manufacturing of plant-based products prefer to locate their operations in rural communities to be near the source of their feedstock and support the local economies in which these products are grown. That means the plant-based products industry represents a tremendous growth opportunity for ag-based manufacturing in rural areas across the country.

While the American ag bioeconomy is growing at a steady clip, other countries are growing at a faster rate that outpaces the U.S. due to more significant coordination between the public and private sectors and greater investment of resources to support critical infrastructure needs. As an example, North America currently houses 18.9% of global bioplastic production capacity, but that percentage is expected to drop to 10.8% by 2027. In comparison, Asia is expected to grow its percentage of bioplastic production capacity from 41.4% to 62.9% by 2027.<sup>2</sup> The overall U.S. bioeconomy accounts for less than 2.5% of our nation's economic activity. We are missing out on a crucial opportunity to develop rural economies, strengthen domestic supply chains, and address numerous environmental challenges.

PBPC is not alone in recognizing the potential for American agriculture to position the U.S. to be a global leader in biobased innovation and the bioeconomy. Plant-based products are part of the broader ag bioeconomy in the U.S., which includes renewable chemicals, materials, fuels, and nonfood consumer products. PBPC is a founding member of the Ag Bioeconomy Coalition, which includes twelve leading agriculture organizations that represent bioeconomy stakeholders in every state across the country.<sup>3</sup> The Coalition members all support the advancement of Federal policy initiatives that will foster the growth of our nation's ag bioeconomy, including expansion of bioeconomy markets and infrastructure, creating market transparency and visibility, and promoting bioeconomy research and development. Paramount to these priorities is the modernization of the farm bill's energy title and recommended enhancements to key USDA rural development programs, including USDA's BioPreferred Program and the Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program.

#### **Modernization of BioPreferred**

Last year marked the 20th anniversary of USDA's BioPreferred Program. The Program aims to spur economic development, create new jobs, and provide new markets for farm commodities by developing and expanding markets for biobased products through mandatory Federal purchasing of biobased products and a voluntary labeling scheme to enhance awareness of BioPreferred products in both the public and private-sectors.

The Program's impact has not reached its full potential, however, in part due to inadequate tracking, reporting, and compliance with Federal procurement requirements and flat funding that has remained at \$3M since the program's inception, failing to account for inflation and economic growth, along with meeting the program's fundamental resource needs. For comparison, EPA's Energy Star Program,

<sup>1</sup> USDA, *An Economic Impact Analysis of the U.S. Biobased Products Industry* (2019), [https://www.rd.usda.gov/sites/default/files/usda\\_rd\\_economic\\_impact\\_analysis\\_us\\_biobased\\_products\\_industry.pdf](https://www.rd.usda.gov/sites/default/files/usda_rd_economic_impact_analysis_us_biobased_products_industry.pdf).

<sup>2</sup> European Bioplastics, <https://www.european-bioplastics.org/market/>.

<sup>3</sup> Ag Bioeconomy Coalition members include American Farm Bureau Federation, American Soybean Association, Clean Fuels Alliance America, Corn Refiners Association, Growth Energy, National Association of State Departments of Agriculture, National Corn Growers Association, National Farmers Union, National Hemp Association, National Industrial Hemp Council of America, Plant Based Products Council, and Renewable Fuels Association.

a well-known green purchasing program, receives over ten times the funding of BioPreferred at \$30M–\$50M annually.

PBPC and the ABC firmly believe that through modernization and robust funding, Congress can help the program maximize its ability to spotlight the broad array of biobased products for government procurement and use by businesses and consumers. Recommended improvements include:

- Establishing minimum requirements for biobased-only procurement contracts;
- Defining minimum price differentials that dictate when biobased products should be chosen;
- Improving compliance, reporting, and data collection across the Federal Government;
- Expanding promotion of biobased products within the Federal Government and to the public;
- Regular updates to product categories and biobased content requirements; and
- Updating funding levels to ensure the U.S. will remain competitive in the global economy.

Two additional recommendations that can help advance the goals of BioPreferred include:

#### **Biobased Product Manufacturing NAICS Codes**

It is critical that this farm bill reauthorization follows through on the 2018 Farm Bill directive that required USDA and Department of Commerce to establish North American Industry Classification System (NAICS) codes for biobased product manufacturing. New biobased products NAICS codes would greatly enhance the ability of firms and researchers to track the industry, and will empower our government, policymakers, and other stakeholders to be fully informed when participating in future regulatory and policy decision-making processes. Such codes are key to the future success of the bioeconomy because they allow for accurate and effective tracking and analysis of the economic activity and growth of the industry and help inform where investment is needed. Without dedicated NAICS codes, there is no way to assess the success of public policies aimed at promoting the industry, such as measuring positive growth in key economic criteria like jobs and average wages.

While work is currently underway by an Interagency Technical Working Group (ITWG) to develop these codes pursuant to Executive Order 14081, it is critical to ensure that work is carried forward to the next updates to the NAICS in 2027. Through the 2023 Farm Bill, Congress should codify the ITWG, under the direction of USDA, to ensure the bioeconomy-related NAICS code revisions are up to date for inclusion in the 2027 updates. The ITWG should also be tasked with regularly reviewing and recommending bioeconomy-related NAICS/NAPCS changes needed in the future to accommodate this quickly growing industry.

#### **Biobased Product Terminology**

There are many terms commonly used when discussing products in the bioeconomy, including “plant-based”, “biobased”, “biodegradable”, and “compostable”. Many of these terms are not well known to stakeholders and the general public, are used inappropriately, and/or are not well defined. In addition, state and local jurisdictions have taken varying approaches to defining and using relevant terms, creating further confusion and challenges to interstate business and marketing. This lack of harmonized terminology frequently leads to confusion in the marketplace or to a mistaken belief that biobased products are a greenwashing effort. Misuse of these terms by manufacturers of “counterfeit” products creates further mistrust, and risks undermining congressional intent, as well as the good work happening in the U.S. private-sector.

Federal Government leadership is needed to harmonize basic biobased product terminology to promote common consumer understanding and confidence in the growing bioeconomy. Some key terms are already defined under the farm bill energy title. Taking additional steps to harmonize relevant definitions within the Federal Government and among the states, including preemptively when necessary, would create clarity for consumers and a consistent marketplace, while also expanding market demand for biobased products and supporting streamlined Federal procurement efforts.

#### **Bioproduct Pilot and Demonstration Facility Grants in the Biorefinery Assistance Program**

One of the most significant challenges to growing the U.S. bioeconomy is the lack of scale-up infrastructure that is essential to de-risking investment in newer innova-

tions aiming for full-scale commercial production. For example, limited pilot and demonstration scale fermentation capacity in the U.S. is creating a bottleneck in the development and launch of American-made bioproducts. Today, U.S. innovators often have no other choice but to go to Europe or elsewhere overseas in order to access the infrastructure needed to bridge the “valley of death.”

Many mid-scale biorefineries are based at public universities because of the expertise, research, and workforce development opportunities they provide. Unfortunately, as a result of being university-based, these institutes often cannot access commercial loans for the capital necessary to further develop pilot and demonstration scale facilities.

Importantly, Congress can help these public institutions by providing funding support for additional bench scale and semi-commercial scale infrastructure to help de-risk and accelerate the commercialization of new and emerging bioproducts.

USDA’s Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program (Section 9003 of the farm bill) presents an opportunity to deliver the resources needed to alleviate this bottleneck. This program was established by the 2008 Farm Bill. It currently provides loan guarantees of up to \$250 million for the development, construction, and retrofitting of commercial-scale biorefinery facilities that uses eligible technology to convert renewable biomass into advanced biofuels, renewable chemicals, and biobased products.

Specifically, PBPC recommends expanding the program to include cost-sharing grants for pilot and demonstration scale plants. Such grants would support the U.S. bioeconomy in accessing the scalability necessary for commercial breakthroughs. By further growing the domestic bioeconomy, the 2023 Farm Bill can play an important role in keeping American innovation in the U.S.

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Thank you again for the opportunity to share PBPC’s perspective. We look forward to continuing to work with the Committee to ensure this farm bill reauthorization is designed to bolster the U.S. bioeconomy, supporting America’s agricultural producers and further developing our nation’s rural economies, all while addressing critical environmental imperatives.

The CHAIRMAN. Thank you, Ms. Bowman. Mr. Winslow, your 5 minutes begins now.

**STATEMENT OF JOSHUA L. “JOSH” WINSLOW, GENERAL MANAGER AND CHIEF EXECUTIVE OFFICER, BRUNSWICK ELECTRIC MEMBERSHIP CORPORATION, SHALLOTTE, NC**

Mr. WINSLOW. Good morning, Chairman Johnson, Ranking Member Caraveo, Members of the Committee, and Chairman Thompson. Thank you for the opportunity to testify today. On behalf of Brunswick Electric’s nearly 100,000 member consumers, we sincerely appreciate the Committee’s interest in energy and in rural development issues. Brunswick Electric’s distribution electric cooperative, in its 84th year of operation, providing affordable, reliable electricity to southeastern North Carolina homes, farms, and businesses.

As a cooperative, we are member-owned and controlled, returning any profits back to our member-owners. Around the country, nearly 900 electric cooperatives deliver power to one in eight Americans, including 92 percent of America’s persistent poverty counties. As the Committee considers the upcoming farm bill, I would like to highlight three critical issues to electric cooperatives that I respectfully request that you consider as you write a new farm bill. First, RUS programs are critical to reliable, affordable electric service for rural communities. Second, policymakers should approach energy policies with a focus on maintaining electric grid reliability and meeting future demand. Last, the toolbox of USDA Rural Development programs helps electric cooperatives provide benefits to our rural communities beyond electrification.

Electric cooperatives are committed to keeping the lights on across rural America at a cost that families can afford. As a distribution cooperative, Brunswick Electric ensures delivery of electricity, and manages the distribution and transmission infrastructure needed to safely do so. The consumer-members living on our lines expect the lights to come on when they flip the switch, regardless of hurricanes, power supply challenges, or other external factors.

In December, when North Carolina faced unusually low temperatures and increased demand during the holidays, electric cooperatives were either subject to rolling outages, or forced to ask our consumer-members to conserve energy around peak times to avoid them. To avoid similar situations, we must keep reliability at top of mind, because a failure to do so could have serious humanitarian and financial consequences.

To ensure we can meet demand, Brunswick Electric takes an all of the above approach to power supply. We rely on a mix of always available resources, like nuclear and natural gas, along with intermittent renewable energy resources, and meeting future demand will require more base load, more dispatchable generation, along with renewable resources. Other factors that jeopardize reliability include new EPA power plant regulations and current supply chain issues, leading to lengthy lead times for critical infrastructure, like transformers.

As the Committee knows, rural electric cooperatives were built by, and belong to, the communities that we serve. We pride ourselves on being much more than just poles and wires companies. We have a long history of partnering with the USDA to improve the quality of life for rural communities. Through the Rural Economic Development Loan and Grant Program, or REDL&G, as we refer to it, Brunswick Electric has identified needs in the community, and we work with USDA to help address them. This includes security loans for weatherization projects, local emergency vehicles, and more.

At Brunswick Electric, we continuously look for and implement ways to leverage new technologies for member benefit. As an example, we offer our members the option to participate in a smart thermostat program to decrease energy use during peak times, when electricity is the most expensive. To be eligible, members must have broadband. Expansion of broadband to rural areas is imperative for rural Americans to benefit from new technology and innovative energy programs.

In closing, Brunswick Electric is dedicated to delivering affordable, reliable electric service to the households, businesses, farms, and communities in North Carolina. Nearly 900 electric cooperatives across the country have similar community-focused missions for the areas that they serve. As the Committee works on the next farm bill, we look forward to continuing to work with you on our shared goal of improving life in rural America. Thank you.

[The prepared statement of Mr. Winslow follows.]

PREPARED STATEMENT OF JOSHUA L. "JOSH" WINSLOW, GENERAL MANAGER AND CHIEF EXECUTIVE OFFICER, BRUNSWICK ELECTRIC MEMBERSHIP CORPORATION, SHALLOTTE, NC

### Introduction

Chairman Johnson, Ranking Member Caraveo, and Members of the Committee, thank you for the opportunity to testify today. On behalf of the Brunswick Electric Membership Corporation (BEMC) and our consumer-members, we are grateful for the opportunity to share our perspective and we thank the Committee for their keen interest in the issues facing rural communities across America.

My name is Josh Winslow and I am the Chief Executive Officer and General Manager of BEMC. BEMC's story begins in 1939 when a few local citizens came together to build a member-owned electric company to serve southeastern North Carolina. BEMC started with just 138 miles of line bringing power to 600 farms and homes in Brunswick, Columbus, Bladen, and Robeson counties. Our service territory is now one of the fastest growing in the country. With more than 7,000 miles of line serving close to 100,000 consumer-members, our commitment to provide affordable, reliable electric service remains the same. Our cooperative belongs to the members we serve and we strive to be accountable, service-driven, and provide benefits to our community beyond electrification. Cooperatives like BEMC are thriving companies, delivering superior value to electric consumers, and positioned to lead an industry in transition.

Also, I am grateful to be here to share the community-focused perspective of the nearly 900 electric cooperatives across the country. Electric cooperatives deliver power to one in eight Americans in 48 states and serve 92% of our nation's persistent poverty counties. We are owned by the people that we serve and we deliver power to our consumer-members at cost without a profit. As utilities serving 56% of the landmass in the United States, we share in the mission to provide reliable, affordable energy to rural America.

As the Committee considers the upcoming farm bill, there are three key points we respectfully request you consider as you work to reauthorize United States Department of Agriculture (USDA) programs:

- Rural Utilities Service (RUS) programs are critical to reliable, affordable electric service for rural communities.
- Policymakers should approach energy policies with a focus on maintaining electric grid reliability and meeting future demand.
- The toolbox of USDA-Rural Development programs helps electric cooperatives provide benefits to our rural communities beyond electrification.

### Rural Utilities Service (RUS) Programs for Electric Cooperatives

As urban areas began to electrify in the early 1900s, rural areas were being left behind. Rural community members recognized that the economics of the electric business were not working in their favor, so communities banded together to form electric cooperatives with the goal of powering rural homes, farms, and businesses. Using low-cost loans from the Rural Electrification Administration (REA), cooperatives successfully electrified rural America and now provide reliable, affordable power to 42 million consumer-members in 48 states.

#### *Rural Utilities Service (RUS) Electric Loan Program*

It would be difficult to overstate the importance of low-cost Rural Electrification Administration (REA) loans to electric cooperatives during rural electrification 80 years ago. The fact of the matter is that today these loans, now administered by RUS, are just as important as they were back then. For electric cooperatives, RUS provides more than just financing, it provides the certainty that the Federal Government is committed to basic needs in rural America. From a reliability perspective, it is critical that cooperatives know that RUS will continue to be a trusted lender for baseload capacity as well as intermittent energy sources.

Through the RUS Electric Program, electric cooperatives across the country obtain financing for important electrical infrastructure projects of all sizes. Too often, RUS loan approvals for projects are needlessly lengthened by environmental reviews and delays. Uncertain environmental review timelines and challenging construction timeframes due to weather and other factors can lead to cost increases and significant project delays for RUS borrowers.

Reforms to the permitting process included in the Fiscal Responsibility Act (FRA), including firm timelines on permitting decisions from the Federal Government and greater involvement with project developers, will help speed up the process. Electric co-ops around the country are grateful to Congress for including these important re-

forms. To meet our nation's growing electricity needs, Congress should consider additional reforms, including limiting costly litigation that can delay projects indefinitely and streamlining small projects we already know have minimal environmental impacts.

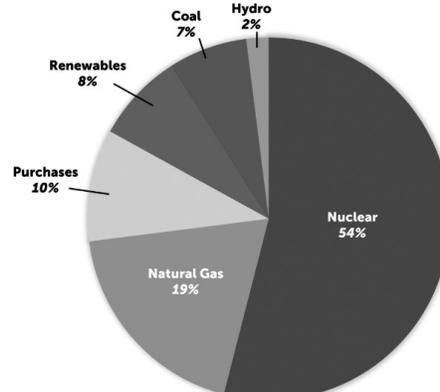
*New Empowering Rural America (ERA) Program*

In addition to traditional electric infrastructure financing provided through the RUS Electric Program, RUS is in the process of implementing a new carbon emissions reduction program for electric cooperatives. This voluntary program is designed to help reduce greenhouse gas emissions while maintaining reliable, affordable electric service in rural America. Electric co-ops have flexibility to design projects specifically for the communities we serve with eligible uses including carbon capture, energy storage, nuclear, renewable energy, and generation and transmission efficiency improvements. Importantly, participation in this program is not conditioned on closure of critical baseload resources. Around the country, electric cooperatives are allocating resources toward participating in this program and electric co-ops look forward to providing the Committee with feedback as the program is implemented.

**Maintaining Reliability and Meeting Future Demand**

Electric cooperatives are committed to keeping the lights on across rural America at a cost families can afford. Electric co-ops rely on a diverse energy mix to meet the demands of our consumer-members. As a distribution cooperative, BEMC ensures delivery of electricity and manages the infrastructure needed to safely do so. BEMC is a member-owner of North Carolina Electric Membership Corporation (NCEMC), a generation and transmission cooperative that provides electricity to BEMC along with other electric cooperatives in North Carolina. NCEMC owns power generation assets, purchases electricity through contracts, invests in innovative energy projects, and coordinates transmission resources for North Carolina cooperatives.

*BEMC Resource Mix*



Electric cooperatives around the country get their power from a diverse mix of energy resources depending on each cooperative's location and community needs. To ensure we can meet demand, BEMC relies on a mix of always available resources, like nuclear and natural gas, along with intermittent renewable resources. Additionally, BEMC's resource portfolio includes 4.8MW of roof-top solar, 10MW of utility scale solar and battery, and 15MW of controllable loads. As we work to integrate more renewable power sources into our portfolio, it is critical they are complemented by dispatchable resources to ensure reliability. Meeting future demand will require more baseload, dispatchable generation and more intermittent resources.

*Reliability Assessments and Severe Weather*

Our members and local economies depend on reliable, affordable, and safe electricity. It is vital to the health and well-being of the communities we serve. We saw this firsthand in December, when North Carolina faced unusually low temperatures and increased demand during the holidays. Across the state, electric cooperatives were either subject to rolling-outages or forced to ask our consumer-members to conserve energy around peak times to avoid them. To avoid similar situations, we must

keep reliability top-of-mind for electric cooperatives because a failure of the electric grid could have serious humanitarian and financial consequences.

The 2023 Summer Reliability Assessment issued last month by the North American Electric Reliability Corporation (NERC) found that this year more regions of the U.S. face elevated risk of electricity shortfalls than in 2022. This assessment is just the last in a series of alarming reminders from other electric sector regulators and stakeholders that meeting future demand is in jeopardy. This comes as more sectors of our economy, including transportation and agriculture, look to the electric sector to play a larger role. To maintain reliability and meet future demand, America will need to substantially increase dispatchable electric generation and expand transmission infrastructure. Federal policies should be designed to reflect these needs. We can't afford to get this wrong. Today's energy decisions determine if there are enough resources for the lights to come on tomorrow.

#### *Proposed Environmental Protection Agency (EPA) Regulations*

Last month, the EPA released a proposed rule to further regulate power plant emissions. This proposal will further strain America's electric grid and undermine decades of work to reliably keep the lights on across the nation. Across the country, supply of electricity is decreasing due to the disorderly retirement of generation assets with insufficient replacement while demand for electricity is increasing as more sectors of the economy are electrified. This concerning pattern will be greatly compounded by the EPA power plant rule.

#### *Supply Chain Issues*

Meeting our community's energy needs is of utmost importance and electric utilities are facing unprecedented challenges procuring basic equipment. Over the past 3 years, we have seen a significant increase in demand for equipment paired with labor issues that have led to lengthy wait times for delivering materials vital to maintaining critical infrastructure. Our partner company, Tarheel Electric Membership Association (TEMA), acquires and distributes materials, equipment, and supplies to meet electric cooperative needs. TEMA works smartly to secure these materials ahead of time which has put North Carolina electric co-ops in a much better position. Even with TEMA, electric cooperatives are still experiencing long wait times, with the wait time for some materials spanning over a year for materials including transformers, meter bases, rubber goods, elbows, and junctions. These wait times are especially concerning for BEMC given the threats we face from hurricanes and tropical storms.

BEMC installed over 5,000 electrical services and 160 miles of line in 2022 and is on track to exceed those numbers in 2023. We are currently installing infrastructure in over 70 individual residential and commercial development projects, 800 apartment units and 6,500 homes, along with several capital projects to extend lines and add capacity for the additions in load. That involves the immediate need for 840 pad mount transformers and 2,500 elbows—both of which are scarcely available. Although we are accustomed to the planning and execution requirements for high growth, breaks in the supply chain are straining our schedules and threatening reliability.

#### **USDA Toolbox for Rural Electric Utilities**

Rural electric cooperatives were built by and belong to the communities we serve. Electric co-ops pride ourselves on being more than just poles and wires companies and have a long history of partnering with USDA to improve quality of life in rural communities.

#### *Rural Economic Development Loan and Grant Program (REDL&G)*

Owned by our consumer-members, electric cooperatives have a vested interest in the success and safety of our people and places. Programs like REDL&G allow for us to stretch our reach in the community with benefits beyond electrification. Through REDL&G, cooperatives identify certain community needs and opportunities like public services or small businesses and partner with the USDA to offer low interest loans through the electric cooperative. This program helps cooperatives fill some of the investment gaps we many times see hinder development in rural communities.

There is ample evidence of REDL&G's role in filling these investment gaps both at a statewide and local level. Across North Carolina, \$88 million in grants and loans were awarded, which resulted in \$1 billion in new capital investments as well as the creation of 6,000 new jobs in rural North Carolina. This program has also shown great success locally at BEMC. Since 2014, REDL&G has funded four projects with five awards totaling \$3,689,210. These projects include necessary renovations and investments for local Real Estate and Consumer Services corporations,

weatherization projects, emergency vehicles, and business incubators. The positive effects of this program, both immediate and downstream, are felt throughout our communities. The reauthorization of REDL&G and similar programs would greatly aid in expanding these positive effects for rural communities.

#### *Energy Efficiency*

The Rural Energy Savings Program (RESP) is another farm bill program for rural energy providers to finance energy efficiency upgrades in rural homes using zero-interest loans from USDA. This program was created by the 2014 Farm Bill and is a mutually beneficial program used to lower energy bills for rural Americans, reduce energy use, and smartly leverage USDA resources. As a zero-interest loan program, this program yields strong return on Federal investment as each dollar of appropriations for RESP facilitates about \$20 worth of zero-interest loans for energy efficiency projects. Participation in RESP can be a large administrative undertaking for a cooperative. As the Committee considers reauthorization of this program, consideration of a grant component like similar programs at USDA, would help ease the burden on electric cooperatives.

#### *Community Solar*

The Rural Energy for America Program (REAP) provides loans and grants to develop renewable energy systems and implement energy efficiency measures to benefit rural economies. Electric cooperatives have used REAP grants to partially finance community solar projects.

With the help of REAP, the North Carolina Electric Cooperatives have been able to install 2,160 kW of Community Solar capacity. Loans and grants provided by REAP have been a great help for rural communities moving towards renewable energy and would further benefit them if it were to be reauthorized.

#### *Grid Innovation*

Increasingly, electric cooperatives across the country are deploying fiber optic infrastructure as part of their electric network build. A fiber connection enables a high bandwidth, low-latency internal communications system to support utility operations, allowing for a real-time monitoring of systems, improved response times to outages, and better management of utility resources. It allows us to improve the redundancy and resiliency of our electric network while also improving efficiency and lowering costs for our consumers.

Fiber networks also enable electric cooperatives to deploy advanced metering infrastructure as well as enable distributed energy resources and expanded electric vehicle access. These smart grid features require real-time communication for electric utility management and reduce overall costs while improving response times in the event of an outage.

At BEMC, we continuously look for ways to leverage new technologies for member benefit. As an example, we offer our members the option to participate in the Connect-to-Save program deployed in partnership with NCEMC. Members must have broadband to participate in this program so broadband expansion is imperative for rural areas to benefit from new technology and innovative energy programs. Through this voluntary program, our members use smart thermostats that can be briefly raised or lowered during peak times when the demand for electricity is greatest and therefore the most expensive. This helps to reduce demand and stress on the electric network while improving reliability for all BEMC members.

#### **Conclusion**

In closing, I would like to thank the Chairman and Ranking Member for allowing me to share the perspective of BEMC. Nearly 900 electric cooperatives across the country have similar community-focused missions. 84 years ago, our community banded together to bring electric service to homes and farms with the help of the REA. 84 years later, the USDA remains a critical partner in our mission to provide reliable, affordable electric service to southeastern North Carolina households, businesses, farms, and communities.

As the Committee considers the upcoming farm bill, we look forward to working together in our shared goal of powering and improving the lives of rural Americans. I am happy to answer any questions you may have.

Ms. CARAVEO. Thank you, Mr. Winslow. Mr. Holmes, you are now recognized for 5 minutes.

**STATEMENT OF MATTHEW W. HOLMES, CHIEF EXECUTIVE OFFICER, NATIONAL RURAL WATER ASSOCIATION, DUNCAN, OK**

Mr. HOLMES. Good morning. Chairman Johnson, Ranking Member Caraveo, and Members of this Committee, Mr. Chairman, it is an honor to testify before you today on Rural Development's water and wastewater programs. NRWA has grown from the grassroots to become a federation of 50 state associations with over 31,000 members. NRWA was established in 1976 by rural Americans in rural Oklahoma to address two critical needs, to get away from unsafe water sources by building new water systems with funding from the Farmers' Home Administration, and to help rural communities comply with then brand new Safe Drinking Water Act (Pub. L. 93-523).

Since inception, we have been trusted by rural communities. NRWA and our state associations are governed by volunteers that manage and operate rural systems. Our field staff works with operators and system managers, solves real problems, and does not leave until the job is done. This pool of expertise provides access to resources that would otherwise be unaffordable for small communities.

Through billions of dollars of financial assistance from Rural Development over 80 years, the standard of living in rural America has improved greatly. Unfortunately, these advancements are often taken for granted. The health and economic benefits made possible through this Committee are immeasurable, and on behalf of every rural utility we represent, thank you. I will now outline our members' top priorities for your consideration in drafting the farm bill.

The most successful approach for overcoming water challenges in rural America is the Circuit Rider Program, created by this Committee in 1980. Circuit riders are full-time water experts that provide on-site, peer-to-peer assistance. The simple fact is, even with new technology rural America needs hands-on help. Last year circuit riders helped protect the health and safety of nearly 25 million people, 41 percent of rural America. In the long run, this assistance saves money and protects the government's investments by fostering efficient and sustainable practices. We respectfully ask this Committee to reauthorize this program.

State Rural Water Associations have been helping water utilities with on-site disaster response and recovery for decades. However, there are statutory and administrative barriers that limit the effectiveness of help to impacted areas. We request this Committee consider expanding existing authorities to include preparedness, response, and recovery. These recommendations come directly from our field staff, with extensive experience in disaster recovery.

Protecting small and rural water systems from cyber-attack has been a top priority also for us. Unfortunately, given the scope and complexity of cyber threats, the reality is most rural utilities lack the resources and in-house expertise to defend themselves. We suggest this Committee consider providing funding for cybersecurity specialists to help rural systems protect their utility, and the public health of their residents.

NRWA recommends modernizing the Rural Development water and wastewater programs to better address current needs, with ad-

ditional affordable financing and servicing options. This should include zero and one percent loans to disadvantaged or economically distressed communities. EPA and the Rural Housing Service already have similar authorities. We also suggest advancing voluntary consolidation of rural utilities by allowing a contiguous system to apply for grant loan on behalf of a neighboring underserved community. We believe this authority should be narrow and ensure that the additional subsidy is targeted entirely to the community in need.

Replacing our aging workforce is one of our top concerns. Data shows that up to 50 percent of operators will retire in the next 10 years. Our nation needs a pipeline of skilled workers to help ensure clean and safe water for the public. For these reasons, we established a National Registered Apprenticeship Program, recognized by the Department of Labor, and have successfully created hundreds of quality jobs in rural America. As proud as we are of this program, it is only a drop in the bucket of the workforce needs that we face. We suggest including financial resources and policy in the farm bill to provide utility, mentorship, and training.

In conclusion, Rural Development's water and environmental programs are critical to keeping user rates in small town America affordable. With a \$4.26 billion backlog, the demand for this program is high. Technical assistance protects the Federal Government's investment, and helps communities provide safe, sustainable, and affordable water and wastewater services. NRWA is proud to stand as a partner with USDA Rural Development and this Committee. Please consider our entire organization at your disposal as a resource as you draft the 2023 Farm Bill.

I would also like to say it has been a pleasure to work with the Committee staff. As you all know, they are extremely professional and knowledgeable, and thank you for the opportunity to participate today.

[The prepared statement of Mr. Holmes follows:]

PREPARED STATEMENT OF MATTHEW W. HOLMES, CHIEF EXECUTIVE OFFICER,  
NATIONAL RURAL WATER ASSOCIATION, DUNCAN, OK

Good morning, Chairman Johnson, Ranking Member Caraveo, and Members of the Committee. It is an honor to testify before this Committee on the Department of Agriculture's Rural Water and Wastewater programs and the associated technical assistance initiatives. These programs work together to help small and rural communities provide safe and affordable drinking water and sanitation services. As you are well aware, these continued investments protect the health and safety of rural Americans and keep our communities economically viable.

#### **History of the National Rural Water Association**

The National Rural Water Association (NRWA) has grown from the grassroots to become a federation of 50 State Rural Water Associations, with a membership of over 31,000 small, rural, and Tribal water systems in all fifty states and Puerto Rico. NRWA was established in 1976 by rural Americans, in rural America, to address two critical needs:

1. To get their neighbors away from drinking from unsafe shallow wells and contaminated surface water sources by building water systems modest in design, size, and cost with funding from the Farmer's Home Administration, and
2. To help rural communities comply with regulations recently established by the new Safe Drinking Water Act.

Since its inception, NRWA has been a trusted partner for rural communities. NRWA and its member State Associations are governed by over 350 volunteer direc-

tors elected by the systems we serve across the nation. Rural Water currently has a field staff of more than 750 technical experts that directly assist small and rural communities every single day. By providing this pool of expertise, small and rural communities can access resources that would otherwise be unaffordable. NRWA provides peer-to-peer assistance that works with water system staff, solves real problems (like broken mains and bacteriological contamination), and does not leave until the job is done.

Our members are facing more challenges than ever before, and NRWA has expanded our mission and focus to address these unmet needs. This includes expanding our on-the-ground emergency response and recovery assistance, protecting source water, managing water system assets to enhance financial sustainability, establishing nationally recognized Registered Apprenticeship programs in 37 states, and leading the industry with partners to respond to critical issues like PFAS and cybersecurity.

### **History of USDA Water Assistance to Rural Communities**

The Department of Agriculture has a long and impressive history providing direct water financing to rural communities for over 80 years. Through billions of dollars in financial assistance from USDA Rural Development, our nation has made great advancements in the standard of living in rural America. Millions of rural Americans now have access to safe drinking water that their parents did not have. Thousands of rural communities now have modern wastewater systems that have eliminated millions of failing septic tanks, cesspools, straight pipes into rivers and streams, and worse. The majority of this water and wastewater infrastructure was established by Rural Development's predecessor agency, the Farmer's Home Administration.

Unfortunately, the public tends to take these successes for granted and has little understanding of the magnitude of the improvements that have been made to the health and safety of millions of Americans in a relatively short period of time. In an era where problems and division receive most of the attention, our Association would like to recognize the tremendous success and impact these programs have provided in rural communities within every state and territory of this nation. The health and economic benefits that you and your predecessors have made possible through this Committee's work and vision are immeasurable and on behalf of the National Rural Water Association and every single rural utility we represent, we thank you.

Rural Development will continue to play a vital role in modernizing, preserving, and protecting this infrastructure. In addition, it is an unfortunate fact that there are still many underserved areas without adequate, affordable water and sanitation service. As you are aware, USDA Rural Development is also the only Federal agency created by Congress to specifically serve rural America. The needs are still great—currently, 91% of the country's water systems<sup>1</sup> serve communities with fewer than 10,000 persons, and 54% serve<sup>2</sup> less than five hundred. These communities are the heart of Rural Development's Water and Environmental Programs portfolio, and the sole focus of our technical assistance programs.

These programs have been the proven solution and are responsible for the success story of safe drinking water and sanitation in almost every corner of rural America.

### **NRWA Partnership with USDA**

NRWA's founders started the Association with a shared mission with Rural Development, and that mission is to provide safe, affordable, and financially sustainable water and wastewater services to rural communities. In the past 2 decades, the Rural Development field staff and the total number of field offices have been reduced dramatically. You know better than I that this was driven by many factors including advancements in technology, consolidation of business functions, and available Federal resources.

NRWA is not in competition with the Rural Development field staff but serves as an extension of their work and as an additional resource for the rural communities they serve. We also share a key attribute with Rural Development, and that is established experience and trust. I would argue that this experience and trust are the essential components to accessing and successfully serving small and rural utilities.

NRWA has a track record of partnership with Rural Development to advance agency priorities. For example, State Rural Water Associations are currently providing direct technical support to communities in the *Closing America's Wastewater*

<sup>1</sup> Out of 49,416 total community water systems, 44,924 water systems serve less than 10,000 population.

<sup>2</sup> 26,682 water systems serve less than 500 population—EPA ECHO Database 9/9/2023.

*Access Gap Community Initiative* in Alabama, North Carolina, and Kentucky. Next week, NRWA is hosting a training conference with all field staff and Association leadership to discuss ways to effectively engage with the Rural Partners Network. We have successfully piloted many programs with Rural Development, including the agency's streamlined electronic application process *RD Apply*, energy efficiency assessments, workforce development, sustainability planning, and direct assistance for manufactured housing communities.

#### **NRWA Suggestions for Consideration in the 2023 Farm Bill**

Many of our small and rural systems operate on a thin margin and must have the ability to modernize their water infrastructure, much of which is approaching or past its design life. In addition, rural utilities are facing more challenges than ever before, and therefore need access to USDA Rural Development funding programs that are more affordable, flexible, streamlined, and responsive. Additional barriers include the cost of increased regulatory compliance with PFAS and the Lead and Copper rule, the impact of inflation, and ongoing disruptions in the supply chain.

I will now outline the areas our members have asked us to advance to this Committee for consideration as you draft the 2023 Farm Bill, including the need for enhanced disaster assistance, incentives for regionalization and consolidation efforts to increase sustainability, protecting small and rural water systems from cyberattacks, and the ability to attract and train a professional workforce to replace aging operators.

#### **Circuit Riders**

Our flagship initiative and most successful approach for overcoming past and current challenges in rural America has been the "Circuit Rider" concept, created by this Committee in 1980. This program provides a nationwide pool, presently 132 full-time water experts, to provide peer-to-peer direct assistance to help rural systems manage and operate their utility. Circuit Riders are rural America's boots on the ground for troubleshooting issues and solving problems at water systems. Technology has improved the ability to operate and manage systems at a distance, but our industry still requires direct on-the-ground assistance to accomplish the job.

The low default and delinquency rate of USDA water programs has been attributed to the training and assistance provided by the Circuit Rider Program, by providing a pool of expertise that is otherwise unaffordable for rural communities.

Last year, Circuit Riders directly helped to protect the health and safety of 24,780,065 people—41% of rural America. Circuit Riders provide hands-on training, certification licensing, financial management, environmental compliance, disaster assistance, governance, and on-site technical assistance necessary to ensure that facilities operate at the highest level possible. This assistance actually saves money and protects the community's and government's investments by ensuring efficient and sustainable practices are followed. This training and education empowers operators, board members, elected officials and communities with the support and knowledge they need to understand every aspect of their responsibilities to properly manage their systems and serve their customers.

I hear daily from rural communities in need of assistance: whether the need is design and construction of new systems, repair and maintenance of existing systems, or response to emergencies. In all these areas, Rural Water is there. Our sole focus of the Circuit Rider Program is 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 rural Americans have the opportunity to live the lives they want. We respectfully ask this Committee to reauthorize this program.

#### **Emergency Preparedness and Response Technical Assistance Program**

NRWA and other State Rural Water Associations have been helping water and wastewater utilities with on-site disaster response and recovery through the USDA Circuit Rider Program for decades. We have enhanced these activities on a national level and provide annual on-site and classroom training available to all our State Associations, that includes deploying new technologies and equipment and creating new strategies from lessons learned.

Currently, there are statutory and administrative burdens that limit the full effectiveness of this service to impacted areas. The Circuit Riders can only provide limited recovery activities to restore service. Additionally, on many occasions, State Associations are forced to absorb the financial costs incurred to provide long-term recovery and response activities.

NRWA requests this Committee consider expanding existing authorities including disaster preparedness, response, and recovery activities to enhance the ability of the

Circuit Riders to further protect the public health and the utilities' assets. Suggested expansion of services includes increasing coordination with statewide emergency response networks, development of action plans, recommendations to improve resiliency and mitigation, vulnerability assessments and geographic information mapping of the systems. Post disaster suggestions include long-term assistance including application and reporting requirements for state and Federal agencies.

These recommendations are directly derived from our field staff with extensive experience in disaster recovery.

#### **Rural Water and Wastewater Cyber Security Circuit Rider Program**

Protecting small and rural water systems from cyberattacks has been a top priority for NRWA. Unfortunately, given the scope and complexity of cyberthreats to critical water infrastructure, the reality is most rural utilities lack the financial resources and in-house expertise to defend themselves.

Previous actions from Congress required all systems over 3,300 population to complete a cyber/physical assessment by December 31, 2021. Smaller systems under the 3,300 populations with limited financial and human resources need direct assistance to comply. Additionally, EPA and Rural Development are beginning to require cybersecurity measures prior to any new obligations.

We suggest this Committee consider providing a cadre of "Circuit Rider" cybersecurity specialists to help rural water systems protect their utility and the public health of the residents. This program should target this assistance to the rural utilities that lack the resources necessary or expertise to meet these Federal requirements. Activities should include rapidly assessing the utilities on efficacy in protecting their cyberinfrastructure and public health, developing reasonable protocols to enhance protection, and providing assistance to any inadequate cyber protection plan.

#### **Modernization of Rural Development Water & Environmental Programs**

NRWA recommends modernizing the Rural Development Water and Wastewater programs to better address current needs with additional affordable financial and servicing options. Congress has modernized other infrastructure programs including the EPA State Revolving Loan Fund programs. EPA currently has the authority to provide "additional subsidization" to include principal forgiveness, zero and/or negative interest loans or a combination of these tools. Loan terms were also recently extended.

NRWA has supported current and past Congressional efforts that would provide Rural Development additional affordable financing and servicing tools. New affordable financing options should include the ability for Rural Development to offer zero and one percent loans to disadvantaged or economically distressed communities. This should be a limited authority targeted to lower-income communities to ensure affordable water and wastewater services to those residents. Regarding the servicing options, Rural Development should be provided with the ability to financially stabilize a current borrower within communities where their customers have been suffering an economic downturn at no fault of their own. EPA and the USDA Rural Housing Service have similar authorities.

Rural Development is the only Federal agency created by Congress specifically to serve rural communities. The sole focus of their Water and Environmental Programs is to serve communities under 10,000 population. These rural systems operate on small margins of revenue over expenses, coupled with a lack of economies-of-scale, increasing the challenges to provide affordable rates for lower-income residents.

NRWA requests that this Committee consider providing these additional affordable financing and servicing options.

#### **Regionalization and Consolidation for Rural Water Utilities**

States and regions vary on how they define regionalization or consolidation in policy. Given the previously mentioned large number of small community water systems in the country, regionalization and consolidation of water and wastewater services and facilities across rural America is a natural ongoing process in areas where it is financially feasible.

We suggest the Committee consider additional measures to further advance sustainability for rural utilities by specifically targeting assistance to lower-income communities without adequate water or wastewater service. These communities often lack financial and managerial capacity and the will to operate independently and sustain affordable service. Our recommendation is to provide a financial incentive by allowing a high performing, local or contiguous system to apply for a grant/loan on behalf of the underserved community.

Currently, most rural utilities and their boards want to assist their neighbors but have no financial basis to proceed. Boards do not want to negatively impact their

existing customers, raising their rates to take on inadequate infrastructure and new customers outside their original service area. NRWA believes a fair financial incentive will alleviate these concerns and promote the mission to adequately serve rural residents with affordable and financially sustainable services.

The authority should be narrow while ensuring the additional subsidy is targeted entirely to the community in need. EPA maintains a list of significant non-compliant utilities, and Rural Development labels many of the same utilities as high risk. We believe this effort will directly reduce that list and potentially save Federal resources in the future.

### **Workforce Development**

As previously mentioned, replacing our aging workforce is one of the leading concerns, with employment data indicating up to 50% of this workforce will leave the water industry within the next 10 years. Rural water and wastewater utility owners and operators need a pipeline of skilled workers to help ensure clean and safe water for the public and to maintain the water infrastructure necessary to keep rural service areas economically viable.

For those reasons, NRWA, State Rural Water Associations, rural water utilities, USDA, DOL, and private partners like CoBank, collaborated to successfully to establish the first nationally recognized Guideline Standards for Registered Apprenticeship for water and wastewater system operators, and have successfully created quality jobs in rural America.

The vast majority of the country's small community water systems have very limited staff, sometimes only employing one part-time or one full-time paid operator. Unfortunately, the limited economies of scale and technical expertise in rural water utilities are compounded by the scarcity of qualified operators. This challenge increases the difficulty small and rural communities have complying with complicated Federal mandates and providing safe/affordable drinking water and sanitation.

The growing and successful NRWA Apprenticeship Program model is unfortunately hindered in very small communities because there is no capacity to hire or provide on-the-job training to an apprentice. This challenge is unique to these communities and is a significant barrier to attracting, training, and retaining qualified staff. This stark reality also prevents these communities' access to many resources available through the Department of Labor's workforce system that larger systems utilize almost exclusively.

NRWA suggests that the Committee consider including financial resources and policy in the 2023 Farm Bill to provide mentorship and training to address these workforce challenges specific to Rural Development borrowers and potential borrowers. A long-term solution is critically needed to enhance water workforce participation and retention in small and rural communities, protect the significant Federal investment in rural America's water and wastewater systems, and improve these vital services and basic civic necessities on which our customers depend.

### **1926(b)—Curtailement or Limitation of Service**

Protecting the service area of a rural utility with a Rural Development debt is a priority for our membership. This provision, what is commonly referred to as the 1926(b) protection clause (7 U.S.C. 1926(b)), was designed by Congress with two goals in mind:

- (1) Congress wanted to ensure the USDA Federal debt held by borrowers was protected and would be repaid, and
- (2) Congress wanted to promote the development of rural water systems for rural residents and ensure they are economical and safe.

Previous attempts to modify this existing provision have been rightly rejected by this Committee. This provision has been litigated numerous times since inception. NRWA is concerned that any modification of the existing statute would have to be relitigated at a tremendous cost to the rural utilities and could potentially reduce their service area and repayment ability to Rural Development.

### **Conclusion**

In summary, the USDA Rural Development Loan and Grant programs and policy for water and wastewater systems is critical to maintain the affordability of user rates in many communities in rural and small town America. With a \$4.26 billion backlog, the demand for this program remains high. The accompanying direct technical assistance provides the capacity and experience to protect the Federal Government's investment and enhances the community's mission to provide safe, sustainable, and affordable water and wastewater services. NRWA is proud to stand as a

partner with USDA Rural Development and this Committee. Please consider our entire organization at your disposal as a resource as you draft the 2023 Farm Bill.

Thank you for the opportunity to participate today and I stand ready to take any questions that you may have at this time.

The CHAIRMAN. Thank you, sir. Mrs. Morales-Pate, you are up.

**STATEMENT OF OLGA MORALES-PATE, CHIEF EXECUTIVE OFFICER, RURAL COMMUNITY ASSISTANCE PARTNERSHIP INCORPORATED, WASHINGTON, D.C.**

Mrs. MORALES-PATE. Thank you, good morning. *Buenos días*. It is an opportunity that—very much appreciate. Thank you for the opportunity to be here and to speak to you, Chairman Johnson, Ranking Member Caraveo, and Members of the Subcommittee. It is important for us to discuss how rural communities are impacted by the work that this Committee does, and the agency—the Department of Agriculture. RCAP is a national nonprofit organization that has been working and providing technical assistance in all 50 states for over 50 years. We have over 350 technical assistance providers that work across the country, the Territories, Tribal lands, and in Colonias.

Our approach to the work we do is grounded in long-term trust and relationship with communities to help them develop and advance them through the phase of infrastructure. So we work with communities from the pre-development phase all the way to the construction and beyond to make sure that the Federal dollars invested are utilized as they are intended to. We work directly in partnership with Rural Development. Part of the work that we do in the field is work with the field staff to make sure that projects are advanced, that they are intend—that they intend—or that they address, rather, what they are intended to address, so it is an honor and an opportunity.

Last year we served 3.5 million rural and Tribal communities—residents, I am sorry, and more than 1,600 communities across the country. The average population was 1,500, and we—a medium household income of less than 75 percent. We served over 300,000 individuals in indigenous communities. In addition, we served a one—more than one million people of color.

All of this work wouldn't be possible without some of the very critical programs that we have been receiving funding for technical assistance from USDA over the years. With that, we stand in support of the reauthorization of the Water and Wastewater Disposal Technical Assistance and Training Grant Program, because it makes all of this possible. In addition to the funding and—that we leverage to USDA, we also are able to leverage funding from other sources to be able to further the work that we do.

Through the partnership that we have with USDA, on average we leverage \$400 million in infrastructure, and provide about 140 trainings, serving about 1,300 systems. Now, it sounds like a lot, but at the same time, this country has over 85,000 community water systems, small water systems, population under 10,000, so it is a drop in a bucket of need. The need is much greater than any of us can provide, so it is very important to work together, and regionalization, or consolidation, voluntary consolidation, is one way to farther our efforts.

The aging infrastructure, the inability to retain operators or workforce, the inability to qualify for funding, is becoming a challenge for small communities, so it is important that we keep in mind ways that can help us think and do beyond, and be able to maximize economies-of-scale to be able to make sure that those communities remain healthy and thriving, and so that is one way that we have been doing, and we have research document, and we have many cases that document the process.

On the solid waste side, that is another program that is very critical, and we have been able to advance a number of communities over the years. It is a small program, but it is still very important to communities where solid waste service is not available to them. A program that I would also like to mention briefly is very—is the Technical Assistance—the Community Facilities Technical Assistance Program, and the reason for it is because it takes more than water and wastewater for communities to be sustainable. They have needs, and health, and fire, and education, and so many other areas, and that are very, very important, and so we stand in support of the Community Facilities Program.

We also stand in support of the Rural Investment Initiative, because it takes more than Federal dollars to do what we do, and to develop the capacity and sustainability of our communities. So it takes many, many partners to make sure that the communities are sustainable, and that we are able to see a thriving rural America. So thank you for the opportunity.

[The prepared statement of Mrs. Morales-Pate follows:]

PREPARED STATEMENT OF OLGA MORALES-PATE, CHIEF EXECUTIVE OFFICER, RURAL COMMUNITY ASSISTANCE PARTNERSHIP INCORPORATED, WASHINGTON, D.C.

#### **Introduction & About RCAP**

Thank you, Chairman Johnson, Ranking Member Caraveo, and Members of the Subcommittee for this opportunity to discuss the importance of the U.S. Department of Agriculture's Rural Development (USDA–RD) suite of programs and services in fostering rural economic development and prosperity. USDA–RD is the only Federal agency dedicated solely to rural America and plays a key role in improving access to capital while working alongside trusted partners to ensure rural areas remain great places to live and thrive. I also want to thank the Committee for their work on writing the next farm bill.

My name is Olga Morales-Pate, and I am the CEO of the Rural Community Assistance Partnership (RCAP). RCAP is a national network of nonprofit partners working to provide technical assistance (TA), training, and resources to rural and Tribal communities in every state, territory and on Tribal lands and Colonias. Through our regional partners, more than 350 technical assistance providers build capacity that leads to sustainable and resilient infrastructure and strengthens rural economies. Our approach is grounded in long-term, trusted relationships with thousands of rural and Tribal communities across the country.

For 50 years, the RCAP network has partnered with multiple Federal agencies including USDA–RD to bridge the gap between Federal programs and the communities they serve. RCAP assists rural communities with funding applications and every phase of the project planning and development process, as well as providing training and technical assistance. We help communities understand how to properly manage and operate their infrastructure in a fiscally sustainable manner and ensure that Federal borrowers meet the terms of their loans.

USDA Rural Development has over 4,000 professional staff members in the field across the country to directly assist these communities. This field structure is especially helpful to communities and utilities that lack the human and financial capacity to access and administer available funding. RCAP works in partnership with Rural Development to directly assist unserved and underserved rural communities including access to the Tribal and Colonias funding set-asides.

Last year, RCAP served more than 3.5 million rural and Tribal residents in more than 1,650 of the smallest, most distressed communities. The average population of the communities we served was 1,520, with a Median Household Income (MHI) of less than ⅔ the national MHI. We served almost 300,000 individuals from Indigenous communities. In addition, we served more than one million people of color.

The RCAP network is the sum of six regional partners across the U.S. that collectively cover every state and territory, including Tribal lands and Colonias:

- **Communities Unlimited (CU)—The Southern RCAP**
  - Serving Alabama, Arkansas, Louisiana, Mississippi, Oklahoma, Tennessee, and, Texas.
- **Great Lakes Community Action Partnership (GLCAP)—The Great Lakes RCAP**
  - Serving Illinois, Indiana, Kentucky, Michigan, Ohio, West Virginia, and Wisconsin.
- **Midwest Assistance Program (MAP)—The Midwest RCAP**
  - Serving Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, and Wyoming.
- **Rural Community Assistance Corporation (RCAC)—The Western RCAP**
  - Serving Alaska, Arizona, California, Colorado, Hawaii, Idaho, Nevada, New Mexico, Oregon, Utah, and Washington.
- **RCAP Solutions (RSOL)—The Northeastern and Caribbean RCAP**
  - Serving all six New England states, New York, New Jersey, Pennsylvania, Puerto Rico, and the U.S. Virgin Islands
- **Southeast Rural Community Assistance Project (SERCAP)—The Southeastern RCAP**
  - Serving Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, and Virginia.

In line with RCAP's mission of even further expanding its impact in rural communities in the years to come, laid out in the sections below are some of RCAP's key recommendations for the 2023 Farm Bill. Also included are some relevant case study examples of RCAP's work in these areas.

#### **Rural Utilities Service Water and Environmental Programs (WEP)**

##### *RCAP Water and Environmental Programs Farm Bill Recommendations:*

- Reauthorize the **Water & Waste Disposal Technical Assistance & Training Grant Program** to the maximum amount (Section 306(a)(14)(A) of the Consolidated Farm and Rural Development Act 7 U.S.C. 1921 *et seq.*), set-aside no less than 10% of funding for expanded technical assistance and capacity building. RCAP also requests additional language for emergency response technical assistance to meet the growing need in assisting rural communities recover and rebuild post natural disasters.
- Reauthorize the **Water & Waste Disposal Loan & Grant Program** (Section 306 of the Consolidated Farm and Rural Development Act).
- Reauthorize the **Solid Waste Management Grant Program** (Section 310B of the Consolidated Farm and Rural Development Act) at \$20 million a year over 5 years.

RCAP has been providing on-the-ground technical assistance and training to small and rural water and waste systems for 50 years in all 50 states and territories. Through our partnership with USDA–RD, RCAP and our regions in 1 year alone helped rural and Tribal communities from across the country leverage approximately \$400 million in infrastructure funding from a variety of Federal, state, local, and private funding sources. Through these programs we also conducted 140 trainings, serving more than 1,300 systems, and reaching about 2,500 participants.

##### *Water & Waste Technical Assistance*

RCAP has been a leader in the water system regionalization space, especially when it comes to sustainable solutions for small, rural, and Tribal communities. In addition to intensive technical assistance and training work as a neutral third-party facilitator helping communities navigate what is often a complicated undertaking, RCAP developed a process to help guide both TA providers and communities through the ins and outs of regional collaboration. RCAP also developed two helpful

research products, one outlining ten lessons learned from communities across the country who have participated in activities across the regionalization spectrum and another outlining local, state, and Federal policy recommendations that would help incentivize and ease the pathway to sustainable and resilient regional solutions. Regionalization is not a silver bullet, but we believe it should always be on the table for consideration, especially as the water workforce dwindles, regulations become more stringent and disasters more intense and frequent—no one must go it alone.

Across the United States, I see firsthand communities facing threats to their drinking water from several harmful contaminants, such as lead and PFAS. As we are all well too aware, rural communities have historically been overlooked by Federal investments when it comes to addressing water challenges, especially the nearly 23 million households who rely exclusively on groundwater delivered through private wells for their drinking water.

Beyond those on small water systems and private wells, we also know that many communities are hauling water by hand as a practice in Tribal areas and the Colonias. Lack of access to water and sanitation, a result of both historical and geographical factors, is most prevalent in Alaska, the Dakotas and northern New England, but there are additional pockets of this issue throughout the U.S.

A report from DigDeep and the U.S. Water Alliance shows that gradual improvements are being made in this space, but that the rate of progress is declining. The population without complete plumbing in the United States was reduced from 1.6 million people in 2000 to 1.4 million in 2014. For comparison, those lacking complete plumbing dropped from 27 percent in 1950 to 5.9 percent in 1970. This data suggests that communities making up the remaining access gap face particularly entrenched challenges. (*Closing the Water Access Gap in the United States by Dig Deep and U.S. Water Alliance*).

One solution to help drive positive public health benefits for millions of rural Americans is The Healthy H<sub>2</sub>O Act, introduced by Rep. David Rouzer, who serves on this Subcommittee, and Rep. Chellie Pingree. This bipartisan legislation would improve quality of life in the communities we serve by having the USDA provide direct assistance to households and licensed childcare centers on private wells in low-income, rural communities to test drinking water for contaminants and fund filtration technology for proper remediation.

Additionally, RCAP has been providing solid waste management services to low-income small, rural, and Tribal communities for decades. Since 2014, with funding from the USDA–RD, RCAP has assisted more than 160 rural communities (26 of which were Tribal), serving more than one million rural residents in 30 states and the U.S. territories in the Caribbean. Of those served, 28% were low-income and 45% were people of color. RCAP has more than 20 highly experienced staff who provide solid waste management technical assistance and support.

As you know, USDA water, wastewater, and solid waste grant and loan programs and their associated technical assistance programs directly benefit small, rural, and Tribal communities with safe and affordable drinking water and sanitation services. Additionally, these programs are important to the health and safety of rural Americans, and the economic vitality of their communities. RCAP supports robust reauthorizations of the Water and Environmental Programs in the next farm bill.

#### *Solid Waste*

On the Cheyenne River Reservation in South Dakota, the Cheyenne River Sioux Tribe operates a landfill for the benefit of the individuals residing on the reservation and in surrounding areas, with approximately half of the population served residing in or near the community of Eagle Butte, SD, and the other half distributed in more sparsely populated rural areas.

The landfill lacked engineering design as described in CFR 40 258.27 Surface Water Requirements, CFR 40 258.28 Liquids Restrictions and CFR 40 258.51 Ground-water monitoring systems. Important issues included the lack of a health and safety plan for the program. Open dumping—the unsanitary disposal of solid waste—is a common practice in communities across the Reservation including La Plant, Red Scaffold and Cherry Creek.

To build capacity and address this issue, any new facility would have to be designed, constructed and operated in compliance with the Tribe's solid waste management code (Ordinance No. 91–01xb) and Title 40 CFR Subchapter I—Solid Wastes. Constructing a new 10 acre landfill cell that is compliant with RCRA and closure of the existing open dump landfill is considered to be the best alternative. At the request of Indian Health Services (IHS) and Cheyenne River Sioux Tribe (CRST), Midwest Assistance Program (MAP) developed an up-to-date Solid Waste Management Report for Cheyenne River Economic Development Corporation (CREDCO).

MAP assisted CREDCO by developing a current Solid Waste Management Plan for the future landfill development and associated equipment. With great assistance from CREDCO and some obstacles in other financial areas that we were able to overcome, this task was completed in a timely manner. With the availability of USDA–RD Solid Waste Funding, MAP was able to develop this important document for the Tribe. The availability of this funding was critical in ensuring the health and safety of the landfill, solid waste and the people of the Cheyenne River Sioux Tribe and surrounding area.

### **Rural Housing Service Community Facilities Programs**

*RCAP Community Facilities Programs Farm Bill Recommendations:*

- Reauthorize the **Community Facilities Technical Assistance and Training Program** (Section 306(a)(26) of the Consolidated Farm and Rural Development Act), set-aside no less than 10% of funding for national multi-state technical assistance and capacity building and to create additional flexibility under the program by removing caps on funding.
- Reauthorize the **Community Facilities Direct Loan & Grant Program** (Sec. 306(a)(19) of the Consolidated Farm and Rural Development Act).
- Authorize a **Community Facilities Connect Program** to provide 5 year direct community facilities technical assistance in each state and territory to help underserved rural areas access the Community Facilities Direct Loan and Grant Program plus other funding sources.

One of RCAP's most recent initiatives was through a Community Facilities (CF) Technical Assistance Cooperative Agreement with USDA–RD. Community Facilities Technical [Assistance] consists of enriching resources and leveraging funding to improve, expand, or build necessary community facilities, such as healthcare facilities, city halls, fire stations, schools *etc.* Over a 2 year pilot period, RCAP actively worked with 42 communities in 22 states, reaching eligible rural areas with an average population of 4,461 people and a median household income significantly below the national median. With \$400,000 in funding through this cooperative agreement, RCAP was able to leverage an additional \$51 million in funding for communities from USDA and other sources for these projects.

Under the pilot program, RCAP was able to assist The Pinal Hispanic Council, which operates five nonprofit health centers in southern Arizona with their CF funding application and preplanning to expand and upgrade their facilities to serve the growing demand for health and wellness services and to address the ongoing opioid crisis. As a result, the project is moving forward after years of being tabled due to a lack of funding and capacity.

Additionally, RCAP was able to provide disaster recovery technical assistance under the Community Facilities Technical Assistance and Training Program (CF–TAT), which was authorized in the 2014 Farm Bill. Over the course of the project, RCAP provided technical assistance to 29 federally-declared disaster impacted communities in five states and one Territory. RCAP had the ability to scale to more states and impacted communities but was limited due to funding constraints under the program. The eligible rural communities had an average population of 2,389 people and a median household income around half of the national median. RCAP unlocked and leveraged \$1 million from USDA and other funding sources for six communities with direct disaster funding application assistance through TA.

RCAP's expertise, on-the-ground networks, and long-standing relationships make us a valuable resource for rural and Tribal communities trying to access USDA Community Facility financing by providing technical assistance and support at every step of the process, from planning to implementation and leveraged funding. RCAP works with communities to integrate disaster resilience and mitigation strategies into their projects. RCAP also targets rural low-income communities and persistent poverty communities, addressing barriers to accessing and utilizing Federal funds.

Currently, RCAP does not have any CF–TAT funding to meet the on-the-ground rural community need in this area. Program changes through the next farm bill and increased dedicated funding would directly allow RCAP and other qualified organizations to provide much needed technical assistance in multiple states and to model CF technical assistance programs after other successful programs at USDA–RD.

### **Rural Investment Initiative**

*RCAP Community Facilities Programs Farm Bill Recommendations:*

- Authorize a **Rural Investment Initiative** with dedicated resources in the rural development title to support locally driven capacity building and financing for small towns and rural communities across all mission areas of USDA–RD.

Last, RCAP supports the authorization of a Rural Investment Initiative (RII), which, if enacted would be a locally-driven, flexible capacity building and financing program to support all mission areas of Rural Development: utilities, housing, and businesses. Many USDA–RD programs that help unlock private investment are difficult for rural towns and organizations to access. Local governments and nonprofit organizations often lack the staff and technical expertise to apply for grants. It is also exceptionally challenging for often part-time local government officials and their limited staff to track and advocate for their community’s fair share of funds from states or apply for Federal grants. The RII would match rural communities and their needs to a cohort of local, regional, and national technical assistance providers, making it easier for communities to access technical assistance and ensuring better access to *all* USDA–RD programs, financing, and services. The RII would be designed to provide financial capital directly to communities and strengthen human capital to unlock new investment, including public private partnerships, that would improve the capacity, economic health, and overall well-being of local communities.

RCAP is in support of the Administration’s Rural Partners Network (RPN) concept but believes Congress should further codify and shape RPN to make lasting policy changes in the next farm bill. The RII could accomplish this, as much as can and should be done to help with low USDA staffing levels and agency technical upgrades. Strong USDA–RD authorizations with dedicated resources through the next farm bill will ensure the agency’s ability to deliver timely services, staffing, and financing to rural America while making it easier for communities to apply and access funding.

### **Closing**

I would like to thank the Committee for their work to reauthorize critical USDA–RD programs in the next farm bill. RCAP looks forward to working with each of you to ensure USDA–RD and rural communities have the tools they need to promote improved quality of life for rural America. On a national level, RCAP is on the steering committee of two advocacy coalitions working together on policy solutions geared towards lasting change in rural—The Rural Network and the Reimagining Rural Assistance Network. Both coalitions stand ready to work with you on a strong Rural Development Title that works for all rural places and people.

RCAP works with communities and partners across the country to advocate for and generate economic opportunities for rural areas. The services provided through these programs deliver critical assistance in the small and disadvantaged communities where it is most needed. I thank the Committee for inviting me to testify today, and I look forward to working with you and your colleagues to ensure rural people and places have the resources they need to be successful.

[ATTACHMENT]

RCAP



## 2023 Farm Bill Priorities

The Rural Community Assistance Partnership (RCAP) supports the enactment of a robust and comprehensive Rural Development Title in the reauthorization of the Farm Bill. RCAP calls on Congress and the Administration to emphasize rural development programs and strategies that will create opportunities for all rural Americans including underserved places. RCAP supports several key priorities in the Farm Bill that will boost rural economies, create jobs, and improve the quality of life in rural America:

### Rural Utilities Service: Water and Environmental Programs

- Reauthorize the **Water & Waste Disposal Technical Assistance & Training Grant Program** to the maximum amount (Section 306(a)(14)(A) of the Consolidated Farm and Rural Development Act 7 U.S.C. 1921 et seq.), set-aside no less than **10%** of funding for expanded technical assistance and capacity building, and include additional language for separate emergency response technical assistance activities under emergency disaster supplementals from Congress.
- Reauthorize the **Water & Waste Disposal Loan & Grant Program** (Section 306 of the Consolidated Farm and Rural Development Act).
- Reauthorize the **Solid Waste Management Grant Program** (Section 310B of the Consolidated Farm and Rural Development Act) at **\$10 million** a year over five years, create additional flexibility under the program by removing caps on funding.
- Reauthorize the **Rural Decentralized Water Systems Grant Program** (Section 306E of the Consolidated Farm and Rural Development Act), include additional program eligibility and flexibility by raising the income eligibility requirements from **60%** of statewide median household income up to **100%** in cases of extreme need.
- Reauthorize the **Revolving Funds for Financing Water and Wastewater Projects Program** (Section 306 of the Consolidated Farm and Rural Development Act).
- Reauthorize the **SEARCH - Special Evaluation Assistance for Rural Communities and Households Program**, include additional matching flexibility under the program to include in-kind or waivers in cases of extreme need.
- Reauthorize the **Water & Waste Disposal Predevelopment Planning Grant Program**, include additional matching flexibility under the program to include in-kind or waivers in cases of extreme need.

### Flexible Technical Assistance Services and Coordination Across USDA-Rural Development Mission Areas

- Authorize a flexible program for expanded capacity building and flexibility across all USDA-Rural Development mission areas, including adequate resources to implement modern plans, community broadband access, create jobs, and leverage new infrastructure development to increase the resiliency of rural communities.

### Rural Housing Service: Community Facilities Programs

- Reauthorize the **Community Facilities Technical Assistance and Training Program** (Section 306(a)(26) of the Consolidated Farm and Rural Development Act), set-aside no less than **10%** of funding for expanded technical assistance and capacity building and create additional flexibility under the program by removing caps on funding.
- Reauthorize the **Community Facilities Direct Loan & Grant Program** (Sec. 306(a)(19) of the Consolidated Farm and Rural Development Act).

### Who Is RCAP?

RCAP is a non-profit national network of **six** regional organizations that provide technical assistance and training to leaders in rural communities throughout the United States

We help communities develop, operate, and maintain viable water and wastewater systems; maintain compliance with federal/state regulations; **protect public health** and the environment; and build local leadership capacity

RCAP serves more than **2,503** unique rural communities every year. RCAP employs more than **300** engineers, operators, accountants, former mayors and other experts who are out in the field assisting rural leaders

For over **45 years**, RCAP has worked with USDA and EPA to improve the quality of life in rural America

Contact Maranda Saling with RCAP for more information:  
330-309-7055  
msaling@rcap.org



**USDA Community Facilities Cooperative Agreement**

**RCAP REQUESTS** the continuation of funding for its Community Facilities Technical Assistance Cooperative Agreement with USDA given the success and community impact of the pilot program, which ended on September 30, 2022.

RCAP currently is seeing continuing demand for our services and for flexible funding under a national community facilities technical assistance co-op program supported by USDA. The pilot funding allowed RCAP to work with towns of populations less than 5,000 and provided communities with much needed local capacity to plan for and leverage funding for the construction or improvements of crucial community facilities such as health clinics, community centers, fire stations, libraries, and other public facilities.

**42** Projects **in 22** States 

**4,461** Average Population 

**\$43,099** Average Median Household Income 

**\$400,000**

2-Year Cooperative Agreement



**\$51 Million\***

Funding from USDA & Other Sources

**RCAP IS SEEKING \$600,000 over a 2-year period** to continue this program with a national scope. This program has shown itself to be incredibly useful to our technical assistance providers and the rural communities they serve. It has been a resource that fills in the gaps other existing Technical Assistance and Training programs cannot.

It funds the time, resources, and capacity necessary to leverage and implement new funding for crucial community facilities in towns with America's lowest populations and lowest incomes.

With an unprecedented amount of funding coming to communities through the Infrastructure Investment and Jobs Act (IIJA), this program will help ensure that rural and disadvantaged communities have the necessary capacity to access and implement this funding in the areas that need it most.



In one project alone, RCAC (the western RCAP) staff leveraged a total of \$1,980,000 in USDA loan funds, a \$100,000 CF Economic Impact Grant, and a \$13,000 State CF Grant for a total of \$2,093,000 in funds. This helped the **Foundation for Little Colorado Revitalization (FfLCR)**, a non-profit organization located in Springerville, Arizona with their community facility for their "Local Food System Regionalization" project.

**RCAP** Rural Community Assistance Partnership

**RCAP REQUESTS** the continuation of funding for its Community Facilities Disaster Relief Technical Assistance and Training program with USDA given the success and community impact of the pilot program, which ended on September 30, 2022.

RCAP currently is seeing continuing demand for our services and for flexible funding under a national community facilities technical assistance program in disaster relief areas. The previous funding allowed RCAP to work with towns of populations less than 5,000 and provided communities with much needed capacity to plan for and leverage funding for the repairs, replacement, and construction of essential community facilities like city halls, fire stations, police stations, and health centers that were affected by natural disasters such as hurricanes, tropical storms, floods, and forest fires. These disasters are not slowing down as we have seen with recent hurricanes Fiona and Ian as well as the continuous forest fires in the Western U.S so the need will continue to be there and RCAP stands ready to assist.

**USDA Community Facilities Disaster Relief Technical Assistance and Training**

**29**  
Projects  
(5 states + 1 territory)



**2,389**  
Average Population



**\$35,806**  
Average Median Household Income



**\$250,000**

2-Year Cooperative Agreement



**\$526,760**

Funding from USDA & Other Funders

**RCAP IS SEEKING** \$600,000 over a 2-year period to continue to provide community facilities-related disaster relief in communities that need it most due to a lack of capacity to access typical federal aid dollars due to low population, low income and limited resources. Under this current program we were only able to fund 3 of our regional partners due to the \$250,000 funding cap so with the the requested funding increase we would be able to fund up to 6 total regional partners covering the entire U.S. and the territories including Puerto Rico which needs additional disaster recovery technical assistance right now. We could only serve communities that had disasters within the years 2018-2019. This left communities experiencing new disasters outside of eligibility for this program. If we changed the requirements to serve communities that experienced federally declared disasters within the last 5 years from the project start date, we would also be able to respond to newer disasters while continuing to serve communities that need help with long term recovery from previous disasters.



The disaster relief program was managed by the Maryland and Delaware State RD office despite being a national program. The Community Facilities Technical Assistance and Training Program was created in the 2014 Farm Bill (Section 6006) with the intention of the program being a national program that is managed and coordinated by the National USDA-RD Office. Congress also reaffirmed this intention in the 2018 Farm Bill found [here](#) on page 664. It would be incredibly beneficial to see this program housed for the purpose of coordination between national service providers and multiple states impacted by a disaster.



## RCAP Solid Waste Management Programming

**The Rural Community Assistance Partnership (RCAP) is a network of seven nonprofit organizations working together to provide training, technical assistance, and capacity building to small, rural and Tribal communities in the areas of water, wastewater, solid waste and community and economic development.**

RCAP has been providing solid waste management services to low-income small, rural and Tribal communities since 2004. Since 2014, with funding from the US Department of Agriculture (USDA), RCAP has assisted more than 160 rural communities and counties (26 of which were Tribal), serving more than 1 million rural residents in 30 states and the US Caribbean. Of those served, 28% were low income and 45% were people of color. RCAP has over 350 technical assistance providers located throughout the 50 states and the US Territories who live and work in the rural and Tribal communities they serve, including more than 20 highly experienced staff who provide solid waste management support.

RCAP's wide variety of solid waste services are targeted to meet the specific needs of rural communities with an end goal of improved solid waste management and planning, while reducing potential pollution of water resources. Through this work, RCAP seeks to improve public and environmental health as well as the quality of life for rural communities. The goal of our Solid Waste staff is to reduce the use of disposable items, teach reuse of products within the communities they serve, and promote recycling and composting best practices which protect natural resources and valuable landfill space.

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***RCAP's approach to hands on training and in-depth technical assistance is to concentrate on local capacity building so that the communities served have the tools and resources to be successful and sustainable for years to come.***



Some of the categories of typical services provided include but are not limited to:

- Community and school waste stream reduction through education and program development on re-use and recycling;
- Safety and operations, including the handling and management of Household Hazardous Waste;
- Development of school and community composting programs, including vermicomposting, to reduce food waste entering the waste stream;
- Training and technical assistance surrounding emerging contaminants including but not limited to PFAS and pharmaceuticals;
- Illegal dumping site identification, mapping, prevention, and alleviation strategies;
- Solid waste best management practices, budgeting and rate analyses, and funds leveraging for equipment needs and facility upgrades; and
- Introduce communities to the concept of Integrated Solid Waste Management Systems and help develop the infrastructure to implement these best practices.

The CHAIRMAN. Thank you very much, ma'am. Mr. Blanding, you have 5 minutes.

### **STATEMENT OF CORNELIUS BLANDING, MEMBER, BOARD OF DIRECTORS, NATIONAL COOPERATIVE BUSINESS ASSOCIATION CLUSA INTERNATIONAL, EAST POINT, GA**

Mr. BLANDING. Chairman Johnson, Ranking Member Caraveo, other Members of the Subcommittee, and Chairman Thompson, thank you for the opportunity to testify today and highlight the critical role that cooperatives play within rural development through USDA programs. My name is Cornelius Blanding, and I am testifying today in my capacity as an elected board member for the National Cooperative Business Association CLUSA Inter-

national, NCBA CLUSA. We are the apex trade association for cooperatives across all sectors that are crucial for our local economies. In my day to day I serve as Executive Director for the Federation of Southern Cooperatives. Since 1916, NCBA CLUSA has served as the primary voice for cooperatives across all sectors. Our members include not only individual businesses, but also the largest sectoral associations, like the NRECA and Federation of Southern Cooperatives, which is the largest Black farmer-owned and -serving institution in the country.

One in three Americans are members of nearly 65,000 cooperative establishments, with over 130 million members, co-ops, and credit unions are found in every corner of our nation. As Congress works to reauthorize the farm bill, NCBA CLUSA recommends the following legislative improvements. First, in the farm bill increase flexibility within the Rural Cooperative Development Grant, and other rural development programs, by modifying burdensome matching requirements, allowing for larger, regional, and multi-year grants, and incentivizing and facilitating regional collaboration.

Second, provide robust investment in expertise and capacity for rural places, especially historically underserved communities, to plan, implement, and measure the impact of locally led strategies. And third, invest in rural infrastructure, including electric, community facilities, water, and housing. Cooperatives of rural and local economies are more resilient during economic downturns. The democratic governance structure allows the member-owners of a cooperative to make business decisions that are people-centric.

Programs like Rural Development—programs across Rural Development, like the Rural Cooperative Development Grant, the Value-Added Producers' Grant, Rural Energy Savings Program, and others, support local economies. Rural areas are overrepresented in key economic indicators, such as persistent poverty, disadvantaged communities, and lower economic growth with an aging workforce.

Ultimately, rural places have been left behind by Federal policy initiatives meant to spur national development. The next farm bill presents an opportunity to change this. The RCDG Program provides grants for technical assistance, training, education, and outreach to cooperatives. Since the last farm bill, RCDG funds have created 300 new businesses and helped create over and save thousands of rural jobs.

The Federation of Southern Cooperatives provides a good example of this. As a 13 year recipient of RCDG funds, the Federation has worked with rural African American communities to spur economic growth through cooperative economic development and land retention strategies. Through RCDG, the Federation has also built regional capacity by allocating staff that provided technical assistance to farmers on production, quality control, storage, and transportation methods that ultimately increase the marketability of their produce, and in turn, their profits.

As part of the multiplying effect of co-ops, members are also assisting—assisted in accessing other Rural Development programs, such as the 504 Home Repair and Multi-Family Housing Rental Assistance Program. These examples are just for one RCDG recipi-

ent, but you will hear similar—you have heard similar stories across the board. However, one of the challenges with existing RD programs is the break in momentum to simply apply for funding.

Each year organizations must slow down, or even pause, the work on the ground to create a competitive proposal. Moreover, it is difficult to demonstrate notable changes simply because significant economic development doesn't occur in such short timespans. To truly transform the circumstances of rural and socially disadvantaged communities requires years of effort. So, again, NCBA CLUSA recommends the following legislative improvements. First, increase flexibility. Second, improve the RD policies so that underserved populations can access and build capacity. And third, infrastructure investments to encourage sustainable, long-term rural development.

To materialize these recommendations, Congress should invest in expertise and capacity for local-led strategies. NCBA CLUSA aims to serve as a resource for this Subcommittee, and all Members of Congress, by helping to lead a broad coalition of rural development stakeholders that support these principles and is ready to work with you. We encourage you to support the programs and improve upon their success in the next farm bill. The assistance we provide helps rural businesses develop and grow beyond economic benefits. By addressing barriers to access these programs, as well as fully unlocking the potential of rural development programs, we will create a more resilient and prosperous rural America.

Thank you for the opportunity to testify before this Subcommittee this morning on behalf of NCBA CLUSA. I have submitted my full testimony and stand ready to answer any questions from this Committee. Thank you, and I will stop here to prevent any further shock.

[The prepared statement of Mr. Blanding follows:]

PREPARED STATEMENT OF CORNELIUS BLANDING, MEMBER, BOARD OF DIRECTORS,  
NATIONAL COOPERATIVE BUSINESS ASSOCIATION CLUSA INTERNATIONAL, EAST  
POINT, GA

Chairman Johnson, Ranking Member Caraveo, and other Members of the Subcommittee. Thank you for the opportunity to testify today and highlight the critical importance of the role that cooperatives play within Rural Economic and Workforce Development. My name is Cornelius Blanding, and I am testifying today in my capacity as an elected board member for the National Cooperative Business Association CLUSA International, or NCBA CLUSA, the apex trade association for cooperatives across all sectors that are crucial for our local economies. In my day-to-day, I serve as Executive Director for the Federation of Southern Cooperatives.

Founded in 1916, NCBA CLUSA has served as the primary voice for the cooperatives across all sectors—including farmer co-ops, rural electric co-ops, credit unions, food co-ops, worker co-ops, cooperative lenders and cooperative development organizations. NCBA CLUSA's members include not only individual co-ops, but also the larger sectoral associations like the association of my fellow witness from the National Rural Electric Cooperative Association and the Federation of Southern Cooperatives, the largest Black Farmer owned and serving institution founded out of the Civil Rights movement in 1967. With nearly 65,000 cooperative establishments and over 130 million members, cooperatives and credit unions are found in every corner of the United States. Approximately one in three Americans is a member of at least one cooperative. These cooperatives range from small, neighborhood businesses to multibillion-dollar business trading in international markets on behalf of their members.

As this Subcommittee and full Agriculture Committee works to reauthorize the farm bill, NCBA CLUSA recommends the following legislative improvements. First, the farm bill should increase flexibility within the Rural Cooperative Development

Grant (RCDG) and other RD programs by modifying burdensome matching requirements, allowing for larger, regional, and multi-year grants, and incentivizing and facilitating regional collaboration. Second, robust investment in the expertise and capacity for rural places, and especially historically underserved communities, to plan, implement, and measure the impact of locally-led community economic development strategies. And third, robust investments in rural infrastructure including broadband, electric, community facilities, water, and housing. Federal programs should be flexible and provide consistent support to meet the needs of communities.

Cooperatives are formed for many reasons—whether to access critical markets and services, address community needs or create competition, the democratically-owned and governed structure of a cooperative requires it to be responsive to its member-owners and in turn the local community. Cooperatives are crucial for rural economies with more than ½ of all farmers as owners of the businesses that provide them inputs and market their products, and over 40 million households and businesses who own and control their own electric utility. Without cooperatives, rural people would not be able to fully participate in the modern economy. Within the various sectors, co-ops are rooted in local economies with food co-ops sourcing five times more of their products locally than conventional stores. Or in the care economy, worker-owned home-care cooperatives demonstrating an almost 25% less turnover rate during the pandemic while providing six times higher wage increases at a time when most businesses were forced to lay off workers when our aging population, particularly in rural areas, needed these services most. Cooperatives are more resilient than other types of business models as was demonstrated in 2020 when only 20% of worker cooperatives, businesses owned by their employees, experienced losses of more than 50% in revenue. In comparison, nearly 30% of all small businesses experienced losses greater than 50% in revenue. The democratic governance structure allows the member-owners of a cooperative to make business decisions that better serve the community and remain people-centric.

Across the Rural Development mission area, programs like Rural Cooperative Development Grant (RCDG), Socially Disadvantaged Groups Grant (SDGG), Value Added Producers Grant (VAPG), Business and Industry (B&I) Guaranteed Loan Program, Rural Energy for America Program (REAP) and Rural Energy Savings Program (RESP) all work to support rural communities despite the persistent disinvestment in allowing these places to thrive and fully recover from the disproportionate economic impact of global events like the [COVID]-19 pandemic or the Great Recession. Bureau of Economic Analysis data from 2020 demonstrate that in the decade following the great recession, rural areas experienced almost 5% less growth in local GDP than urban areas along with an aging workforce.<sup>1</sup> And we see this trend continue today with the Economic Research Service finding that 86% of persistent poverty counties classified as rural or non-metro. Meanwhile 20% of rural census tracts are also considered disadvantaged communities,<sup>2</sup> which is considered a predictor of vulnerability to natural disasters. Ultimately, rural communities have far too often been left behind by Federal policy initiatives meant to spur national economic and workforce development initiatives despite the fact that nearly 70% of our nation's 3,069 counties are rural.

As rural leaders, we know the dynamics that serve as barriers to rural communities. In addition to the statistics that I have cited around economic growth and poverty trends, rural communities are most susceptible to climate disasters while simultaneously serving as our first line of defense. Namely, research on indicators of social vulnerability and flood exposure has shown rural areas are particularly at risk for flood hazards,<sup>3</sup> and over the last 2 decades, 68% of U.S. counties experiencing persistent drought were rural. The rural development title of the next farm bill presents the best opportunity to set a national rural policy to improve resilience and allow local leaders to unlock the communities' potential and drive future growth for our nation.

We also know that small businesses across sectors are the backbone for thriving communities, yet we are in the middle of a watershed moment that could further devastate main street America. According to the U.S. Census Bureau, over the next 10 years 40% of the U.S. population will reach retirement age and over half of small businesses are owned by this demographic. While some owners may choose to simply close their business, a better option—for the owner, the workers, and the community—is to convert the ownership of the business to a worker or consumer cooperative. Converting to a cooperative business ensures that not only the owner earns

<sup>1</sup> <https://equitablegrowth.org/gaps-in-u-s-rural-and-urban-economic-growth-widened-in-the-post-great-recession-economy-with-implications-amid-the-coronavirus-recession/>.

<sup>2</sup> CEQ Climate and Economic Justice Screening Tool.

<sup>3</sup> Eric Tate and others, "Flood exposure and social vulnerability in the United States".

the profits of their hard work but ensures that the goods and services provided by this business are still available to the community.

The cooperative business model provides a time-tested approach to addressing the challenges of rural communities by serving as local anchors, promoting growth through increased business profitability, access to affordable quality products and markets for their member-owners, and an opportunity to build wealth and drive a more equitable economy through the multiplier effects of community investment, jobs and local procurement. According to the University of Wisconsin's Center for Cooperatives, over the last 10 years, approximately 21% of newly incorporated cooperative businesses were in rural areas tracking with the national rural population percentage. These numbers are only an estimate due to a patchwork approach to cooperative statutes that has different frameworks in every state, sometimes these statutes can be limited to just one or two sectors of the economy making it difficult to track the concrete number of new cooperatives. New Census Bureau Data from the 5 year economic business Census collected beginning in 2017 will provide more information on just how much cooperatives are contributing to each of your state and local economies. Yet without the targeted resources for Rural Development, groups like the Interagency Working Group on Cooperative Development are unable to analyze or publish the data to truly see how these Federal investments are materializing on the ground.

Within Rural Development Programs, the rural cooperative ecosystem's foundation begins with the Rural Cooperative Development Grant (RCDG) Program. Authorized through the rural development title of the farm bill, the RCDG program provides grants to Cooperative Development Organizations to provide technical assistance, training, education and outreach to cooperatives.

These nonprofit organizations, sometimes affiliated with universities, provide on the ground expertise to help support or start rural cooperatively owned businesses. Since the 2018 Farm Bill, the RCDG program has created 300 new businesses and helped create or save thousands of rural jobs. The Federation of Southern Cooperatives, with whom I work, provides a good example. As a 13 year RCDG recipient the Federation has worked with rural African American communities to utilize rural development resources to spur economic growth through cooperative development. With resources provided by the RCDG program, we have provided technical assistance to rural families interested in developing cooperatively owned housing and healthcare facilities. Additionally, we have strengthened rural cooperative capacity by providing cooperative education regionally through our Regional Conference called CoopEcon and by restarting our Regional Loan Fund as a tool to support local business development and land retention.

As awardees for the RCDG program, the support has allowed the Federation of Southern Cooperatives to deepen Regional Marketing Capacity for the cooperatives that we serve. SoCo or Southern Cooperative is the name of the commodity aggregate that we helped develop for its member-owners. Through this cooperative, the farmer-owners have been able to maximize the marketing volume of their products, increase income, and meet the increased demand from northeast markets, in particular. The invaluable resources provided through RD helped make it possible for our Cooperative Development center to allocate staff that provided technical assistance to the newly formed cooperative member-owners on growing, quality control, storage, and transportation methods that ultimately increased the marketability of their produce to exceed customer expectations.

As part of the multiplier effect of cooperatives, the Federation has also assisted our members in gaining access to other RD programs through education and even direct technical assistance such as the 504 Home Repair Program and the Multi-family Housing Rental Assistance Program administered through the Rural Housing Service.

One of the challenges we and other RCDG recipients have faced is the persistent hurdle of lengthy and complex applications for the grant program that we must go through on an annual basis. As many of you may know, rural communities face continuous challenges in navigating RD programs and the application process. We have heard far too often how our oftentimes most rural and under-resourced communities are left with limited options but to hire a grant writer, which can cost upwards of thousands of dollars—resources that these communities simply do not have. Nor should they have to make these investments to access the programs that are intended to serve them. We deeply appreciate our continued partnership with Rural Development and the Rural Cooperative Services Branch and encourage them to limit the cumbersome and redundant reporting requirements from the application process throughout award compliance. Additional barriers to access include the matching requirement for many of these programs and a lack of flexibility that does not meet the unique needs of our communities.

Support from Rural Development has been important for the cooperatives and cooperative development organizations that primarily serve underserved communities as we do at the federation; however, there have been challenges as well. One of the challenges with accessing programs is the break in momentum that has to occur simply to apply for funding due to the lengthy and incredibly complex application process. In our experience with RCDG for example, each year we have to slow down or even pause the work that we are doing on the ground in order for staff to dedicate the time and effort needed in writing a high-quality report and competitive proposal. Moreover, the annual cycle of renewal makes it difficult to describe significant changes simply because significant economic development typically does not occur in such short time horizons. To truly transform the circumstance of Rural and Socially Disadvantaged communities requires years of effort.

To help address the challenges faced by rural America, NCBA CLUSA recommends the following legislative improvements. First, the farm bill should increase flexibility within RD programs, including by modifying burdensome matching requirements (especially for highly distressed communities), allowing for larger, multi-year and regional grants, and incentivizing and facilitating regional collaboration. Within the RCDG program, explicit congressional intent for USDA to level the playing field for organizations that simply meet the cost-share and enact multi-year grants would be a significant boost for Cooperative Development Organizations like the Federation of Southern Cooperatives to not only increase our effectiveness in program implementation but expand our capacity to better implement our multi-state strategy and serve more rural communities.

Second, improve Rural Development policies so that underserved and unserved rural populations can access and utilize the programs. NCBA CLUSA has advocated alongside the Federation of Southern Cooperatives and scores of other rural organizations for much more robust funding for rural organizations so that all rural people, and especially those that have been historically underserved, have access and are able to use the Federal community economic development programs. Federal programs should be flexible so that they serve the community—and not *vice versa*. Programs should offer multi-year, consistent support that builds the human and institutional capacity of communities.

Addressing the match requirement and multi-year grants for underserved communities, even providing exemptions in some cases like 1890s institutions, would go a long way in reducing the barriers to access rural development programs, and Federal programs more broadly, for our underserved communities. Another challenge we face is the fragmentation of our efforts by a process that requires each of our member states to apply for resources separately. The Federation, as with most organizations works best when we have the latitude to cooperate and consolidate our efforts. Our states don't operate in silos. Moreover, individual farmers, landowners and cooperatives often cross state lines to collaborate because they recognize their common interest and have identified common needs. We believe that Rural Development should support this kind of interconnectivity with regional frameworks for support.

Third, robust investments in rural infrastructure to create enabling environments that encourage sustainable, long-term rural economic and workforce development. Such Federal investment would leverage other good work occurring across rural communities. For example, through our work with Tribal Communities in partnership with the Native American Agriculture Fund (NAAF), NCBA CLUSA has is working with Tribal Communities to build their capacity to use cooperatives as they seek to build a more secure food system. In another example, the Robert Wood Johnson Foundation is working with the Cooperative Development Foundation and NCBA CLUSA on an Affordable Housing Initiative that seeks to improve the housing development environment for limited equity housing cooperatives and other types of shared ownership. In the spirit of cooperation, NCBA CLUSA works with the Federation of Southern Cooperatives and others in helping historically underserved farmers build out a cooperative development ecosystem, work supported by USDA.

To materialize these recommendations, Congress should prioritize robust investment in the expertise and capacity for rural places to plan, implement, and measure the impact of locally-led strategies. One example that members can look to is the Rural Partners Network through which USDA has placed boots on the ground in the pilot communities to truly embody and bolster local capacity.

NCBA CLUSA aims to serve as a resource for this Subcommittee and all Members of Congress by helping to lead a broad coalition of rural development stakeholders that support these principles and are ready to work with you. Rural Development Under Secretary and NCBA CLUSA's 2022 Co-op Champion, Xochitl Torres Small often says, "if you've been to one rural community, you've been to one rural commu-

nity". Recognizing the diversity in population, economies and relying on the local expertise of leaders who best know what their needs are is the best approach to building local capacity and equipping folks with the tools to be more resilient across the board.

As Congress works to reauthorize the farm bill, we encourage you to support the dream and hopes of rural entrepreneurs working tirelessly to realize their dreams of economic prosperity by supporting these programs and improving upon their success. The assistance we provide to help rural businesses develop and grow is critical and goes beyond the economic benefits but affects the social and cultural fabric of our society through the cooperative model. By addressing the barriers to access and fully unlocking the potential of Rural Development programs, we will create a more resilient and prosperous rural America. Thank you for the opportunity to testify before the Subcommittee this morning on behalf of NCBA CLUSA.

The CHAIRMAN. Very good, Mr. Blanding. Okay, everybody understands the drill from here on out. Members will be recognized for 5 minutes in order of seniority, alternating between the Majority and the Minority, and then in the order of their arrival, if they came after the gavel. So we will start with the Chairman of the full Committee, Mr. Thompson.

Mr. THOMPSON. Well, Mr. Chairman, thank you. Thanks to all of our witnesses for great testimony on a critically important title of the farm bill. Mr. Blanding, we continue to see a decrease in the availability of good, high paying jobs in rural communities as businesses close due to the lack of available personnel. Can you talk about how NCBA CLUSA helps expand workforce opportunities in the communities you serve?

Mr. BLANDING. Yes, sir. Thank you for the question, Chairman Thompson. So NCBA—the primary role of NCBA CLUSA is cooperative economic development, and so is the—many of the members of NCBA, and so developing cooperatives where communities can own and control their futures and infrastructure. We think it is important for the Committee, for Congress, to actually invest in infrastructure in these rural communities, infrastructures that can be controlled and owned by the people themselves in their communities and investing in local-led strategies.

Mr. THOMPSON. What initiatives should we consider for the 2023 Farm Bill to bring high quality, in-demand jobs to rural America?

Mr. BLANDING. So, Mr. Chairman, I think there are a lot of things already underway. Congress, USDA, has been talking about infrastructure like beef processing facilities and others, so we think it is important to look at the anchor in rural communities, which is always based around agriculture. And in that, you are talking about many small farmers. Many small farmers who don't have the capacity or the size to go at it alone, and so really putting those kind of buildings and infrastructure in those communities, but, again, more importantly, making sure that there is ability for people to organize cooperatives, and control that infrastructure, and work cooperatively together.

Mr. THOMPSON. Well, thank you. Mr. Holmes, as you know, more than 90 percent of the United States water systems' service communities with fewer than 10,000 persons. How do the USDA RD water and environmental programs provide communities in rural America access to safe, affordable, and financially sustainable water and wastewater services?

Mr. HOLMES. Thank you for the question, Mr. Chairman. As you know, Rural Development WEP Program is 100 percent dedicated

to communities under 10,000. That is the purpose of the program. They understand rural America, and they are trusted by rural America. Many changes have impacted our sector recently, supply chain, emerging contaminants like PFAS, regulatory burdens like the lead and copper rule. So this agency is critical to act as a partner so rural communities can address these challenges.

The EPA is also making a historic amount of funding available through the SRFs (State Revolving Funds), but, as you likely know, most of that funding goes to large metropolitan systems. So that makes the WEP Program essential for rural America to level the playing field and keep them a competitive lender.

Mr. COSTA. Would the gentleman yield?

Mr. THOMPSON. Sure.

Mr. COSTA. You asked a very good question. For the small communities that aren't incorporated that have these water issues, the—they don't have the resources to—I mean, we have the new \$55 billion for clean drinking water, but how can these communities of 1,000, 2,000 people finance the infrastructure? I mean, the—this is the part that I don't understand.

Mr. HOLMES. Good question, Congressman.

Mr. COSTA. Thank you to the gentleman for yielding.

Mr. HOLMES. Mr. Chairman, the technical assistance is essential to that, as well the consultants and engineers that put these projects together. Again, this is why Rural Development, an agency that understands these communities, and has a field staff, that is why the field staff and the core programs are so essential, because they can reach out, and work in these communities, and help them put these applications together. That is what is really going to move the needle to make all these investments that you all have made available work for rural America.

Mr. THOMPSON. Yes, maybe I am wrong, but that Circuit Rider Program has been instrumental in bringing the pieces together for the rural communities. Why do you believe, or what ideas do you have to modernize these programs?

Mr. HOLMES. So the WEP Program is a lifeline program for these communities, as I mentioned. However, with these changes, that—people moving in and out of rural America, unprecedented population growth changes, industries moving in and out, that program needs to stay competitive. SRFs have put a historic amount of money available, and consultants are going after that money, right? They see opportunities, and I don't blame them. I would do the same thing. I would go after that. But that does not leave a large pool of engineers and project development resources for rural America. I believe the Department needs maximum flexibility in making the tools available in order to make these programs work financially, frankly, for the consultants.

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

The CHAIRMAN. The Ranking Member is recognized for 5 minutes.

Ms. CARAVEO. Thank you, Mr. Chairman. Mr. Blanding, in your testimony you mentioned the healthcare economy, and how cooperatives played an essential role not only in providing critical services during the pandemic, but also strong—a strong workforce

with less turnover and higher wages. Within my practice as a doctor, I have seen the importance of strengthening healthcare services. Rural areas have 20 percent fewer primary care providers than urban areas, and 65 percent of rural counties don't have a psychiatrist, which, with our mental health crisis, is a real problem. This is why a priority of mine will continue to be increasing access to health resources, including mental health, for our rural areas.

Over the past 10 years we have seen over 130 hospital closures across rural communities, and the pandemic further exposed and underscored the healthcare disparity, as rural Americans faced a mortality roughly 37 percent higher than urban Americans over the last 3 years and were more vulnerable to serious infection and death from COVID-19. So can you speak to how cooperatives are filling this health accessibility gap, and what we should do in the 2023 Farm Bill to ensure rural Americans have sufficient access to healthcare services?

Mr. BLANDING. Thank you for that question. So this is a real example. We work in rural communities, and I will give one specific example in Alabama. Very rural population, where our organization, the Federation of Southern Cooperatives, is the largest employer with ten employees, and so it talks about what that community looks like. There are no rural hospitals within a 50 mile radius, and everybody has to go to the next city, again, 50—at least 50 miles to get healthcare. One of the solutions was to provide health services through a cooperative structure in something called the Gainesville Health and Wellness Center.

So it gives people the ability to aggregate, to organize, to own their own health, to get the infrastructure—so again we talk about infrastructure here. How do you provide infrastructure where communities can control that infrastructure, and they can call in the people they need? I think the Chairman talked about broadband as an important issue in the beginning, and so there is telehealth.

There are so many forms that we can connect the broadband and the physical infrastructure to provide telehealth and provide access to doctors, to psychologists, to whatever a community needs. But that community should lead those strategies, give them the opportunity to have that infrastructure, and to build that out where they can control and bring in the kind of healthcare that they need, regardless of what it looks like.

Ms. CARAVEO. You brought up what my follow-up question was, Mr. Blanding, and really I will open this up to the rest of the panel. Treading carefully on the area of broadband, of course, does anybody have any thoughts on what else can be done in the farm bill to improve rural health access overall, in particular expanding access to telehealth services? And if not, that is—go ahead, Mr. Blanding. It looks like you have an answer.

Mr. BLANDING. I will—I gladly jump back in here again. So, again, not only—I talked about the infrastructure, but, again there is so much critical infrastructure and resources. Flexibility in these programs is the key, I think. Flexibility, and making multi-year programs available, so that people can look at their challenges, and especially healthcare over the long-term. How do you build that, and then how do you make sure that communities are able to col-

laborate with each other? There are a number of rural doctors out there who are willing to travel and move from community to community, if they had support, and they know that there are programs that could support that kind of moving around.

I think we just have to make sure the ability through that flexibility, through that increased funding, and through, really, being intentional about connecting communities. Not just broadband, but just, again, infrastructure, and folks having the flexibility to build their own solutions.

Ms. CARAVEO. Thank you very much. Mr. Holmes, you made some really great points around technical assistance. I just wanted to open that up for the rest of the panel, if anybody has any additional ideas about how these rural communities can—how we can improve the process so that they can apply for programs. That is something that I have heard a lot from the people in my community, so just really quick, with those last 45 seconds.

Mrs. MORALES-PATE. Thank you for the opportunity. What I would like to add is, once again, emphasizing the flexibility. I think one of the things that I can—I will—been a technical assistance provider for many years. I was one of the people on the ground advancing these projects, and I will say that the shift in the last 10 years, a community that I could bring to USDA 10 years, with under 1,000 population, I would be able to qualify them, I cannot do the same thing for that community today. The challenges that we have, the limited debt capacity, all the requirements, is just an instrument—an amount—a significant number of complexities that keep communities from accessing funding.

Ms. CARAVEO. Thank you. I yield back.

The CHAIRMAN. Rather than recognize myself for 5 minutes, I will just push myself a little further down the list. We have Mr. Rouzer and Mr. Davis, have been here and attentive since the beginning of the hearing, as has Ms. Budzinski, so we will work some of them in. Mr. Rouzer, you are recognized for 5 minutes.

Mr. ROUZER. Thank you, Mr. Chairman, and whenever I see panelists who are lined up to talk about rural development programs, my life kind of flashes before my eyes. Back in 2002, working on that farm bill, some of these programs we are talking about today are ones that I was heavily involved in, in crafting. And then later, a few years later, ended up managing some of them as Associate Administrator of the Rural Business—Cooperative Service, and also served as Director of Legislative and Public Affairs at the time. Of course, they didn't pay me for both jobs. They only paid me for one. I don't know, I—who is the idiot here?

So question for you—I am going to start with Mr. Winslow. Let us assume—a hypothetical. This isn't going to happen, but just for a hypothetical, let us assume all the RUS programs are wiped out. What happens? What—how does that change your business model?

Mr. WINSLOW. Wow. Appreciate your appreciation for the RUS Program.

Mr. ROUZER. I like to give the extremes here so we know where we need to land.

Mr. WINSLOW. Yes.

So, as you can imagine, electric cooperatives that serve three meters a mile, five meters a mile, ten meters a mile, they are low den-

sity, as compared to some of the bigger RUs in urban areas. The cost of capital is very important to keeping the cost of electric service low, so a part of our responsibility for reliability is looking out into the future, making investments today for the demand that we are going to see in the future, and a stable financial outlook is important to not pass costs along to our member-owners. So the RUS program provides that stability. It has been in place for a long time. We feel it will be in place for a long time in the future, and it kind of takes the complexity of looking at—competing in the financial markets with other borrowers out of the equation.

Mr. ROUZER. Ms. Nesbitt, I am going to move to you. You had specific recommendations—excuse me, pardon me—in your testimony. Can you kind of give the reasoning for those recommendations, and are there things that need to be harmonized between our programs at Rural Development?

Ms. NESBITT. Thank you. Is this—yes. Regarding the REAP size standards, we think that a lot more renewable energy projects would be able to be financed if that affiliate rule was dropped. USDA uses the small business size standards as a default. It wasn't specified in the farm bill. So some projects have affiliate companies, and that kicks them over the threshold of the number of employees, so we think a lot more renewable energy projects could be funded if that threshold was changed to 1,000 employees, and the affiliates were not considered.

Also, talking about NEPA, we recommend that, as was enacted in the recent debt ceiling legislation, that NEPA—that—sorry, guaranteed loans are not Federal action, so we believe that NEPA does not have to be complied with for guaranteed loans. Banks, lenders are responsible for the environment. We follow state, Federal, and local laws. We don't think this additional layer of environmental review is needed.

We also—as far as our farm bill priorities, we support increasing the loan limits for REAP from \$25 to \$50 million. A lot of these projects are expensive now, these renewable energy projects, so allowing that larger loan limit would be helpful to do larger projects, with the cost of materials and whatnot. We could do newer technologies that way. We also support standalone battery storage as eligible for REAP. There is—battery storage and other types of energy storage are very important now, so we think REAP should be allowed to have those types of projects as eligible entities.

Mr. ROUZER. Thank you. Mr. Holmes, I am going to move to you real quick. Obviously, PFAS is a big issue in my neck of the woods, and around the country. But a more fundamental question, what is the average age of water and sewer in these rural areas?

Mr. HOLMES. Good question, Congressman Rouzer. I—in our Apprenticeship Program, which is supposed to take young people, and be a pipeline of workers into the industry, is 47. I think, if you look at the utilities themselves, it is upper 50, mid-50s or upper 50s, and we are training 90 year old operators out there still.

Mr. ROUZER. Yes. So obviously a lot of upgrades need to be made. There is only so much money to go around. Real quickly, are there things that can be done, in addition to dollars, that would be helpful on that front?

Mr. HOLMES. I think yes. Training into high schools, getting and establishing that pipeline in high schools is critical to get young people involved, and create this—to create a career path, and make this a profession, an honorable profession that is recognized in America.

Mr. ROUZER. My time has expired.

The CHAIRMAN. Mr. Davis, you are recognized for 5 minutes.

Mr. DAVIS of North Carolina. Thank you so much, Mr. Chairman, and to the Ranking Member. And, Chairman Thompson, while you are here, and to the witnesses, I do want to let you know that Chairman Johnson, shocker, also applies for Members too, okay? Glad to have you here, and especially our North Carolina witnesses today. I am just going to move briefly down the line, if I may, starting with Ms. Nesbitt.

Ms. Nesbitt, I have had so many requests, prior to coming to Washington, since I have been in Washington, community project funds, fire departments. What would you say—especially these rural fire departments, that are doing just amazing service in these communities. What is the greatest challenge you have seen to lending, access to capital?

Ms. NESBITT. Well, access to reasonable funding is definitely a challenge for rural fire communities. These programs are essential. The direct loan programs, as well as the guaranteed loan programs, provide that capital. USDA is a partner with lenders, and with the communities, to provide long-term financing with fixed rates or adjustable rates, longer terms that they could get with conventional loans. It is very important—have—this—these programs available.

Mr. DAVIS of North Carolina. Yes. Thank you. Mr. Winslow, glad to see you here as well today. You mentioned earlier in your testimony about the rolling blackouts that we saw in North Carolina back in December. Based on your experiences, what would you say is the greatest takeaway?

Mr. WINSLOW. The greatest takeaway, Congressman—appreciate the question—is that we had an unanticipated failure of our power system in North Carolina, and we haven't seen anything like that in a very long time. So I would say that we do need to focus on reliability and capacity for the future. It needs to be a top priority.

Mr. DAVIS of North Carolina. Okay. Thank you so much. I want to shift gears. Mr. Holmes—so recently we have done some work around the Cybersecurity for Rural Water Systems Act of 2023 (H.R. 3809). And I just would love to hear from you, how would this bill help rural communities and water systems, in your opinion?

Mr. HOLMES. Thank you, Congressman, for your leadership in this area. It is—it is critically important. Our systems are just not prepared for cyberattacks. Small rural—and I would argue many sectors are not, but small rural systems have so much on their plate. They are volunteer Boards of Directors. Sometimes there is one operator, or two staff people. They are not—they don't have that expertise to prepare against cyberattack. So your bill, what that will do, is expand the Circuit Rider Program to create a cadre of experienced cybersecurity specialists that can go on site and help these systems assess the threat and provide a plan to fix it.

Mr. DAVIS of North Carolina. Thank you so much. And then my last question I would like to direct to Mr. Blanding. Mr. Blanding, you have mentioned quite a bit about technical assistance. Based on your experience, I am just curious, what would you say if you could group or categorize the type of technical assistance that is most needed, based on your experiences, to help those in particular in disadvantaged communities?

Mr. BLANDING. Thank you for the question, Congressman Davis. So, again, this work is much bigger. Your job, as Congress, is to protect our air, our water, and our soil in this country, and we all—all citizens have to work together to do that. But so many times people in rural communities don't have that training, that capacity, those resources to build—the expertise to do them things for themselves. This problem won't be solved by anybody swooping in doing anything. It will be about people in communities left with the ability, with the expertise, to do things for themselves.

So it is about capacity-building around training the trainers, making sure that a community can identify the things that they need, and then get the training to do the things that they need. So capacity building, it ranges—that technical assistance ranges, but it is centered around capacity building so the expertise needed in every community is left in that community.

Mr. DAVIS of North Carolina. Okay. Thank you so much to all the witnesses for your answers today. We moved along. Mr. Chairman, I yield back to avoid the shock.

The CHAIRMAN. Yes. The chair will be recognized for 5 minutes. Thereafter, Ms. Budzinski will have 5 minutes, and then she will be followed by a gentleman who looks as striking and gallant as his portrait on the wall, Mr. Lucas.

So, I will start with Mr. Winslow. I observe, sir, that D.C. is a town that too often is excited about things that are sexy, even if they are not important. Reliability is decidedly something that is important, even if it is not sexy. And certainly, as a former state utility regulator, I observe that people did not focus enough on reliability. In response to Mr. Davis's question, you noted how important it is, but go just a little bit deeper. Within the Rural Utilities Service, are we focusing enough, whether by culture, or procedures, or by rules, on making sure the dollars flow toward projects that do indeed improve the reliability of our grid?

Mr. WINSLOW. So, I appreciate the question, Congressman. I will say, short answer to the latter part, no, I don't think we are focused enough on reliability. And, to the extent that an electric cop is accountable to its members—so Brunswick Electric is accountable to our member-owners for reliable service—there are threats to that. It is not—we are not able to just sit and silently observe the conversation on resource. Obviously, we need to be part of it. And I think that is pretty acceptable to our country. Everyone can agree that reliability is important.

So, to that extent, the technologies of the future will not be the technologies of the past, but we are all on a path to keep reliability in this country, and I think that we should support those that are in the long game to provide that, including electric cooperatives, those are tasked and accountable to the member-owners to provide it.

The CHAIRMAN. And for so many of us who live in rural America, we understand—particularly in the northern states, we understand—although I guess southern states get hit by ice storms too. I mean, you can have major weather events that can bring down a lot of distribution lines, and that is disruptive. And, God love the linemen who go out and work in really inhospitable conditions. But I think if you move further up the delivery system, and you start to get to some transmission lines, if you don't invest in those kind of reliability assets, you can have much, much larger disruptions. Am I wrong about that? I mean, give us a little more color commentary on how big these problems can be if we under-invest.

Mr. WINSLOW. Sure. So, speaking about replacement—and let us talk about replacement of our resources to those that will be the technologies of the future. It is important that when you replace, you replace things with the same characteristics. Otherwise, it is a substitution. So if we have characteristics with some of our conventional generation sources that are reliable, we need to look at replacing them with reliable resources. And that does include transmission. As the grid becomes less centralized, and spread out over the systems, a reliable transmission backbone is also critical to reliability.

The CHAIRMAN. So, Mr. Holmes shifting to you, you mentioned in your testimony the importance of having programs that support and value regionalization and consolidation. I want to—one of our recommendations was allowing strong systems to apply for dollars to serve areas outside of their system that are maybe not particularly well-served with infrastructure. How do we think that supports the idea of regionalization and consolidation? I am concerned that, if not deployed right, it could actually do the reverse, which is—rather than have systems voluntarily come together, it would create tools that would stand in the way of that cooperation. Am I wrong?

Mr. HOLMES. Thank you for the question, Mr. Chairman, and no, you are not wrong. I think the devil is in the details with this, which, in the written testimony, we have laid out some of those. The keys to our recommendation—this is voluntary on behalf of the underserved community. Really, the problem that it is trying to address is a Board of Directors that is running a well-run utility, and is looking to take on substandard infrastructure. That is sort of against their fiduciary responsibility. That is going to add a burden to their existing rate payers. So our proposal is to provide a financial incentive for that better-run utility to, essentially, get a grant/loan combination only to benefit the new customers that are being brought in. It is a financial incentive.

The CHAIRMAN. Yes. I see. So this would be as part of a transition into a cooperation/consolidation/regionalization plan. That makes a ton more sense. Thank you very much. With that, I would yield back, and Ms. Budzinski, you are recognized.

Ms. BUDZINSKI. Thank you, Mr. Chairman, and thank you to the Ranking Member, and it is great to have all of you panelists with us here today. Since I joined Congress, I have really made rural development one of my top priorities, I know, with a lot of my colleagues serving on this Subcommittee. And I am looking forward

to exploring a range of topics with you today. First I would love to start with RESP, if I could direct this question to Mr. Winslow?

The Rural Energy Savings Program, RESP, provides zero-interest loans for energy efficiency upgrades to rural houses. The benefits of this program are numerous, from providing welcome upgrades to our rural infrastructure, reducing energy usage, to lowering energy bills for our residents, which I know is a very important issue for the constituents I represent.

Just last week, alongside Assistant Leader Clyburn and Senators Murkowski and Welch, we introduced the Rural Energy Savings Act (H.R. 3849), which would increase the grant components of this program and authorize RESP for the next farm bill. I speak with the Illinois co-ops in my state regularly about the importance of these additional resources for rural communities. And so, Mr. Winslow, can you briefly explain how funding is administered through this program, and why a grant component may be a necessary addition as this bill that was just introduced last week proposes?

Mr. WINSLOW. Sure. Thank you, Congresswoman.

Ms. BUDZINSKI. Yes.

Mr. WINSLOW. So, co-op staffs across the country are fairly small, and there is really no economic return or incentive for cooperatives to take on some of these programs for the cooperative itself. We see the connections, we facilitate the connections, and then we see the benefit to the communities. Therefore, RESP, as well as any of the other programs, have an administrative burden, and a lot of times there are applications, and re-applications, and it takes a lot of time. So I would say 100 percent support for a grant portion to help the—those administrative burdens, and kind of offer some more resources to the co-op to get the funding.

Ms. BUDZINSKI. Okay. Thank you. My next question is for Ms. Bowman. Turning now to the bioeconomy, my district produces the most amount of biofuels in the State of Illinois. In your view, what needs to be done to ensure rural communities benefit from the growth and investment in our domestic bioeconomy? Are there gaps in U.S. biomanufacturing that can be addressed over these next 5 years?

Ms. BOWMAN. Yes. Thank you for your question. And there is a significant challenge that the bioeconomy is facing in the lack of pilot and demonstration-scale facilities. There is an amazing pilot facility in your district at the University of Illinois, but their schedule is full. And there is increasing demand for that facility, and other facilities like that, and it is just not available here in the U.S.

And then the further challenge is, once a startup has gone through the sort of pilot phase, they want to move up to the next scale demonstration phase, and there is a real significant lack of that infrastructure, which is forcing companies to go to Europe, or elsewhere, where they have invested in their infrastructure. Though—so those facilities are available. So we are now putting at risk that American innovation not coming back to the U.S., or that company not being able to sort of hang on, to go to Europe, and that company doesn't go anywhere. So there is a real need for more facilities like IBRL (Integrated Bioprocessing Research Laboratory)

and—around the country, along with the next sort of phase up in demonstration scale.

Ms. BUDZINSKI. Thank you very much. And I have one additional question, and this last question is for Mrs. Morales-Pate. I would be remiss if I didn't mention that I am currently working with Senator Gillibrand on reintroducing the Rebuild Rural America Act of 2023 (S. 2155/H.R. 4239), which was—which would fundamentally transform how we assist rural communities and prioritize revitalization. One of the biggest changes we have been making is an effort to really beef up technical assistance, which we have been talking about today, and capacity building. Your testimony covered the need for more robust national, multi-state technical assistance, and I think you have touched on this a little further. Can you tell us more about why this is so important again, and why it is needed?

Mrs. MORALES-PATE. The multi-year technical assistance is very important because the majority of the work that we do in assisting communities developing projects are multi-years. And so it is very important that we stay with the communities for the duration of these projects. You have to keep in mind that average community that we work with is—population under 1,000. More often than not, we work with volunteer members, and so that consistency, it is very important, the consistency through the duration of the project.

Ms. BUDZINSKI. Thank you so much. I yield back. Thanks.

The CHAIRMAN. After Mr. Lucas, Ms. Gluesenkamp Perez will be recognized. Sir, you have 5 minutes.

Mr. LUCAS. Thank you, Mr. Chairman. Over the years the inefficiency in Federal permitting process have slowed down, and in some cases completely halted infrastructure investments and improvements across the country. These lengthy environmental reviews increase the overall cost of any projects and cause significant project delays. Congress responded to those concerns by including language aimed at streamlining the NEPA permitting process in the recently passed Fiscal Responsibility Act (Pub. L. 118-5). So I turn to you, Mr. Wilson. Can you speak to how these reforms will benefit electric cooperatives across the country?

Mr. WINSLOW. Sure. The reforms that modernize or streamline this permitting process as it changes hands through different departments cuts down on delays. And, of course, cutting down on delays, and the resources needed to push projects through that process, are also costly. So, as a cost-saving measure, we would definitely support reforms to that process.

Mr. LUCAS. But you have found the present system, prior to attempts at reforms—which have not been fully implemented yet, but you found those things to make your process much more complicated, correct?

Mr. WINSLOW. Correct.

Mr. LUCAS. Okay. Ms. Nesbitt, how will these reforms impact your industry? And I would also welcome any thoughts from—the rest of the panel may have about how USDA should implement the recently passed provisions.

Ms. NESBITT. Thank you for the question. We do think that it will improve the process of getting these loans and the capital out to rural communities. It is a very lengthy environmental review

process, sometimes can take over a year, and you have a small business owner, or a local government, a Tribe, waiting for this money, and it is being held up due to the environmental review. And as I mentioned earlier, our banks do comply with local, state, and Federal environmental rules, and this NEPA process is just an extra layer.

Mr. LUCAS. And, again, to the rest of the panel, I would address, the goal is not to do away with NEPA, but to try and speed the process up to provide some additional certainty. Would anyone else care to touch on that, how it is impacting your part of this equation?

Mr. HOLMES. Congressman, I think it is essential for the water sector. The supply chain issues, the cost of pipe, and chemicals, and projects, it is just changing so rapidly that if the process is delayed, those costs aren't even—the project has to be re-bid. So some of these projects are not being developed because of those delays.

Mrs. MORALES-PATE. Congressman, I would like to add to that that, right now, we probably have 90 percent or higher projects that have a shortfall—a significant shortfall, and a lot of it has to do with the permitting process, and all of those things, so that is impacting the ability for communities to be able to benefit from those projects. In addition to that, the costs of projects are escalating, which means that sometimes we have to come back and restart the process, or fund—or find a bridge loan, or some other type of supplemental funding, to be able to complete a project, and so it is having a tremendous impact, especially in small communities, where we have already met the debt capacity.

Mr. LUCAS. Yes. I guess continuing with you, Mr. Holmes, the Circuit Rider Program has been beneficial to many rural communities since its creation in the 1980s. In your testimony you talk about expanding the authority under this program to better respond to modern problems. Could you provide us with some examples of why these additional authorities are needed?

Mr. HOLMES. Yes, sir. Thank you for the question. We briefly discussed cyberthreats earlier, and just—small rural systems in Oklahoma are simply not prepared for this. The current circuit rider workforce is an excellent, boots on the ground workforce, but they do not have that expertise. We have partnered with organizations that are doing education and awareness training for both our members and the circuit riders, but you really need some dedicated individuals who both understand water utilities and cyberthreats, because you know that water utilities are all unique. They are all built—unlike, unfortunately, some of the other industries here, if you have seen one water utility, you have seen one water utility, and there are 50,000 of them.

The emergency response provisions that are in there for the Circuit Rider Program, and my written testimony too, is something our circuit riders are good at, and work on now, but there are burdens and barriers to provide the kind of ongoing support to truly respond and recover from disasters.

Mr. LUCAS. And once again, just for a moment, reinforce for the benefit of all of us here, most water districts are, as you said, voluntary boards, very limited staff. These circuit riders are expertise

people who go around to a variety of water districts on a rotating basis to provide information, correct?

Mr. HOLMES. Yes, sir.

Mr. LUCAS. With that I yield back, Mr. Chairman.

The CHAIRMAN. After the gentlewoman from Washington it will be Mr. Nunn from Iowa. Ms. Gluesenkamp Perez, you are recognized for 5 minutes.

Ms. PEREZ. Thank you, Mr. Chairman. I got some really good advice, meeting with community members, and they said do something about water and sewer costs. It is something that touches every family in my district. These are fees that are sometimes reaching \$170 a month, which is really profound in working families. And so, when I was reviewing requests for Congressional funding projects, I really put a focus on municipal water programs.

And over and over what we are seeing and hearing from people operating these is that they are often past the recommended lifespan. They are undersized, they are on the brink of collapse. And, really, this failing infrastructure is endangering the health—I mean, listen, like, hepatitis is real, you—and it is something that we could be dealing with. So these municipalities are forced to implement band-aid solutions, or take out huge loans they cannot service, and communities are facing real health risks as a consequence.

One complicating factor is that I am in southwest Washington, so that is all along the Columbia River, and the ocean—the Pacific Ocean, so the water table is very, very high. There is a lot of artesian wells, and deeply complicates, there is not a one-size fixes all approach here. So, Mr. Holmes, from your perspective, are the available Rural Development water programs sufficiently flexible to account for these kinds of regional differences?

Mr. HOLMES. Thank you for the question, Congresswoman. You just made our case more eloquently than I could. They do the best with what they have, and it has been an excellent, longstanding program. But, again, we are dealing with so many new challenges in the water sector. It has changed out there in rural America, and these folks are struggling, with the small resources they have, to adapt to these changes.

That is an excellent example that you brought up with the shallow water table, that engineers are dealing with unique situations all across the country, and it is costly to do these things. That is why our modernization of RD programs, RD tools, recommendations we have in our testimony, we believe is critical, because those—financing—affordable financing options, and additional servicing options will help address the exact issue you raise of affordability.

Ms. PEREZ. Thank you. I would also like to talk a little bit about the workforce challenges you all are facing. I was excited to hear about the apprenticeship model you developed for water and wastewater systems operators. These types of programs are essential to building strong economies, resilient economies, especially in our rural communities. In addition to the financial resources you mentioned, what kind of long-term investments can we make to help you, and others who are developing these programs, be successful in small and rural communities?

Mr. HOLMES. Thank you for that question. The—raising the level of the workforce—I mentioned it earlier. We are trying to provide a career pathway, but we are also trying to make safe water professionals and clean water professionals a recognizable career for America. It is not there. They are not being paid close to what they should be paid. They are the most important, one could argue, public health official in these rural communities because what they do touches the public health of every single resident every single day.

So I think even just raising that recognition, and advancing that conversation, is critical. We are trying to do that through the apprenticeship program. This is a long view. We are looking at this as a 20 year model to take where we are now, and there are many, many things that the Committee could help in order to advance this over the coming years.

Ms. PEREZ. Well, I want to sincerely thank all of you for the work that you are doing, keeping the wheels on the bus, keeping our—many of our rural communities intact and thriving, so thank you, sincerely. I would also like to take a quick minute to talk about how Rural Development programs can better support childcare in rural communities. It is almost impossible in many rural communities—my husband and I drive almost 4 hours a day to get our child to daycare, and before coming to Congress, we actually brought our child to the auto shop with us, which is whole—another can of worms.

But I recently introduced a bill expanding childcare in rural America, which directs the USDA Rural Development to prioritize projects under six RD programs that address the availability, the quality, and the cost of childcare, so I would love to talk to any colleagues who might be interested in pursuing some of these solutions with me. Mr. Chairman, I yield back. Thank you so much.

The CHAIRMAN. I had just announced earlier that Mr. Nunn could go next, so, Mr. Nunn, you are up, and Mr. Langworthy, my apologies for getting Mr. Nunn's hopes up before your arrival. Mr. Nunn, you are recognized for 5 minutes, and, Ms. Crockett, you will be thereafter.

Mr. NUNN. Anytime I can share the clock with a man from the Empire State is a privilege, so thank you, Mr. Chairman. Mr. Chairman, compliments, we are dealing with everything from commodities markets, digital assets, to rural development. There is a lot to get through here in 5 minutes, so we are going to jump right into this.

Mr. Holmes, appreciate everything you have highlighted. You have seen one water system, there are 50,000 out there that you have not seen. Challenge that we have, with a background in cybersecurity, hackers accessed the California water treatment plant's computer system recently and deleted critical information. Just 1 week later a second water treatment plant in Florida was hacked. In this case, the hacker accessed the plant's software program, and drastically increased the amount of sodium hydroxide from 100 parts per million to over 11,000 parts per million.

Now, this type of attack not only is very dangerous, it could be deadly, and in our rural communities, the Circuit Rider Program is set up to help address a number of the concerns. Talk to me spe-

cifically what can happen to a rural water plant, how it can decimate particularly our rural community if a cyberattack occurs.

Mr. HOLMES. Thank you, Congressman, and thank you for your leadership on the cyber issue. That—rural communities are vulnerable. We mentioned earlier they are simply not prepared to address cyber threats. We believe that this should be a shared responsibility. Consulting engineers, and folks that are building these systems, frankly, are installing SCADA (supervisory control and data acquisition) and remote system controls that are not cyber-prepared. However, all of that responsibility falls on one person, often, in these utilities. Fortunately, in the case in Florida, that one person noticed, finally, that those controls had been changed, but if they had not, that would have been a dramatic threat that would have impacted public health.

Mr. NUNN. I think you absolutely nail it on the head, and this is why Representative Don Davis, my colleague from North Carolina, a Democrat, and myself, as a Republican, on this side of the aisle, have said this is a bipartisan issue, it is something we need to tackle. And the hope here is that, with this type of legislation, that one person isn't on the hook for trying to identify everything. They can reach back into a system that can be provided so that you have the expertise at the time of the emergency to truly go after and address these. I appreciate your leadership in helping craft that legislation. Hopefully that is something see move forward.

Mr. Wilson, I want to talk a little bit on the electric grid here. We talk a lot about uncertainty in this Committee, largely since that is the nature of agriculture. One cause for concern here is the reliability of our electric grid. In your testimony you explained how the Rural Utilities Service programs are providing reliable and affordable electric services, particularly to my folks on Rural Route 1. Moving forward, how can we best prepare for future demands of a robust electric grid?

Mr. WINSLOW. Great question, Congressman. The RUS program is fundamental to infrastructure investment for cooperatives in rural America. Aside from that, any tools in the toolbox that gives us accessibility and flexibility to funds that can diversify our power supply mix into the future, and meet our demand, our important as well. At Brunswick Electric, we rely on firm, dispatchable resources, those being nuclear and natural gas, but the technologies of tomorrow might not necessarily be the ones of today, and we are looking to be diverse, and minimize our risk, in terms of financial risk, or reliability risk into the future.

Mr. NUNN. Very good. One of the things in my State of Iowa that is so important is rural infrastructure. It is that farm to market road, it is the bridge, it is the investment that my concrete guy is making, it is the investment that farmer is making on building a new facility. With that, I am also from a little place called Des Moines, which has one of the largest financial institutions in the world. Doesn't matter whether you are a community bank or a local credit union. One of the obstacles they have shared with me time and time again is the time it takes for a loan to be approved.

Now, Ms. Nesbitt, one of the things I would like to ask you is—farmers have experienced inconsistent loan approvals from state to state. Does the National Rural Lenders Association share these

concerns, and if so, what impact is it having on borrowers right now for building those core things that we need?

Ms. NESBITT. Thank you for the question. We do share those concerns, just throughout the Federal Government. USDA Rural Development has attrition programs, retirement, experienced people who are no longer with the agency. So there are many states and local offices who do a wonderful job processing applications. If some of those best practices could be replicated in other states, and working on operational efficiencies while taking on new programs is also a concern. But we stand ready to help in any way we can to suggest solutions for that.

Mr. NUNN. I appreciate that. I also want to thank you in particular here. Some of the program and flexibility you have incorporated into the Biorefinery Assistance Program, hugely helpful for my soy and corn growers back in the great State of Iowa. Thank you, Mr. Chairman. With that, I yield my time.

The CHAIRMAN. After we hear from the gentlewoman from Texas, we will hear from the previously slighted Mr. Langworthy. Ms. Crockett, you have 5 minutes.

Ms. CROCKETT. Thank you, Mr. Chairman, and thanks to all the witnesses for your time today. I am glad we are finally coming around to rural development. And most people don't realize, because I currently serve Dallas, that I actually lived in east Texas, so I know a little bit of something about rural America, specifically rural Texas. I was living outside of Texarkana, where I would wake up, and I could smell the paper mill. Not something you want to smell when you are waking up, let me tell you. Nevertheless, there are so many issues in here that really are a matter of life or death for our rural communities. I am particularly concerned about food deserts, broadband access and economic development and rural communities, and look forward to working with my colleagues to address these issues.

Just to make sure we are all on the same page, nine out of ten food deserts are in rural counties. But what does that mean? If you live in a food desert, you have to travel unreasonably far to access fresh, healthy foods, and so many people just don't and can't. The result is that people living in food deserts are 30 percent more likely to suffer from obesity, more likely to suffer from chronic illnesses, and are 14 percent more likely to wind up in a hospital. So I think we can all agree that we have to do something to get rid of the food deserts.

We have to act because large stores aren't opening in these communities because they can't maintain their profit margins, and small stores don't have the money needed to build and open a new place. So, in my mind, there are two ways we can address this in the farm bill. Either we should allow grocery stores to apply for Federal loans to build these critical community facilities, or we should increase the delivery options people in these places have to get healthy foods brought to them. So, Mr. Blanding, if we were to consider expanding the community facilities loans, would that allow grocery store co-ops to start bringing food into food deserts?

Mr. BLANDING. Thank you for that question, Congresswoman. And I am originally from Alabama, in Montgomery, Alabama, right down the road from Prattville, where there was also a paper mill,

and I woke up to that smell also, but unlike you, we enjoyed it. We knew there was something going on when we smelled that. So I think one of the biggest options, in terms of these food deserts, is cooperatives. Giving people the ability to access resources to build their own grocery stores. Because what we know is that food deserts are not just food deserts. They are also health deserts.

Ms. CROCKETT. Yes.

Mr. BLANDING. They are also educational deserts, they are income deserts.

Ms. CROCKETT. Yes.

Mr. BLANDING. They are just deserts overall. And making sure that we connect all those issues together, and, again, giving people the ability to build the solutions to those problems. Again, that is what we talk about when we talk about investing in infrastructure.

The Congresswoman—the Congressman talked about these reliability assets, from a standpoint, but when we look at reliability assets, we have to look at people as a part of that also and really building the capacity of people.

Ms. CROCKETT. Yes.

Mr. BLANDING. People getting the kind of education and training back to that TA that the original question was about. People building their capacity to address their own issues. And we think cooperatives are the number one way to do that, where people can aggregate where they have limited resources, limited talent, or limited whatever, to build that power to do that. So investing in infrastructure, but investing in people, investing in the ability for people to develop cooperatives to address every issue in their community, including the food desert issue.

Ms. CROCKETT. I appreciate that, and I appreciate you connecting the dots, because you are absolutely right. It is not just going to be limited to the food. It affects the health, which is why I brought up the health outcomes, as well as the economic opportunities and so forth. So—another issue that we have, though, is broadband access in rural America, and so—this limits farmers' access to precision agriculture technology that would improve crop yields, and protect our environment, and limits the ability of researchers at our land-grant universities to do their jobs, and that is—isn't even the half of it. so, Mrs. Morales-Pate, could you expound on the need for additional investment in rural broadband?

Mrs. MORALES-PATE. I don't really—RCAP doesn't really move in the rural broadband space. We don't have as much work there. But I can say—and we were told that we were not going to have a lot of conversation around this topic, but I will say that it certainly makes a big difference for our communities to be able to access broadband, to be able to connect, to be able to have jobs. One of the things that we see in our communities, our rural communities, is that they are dormitory communities. They are dorm communities. That means that people are commuting to the larger urban centers to work.

Ms. CROCKETT. Yes.

Mrs. MORALES-PATE. Broadband gives them the ability to stay in their communities and work from them, minimizing impact to infrastructure, and things like that. It also allows the opportunity grow more jobs in rural spaces, which is one of the things that we

need to do more of. We are seeing the migration in—across the country since COVID, and we would like to be able to keep advantage of that.

Ms. CROCKETT. Thank you so much, Mr. Chairman. I will yield back.

The CHAIRMAN. Mr. Langworthy will be recognized for 5 minutes, and will be followed by the gentleman from the First District of Illinois.

Mr. LANGWORTHY. Thank you, Mr. Chairman, and Ranking Member. I think every Member of this Committee has seen firsthand how tight the current labor market is, particularly in rural communities, with too many vacancies and too few applicants. Meanwhile, many individuals have taken out thousands of dollars in student loans for 4 year degrees. But too often the degrees don't have the return-on-investment that was expected. I appreciate the focus today on the potential to expand workforce development under Title VI, and I believe it is vital that we change the paradigm on what it means to develop our nation's workforce, particularly in our rural communities.

And with that, Mr. Blanding, as it relates to rural economic workforce development, I want to talk about the Rural Cooperative Development Grant Program, the RCDG. Since its inclusion in the previous farm bill, from 2018 to 2022 this program has created over 3,000 jobs, and has saved almost 5,000 jobs, and has created 300 new businesses. How can we, as policymakers, improve upon programs like the Rural Cooperative Development Grant Program, and continue to support workforce development, and preserve our rural businesses?

Mr. BLANDING. Thank you for that question, Congressman, and I think that is the crux of the matter. And, again, we talk about really looking at rural communities, where you—whether the—you can bring the community together to really identify the gaps in that community, but more importantly the asset. In these rural communities, they are really the lifeline of our nation. One asset for this country is forestry, as one example, and a lot of trees are in these rural communities.

And if you just look at that, there is a lot of opportunity for people to have workforce development around that, around looking at the forestry industry, agriculture. But every part of that community, really understanding the assets in it, building the labor force around that, educating our folks so they understand the community as an asset, as opposed to a liability. So I think investments in those communities, where we look at the community, what is in it now, and build the infrastructure around that. And so I will give you a real example.

Right now too in Alabama we are working with a—with youth to really learn how to operate machinery to harvest trees in their community, to build—to continue to build part of that agroforestry industry that is already there, but they are just not participating in it. In Texas, in a—in a—right on the coast, fishermen coming together to really build their own docks to control their catch and build income around that.

There are so many opportunities if people are able to be part of the infrastructure, to be able to aggregate as cooperatives, as one

example, because, again, when you look in these rural communities, you are looking at small land ownage. You are looking at limited resource folks, and cooperatives give them the greatest tool to aggregate, but to build business around what is already there, create income, and look at the job growth market from that standpoint.

Mr. LANGWORTHY. Thank you. Now, Mr. Holmes, we are constantly hearing about shortage of qualified workers in several industry sectors, particularly in rural America. In your testimony you mentioned that, according to employment data, 50 percent of individuals in the water industry will leave the workforce in the next 10 years. This gives all of us some cause for concern, as these systems remain vitally essentially for rural communities. While I know NRW's Apprenticeship Program has proven to be successful and has provided some relief in educating and upscaling individuals for water and waste job opportunities, I know there has been some concern about its ability to be flexible and meet the needs of certain rural communities. Can you describe these drawbacks for this program, and what can Congress do to ensure that it meets the workforce challenges in rural America?

Mr. HOLMES. Thank you for the question, Congressman. As you know, the vast majority of the country's small community water systems are small, have very limited staff, sometimes only employing one full time, or even part time, paid operator. These limited economies-of-scale and technical expertise are compounded by the workforce issues, the scarcity of operators wanting to work in these areas, increases the difficulty of them to comply with the Safe Drinking Water Act, and serve safe and clean water.

Unfortunately, our apprenticeship model is hindered by this because there is no capacity at these systems to provide on the job training or mentoring for these folks. They really can't even take on somebody to—on a part time or a full time basis to transfer their knowledge for the next generation. It is kind of unique to these communities because, unlike other folks here, our folks are so small, and they are doing so much with so little. It also prevents their access to the workforce system, the workforce funds. So what I think Congress could do is provide additional resources for training and mentorship outside of the Apprenticeship Program for these communities.

Mr. LANGWORTHY. Thank you very much, and my time is little, so I will yield back.

The CHAIRMAN. Thank you. We will have Jackson, followed by Rose. Sir, you are recognized for 5 minutes.

Mr. JACKSON of Illinois. Thank you very much. I am a big advocate of your work, Mr. Blanding. Thank you for your service. I would like to thank all of the Members and all the persons that have come out today to give your testimony and share your experiences. Mr. Blanding, two things I would like to bring to your attention. In your testimony you highlighted the need to invest in historically underserved communities. Let me be more specific. As it relates to the African American farmers, they have been excluded, denied, locked out, left behind. What can we do, as Members of Congress, to help ameliorate this bridge, make things better going forward? We can't relitigate everything in the past, but what are

the impediments that we can focus on now that, after we have many good intentions, we will still have some hurdles and blockage that we need to overcome?

Mr. BLANDING. Congressman Jackson, thanks for that question. There is a historical issue when it comes to underserved communities, and particularly Black communities. That was shown in the *Pigford* class action lawsuit, where USDA was shown to have been discriminating against Black farmers for years. But there are repercussions that have happened to that for years, and many of those things are still happening, and even when they are not happening, the perceived issue around that is real.

So these communities have been under-invested in for centuries, so I think there is going to have to be real investment in all of our underserved communities, and particularly in Black communities, where it comes to the lack of access of credit, and the impacts of—even when there was bad credit decisions made, in terms of how lenders have approached those communities. So really looking at debt relief issues, looking at targeted investments in these communities, whether it is infrastructure, whether it is capacity building. But, again, I—understanding that community has dealt with a number of issues historically, and many of them have been proven, and making targeted investments in that, and making sure there is a part.

But more importantly, looking at this as a bigger issue, again, we think about this from the standpoint of our nation. Our nation is only as strong as its weakest citizens, and really making sure that we make the kind of investments in every part of our country, and particularly those counties are the weakest, that have been disadvantaged for years, to make that there is equity, and getting them on par so that they can be a part of the solution. Whether it is healthcare, whether it is climate change, whether it is energy independence, whatever the issue is in our nation, every community, every part of the population has to be a part of the solution, and the only way they are is to reinvest in every part of it. And some parts of it, including the Black community, need the investment to get on par, need extra investment.

Mr. JACKSON of Illinois. Thank you so much. The second thing is regarding the outlook of automation. Automation is coming through many of these belts at a furious pace now, and we are going to look at a huge displacement of workers in the next 6 to 7 years, by 2030. Any thoughts, recommendations, you would have for us?

Mr. BLANDING. Yes, and thanks again for that question, Congressman. And so—this issue is making sure that many of our communities, especially rural communities and underserved communities, are not left behind as automation, or any technology comes forward. And we have to, again, always look at the profile of many of our folks. And I will use Black farms as one example, because I know that best. You are talking about the majority—80 percent of them in the South. You are talking about 90 percent of them who are farming on less than 100 acres. And so in the—access technology, or any automation, you have to have scale. And, again, that brings the opportunity to look at cooperatives.

So, again, I want to stress the importance of the ability of co-operatives to be a part of the solution in our country as it comes to any issue, and especially automation. And so how do we make sure we move co-op development in every part of the rural development—the farm bill titles, and especially rural development, but also make sure it permeates beyond that? So making sure that we really look at the profile of our communities, and the potential of them being left behind, and what are some of the solutions? Again, we think one of the major ones is the ability to organize cooperatives.

Mr. JACKSON of Illinois. And, for the record, I would like people to know that these are current cases that are being settled on discrimination in Mississippi from last year, for 2022. Can you elaborate on that, please, of the most recent cases of discrimination with African American farmers?

Mr. BLANDING. Well, Congressman, it is an ongoing issue, and it is an issue that is currently being addressed in—as part of—that was being addressed by the American Rescue Plan, and now the Inflation Reduction Act. Right now issues are dealing around Section 22006 and Section 22007 of the Inflation Reduction Act, where we are looking at discrimination in all of our communities wherever they exist to make sure that people are being—that these issues are being addressed. So they are being addressed all over our nation as part of the current legislation.

Mr. JACKSON of Illinois. I look forward to working with you. I yield back my time. Thank you, Mr. Chairman.

Mr. BLANDING. Thank you, sir.

The CHAIRMAN. To our witnesses, you have been at it for, like, an hour and 45 minutes. You are doing great. I know it feels like the baton death march of sitting here and being pummeled with questions, but so far nobody has embarrassed themselves or their associations, so congratulations. We will go to Mr. Rose, and thereafter the gentlewoman from Oregon.

Mr. ROSE. Thank you, Chairman Johnson, and Ranking Member Caraveo, for holding the Committee, and thank you as well to our witnesses for being here. Mr. Winslow, in your written testimony you talk about the fact that Brunswick Electric Membership Corporation is working to: “integrate more renewable power sources.” In your opinion, is there any way for electric co-ops to drastically increase their use of renewable power resources without ultimately relying on increased use of nuclear power?

Mr. WINSLOW. Thanks for the question, Congressman. So I think there is an important distinction between resources that are energy-based and those that provide capacity, and base load generation. And there is no good or bad to any of the—those sources. They all have their place in the power supply portfolio. When it comes to the replacement of base load generation, an important part of replacement is that the characteristics of the new technology match those of the old technology, in terms of reliability. So, in that test, some of the renewable sources are intermittent. They are good energy resources, so they can replace some fuel, but they did not provide the base load that some of the more firm and dispatchable resources provide.

Mr. ROSE. And in your electric co-op today, what percentage of the power that you distribute comes from nuclear sources?

Mr. WINSLOW. It is about—over 50 percent, 55 percent.

Mr. ROSE. Interesting. And have you explored the new nuclear, the small modular reactors, using generation three technology? Is that something that you are looking at, or your suppliers?

Mr. WINSLOW. So further up the chain, in our fully integrated part of the country, there—there is a lot of discussion about advanced nuclear and small modular reactors in the industry. And, in my personal opinion, from being involved in a lot of those conversations, is that we will see those technologies merge within the next 10 years.

Mr. ROSE. In fact, do you think it is possible to achieve the carbon goals that some have without depending on nuclear energy, greater reliance on nuclear energy?

Mr. WINSLOW. Well, I will reflect, what we, as a trade organization, believe is an approach that involves all resources is necessary. And that varies greatly across the country and is pretty much a function of geography. So, in our part of the country, we are very heavy in nuclear. Other parts of the country, they don't have the ability to rely on nuclear like we do.

Mr. ROSE. Thank you. Mr. Holmes, the 2018 Farm Bill expanded the eligibility for guaranteed loans through the Water and Waste Program to communities of less than 50,000. Have you seen an uptick in newly eligible communities taking advantage of the program?

Mr. HOLMES. Thank you for the question, Congressman, and Mr. Chairman, I will endeavor not to screw this up. This program is underutilized, historically. As you know, I think last year, FY 2022, they—only eight loans were made under the water programs, under the \$50 million loan authority. One alteration that was attempted almost 2 decades ago was to amend the Tax Code to allow USDA to guarantee tax-exempt financing. That is prohibited by current law. Certainly that change would score. However, this is the only modification that we are aware of that will significantly increase the Water and Waste Disposal Guaranteed Program, especially for larger communities.

Mr. ROSE. Okay. Any other ideas about how we could ensure communities take advantage of the program, and maintain viable waste and water systems?

Mr. HOLMES. For the guaranteed, no, and we have been having extensive discussions, including with Committee staff, in order to do that. It is just—and we will continue to do so.

Mr. ROSE. And in the remaining seconds we have left, Mr. Holmes, Mr. Nesbitt, in one of my communities back in Tennessee, I saw the unfortunate situation where USDA Rural Development financed two water treatment facilities in the same community. And as that advanced, there was a fair amount of political discussion around it, as you can imagine. But I am just wondering, do we need to revise the criteria that is applied? Clearly commercial lenders would not finance two competing facilities that would more than supply a community, and yet in this case that happened. And we are out of time, so I don't want to ask the Committee for their

indulgence, but you might respond to that, if there are changes that need to be made.\* Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Very good. Ms. Salinas, and thereafter the gentleman from Ohio, who informs me he is kind of a big deal, will be recognized. So, ma'am, you have 5 minutes.

Ms. SALINAS. Thank you, and I thank the Chairman, and the Ranking Member, for today's hearing. And I know some of my colleagues have already gone over the technical assistance issue, but I just want to revisit this. As we all know, the farm bill provides critical resources for economic development, climate resilience, and infrastructure projects in our rural and underserved communities. However, the requirements for accessing funds, raising matching funds, and navigating the complex web of programs pose significant barriers to our smaller communities.

And many rural communities have limited staff, expertise, and networks to apply for and actually receive grants, or to even know about the potential Federal opportunities in the first place. And then, when they do compliance on the back-end, is then an issue. Small farm towns in Oregon often don't have grant writers, city managers, or attorneys on retainer, and they remind me consistently of that fact during our listening sessions.

So, in my view, this upcoming farm bill should make badly needed investments in capacity building and technical assistance programs that would help rural communities do two things. One, identify, and then two, leverage those Rural Development grants, and other Federal opportunities, including the loans we were just talking about. So my first question, or Mr. Blanding, is can you talk a bit about the capacity challenges that rural communities face, as well as potential solutions like the Rural Partners Network?

Mr. BLANDING. Yes. Thank you for that question, Congresswoman. So we think the Rural Network is a model that needs to be built upon. Again, at the core of this, how do we make sure that the community is a critical part of it? The community is best equipped to identify the challenges, the needs, in their own community, but more importantly to build upon the current assets that are already there. So really giving people an opportunity to be a part of these conversations where they can help drive change, so when other folks go, the capacity is left behind.

Many times this isn't an issue about just capacity. It is about the—it is a numbers game. And so in these communities, in these organizations you have limited resources, limited people, limited staff. In our case, the Federation of Southern Cooperatives, as one member of NCBA, our organization has been doing this for 56 years. But it is a staff of 65 folks working in seven states, and so usually the people who have to do the proposals are the people who are out doing the work.

And when—and every year, when you have requirements where people have to come in and do another application, they are spending 3 months doing the proposal and gathering information, as opposed to the work. And so this is about really making sure that they have a partner with—like the Rural Network and others to do

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\* **Editor's note:** the responses to the information referred to are located: for Ms. Nesbitt, p. 70; Mr. Holmes, p. 71.

this. And I think one important thing to do is to really look at the expertise, the capacity, experience of folks. In our case, as an example, if you know we have been doing the work for 50 years, why the constant applications? So why—you can get in and see the results.

This goes back to, again, making sure that folks have the capacity to not only implement the programs, but to also measure the impact so that Congress has the information to see what is working, what is not working. But, again, it is all—it all has to be locally led, so no matter solutions—that are put forth, they have to have a local component, and people who are part of that community have to be part of addressing the issue, and a part of the solutions, and the ability for them to aggregate and to collaborate across regions.

Ms. SALINAS. Thank you.

Mr. BLANDING. Yes.

Ms. SALINAS. And now, Mrs. Morales-Pate, can you weigh in on the issues is—the—similar issues as well, and further discuss your organization's idea to create a rural investment initiative?

Mrs. MORALES-PATE. Thank you for the question, Representative Salinas. The—we have been working in rural communities for 50 years, and we continue to run into the same challenges when it comes to developing infrastructure projects. For example, the funding that you get through USDA, you actually don't see the money until you close, at the time of closing. So between the pre-development and that design piece, there is a lot of pre-development funding that is necessary to advance those projects, and it can take up to 2 years.

The size of communities that we work in do not have the cash flow or the ability to be able to move through that process, what is being proposed through the Rural Investment Initiative is to be able to help communities to be able to have that, because it takes additional resources to look for that funding, or projects get stalled. As I said before, I have been a technical assistance provider for many years, and, unfortunately, I have seen projects that have had to be de-obligated because we are not able to get them to the closing, and so it is very important to think, beyond the existing program, what else can be done to supplement, and to make sure that the Federal dollars are making it to small communities?

Ms. SALINAS. Thank you. My time has expired. I yield back. Thank you.

The CHAIRMAN. After the gentleman from Ohio, Ms. Caraveo and I will be prepared to close. Sir, you are recognized for 5 minutes.

Mr. MILLER of Ohio. Thank you, Chairman Johnson and Ranking Member Caraveo, for holding this important hearing as we work to strengthen and foster the economic viability of our rural communities.

The U.S. Department of Agriculture Rural Development mission supports rural economic security in Ohio, and throughout the nation, by partnering to improve essential community facilities, such as critical infrastructure, including water and waste treatment systems. Its operations also boost rural economic development by funding technical assistance for agriculture and small business op-

erations, and by helping to address pressing supply chain issues in northeast Ohio, and across the country.

USDA's Rural Development bioenergy programs also provide a valuable opportunity to support America's farmers, and the larger agricultural sector, to increase domestic energy security and create new markets for America's farmers. Such key initiatives, including providing renewable energy development assistance, and the production of biofuels, which benefits American farmers and our fuel supply. As roughly 40 percent of my state's corn crop is used in ethanol, creating new market opportunities for biofuels is absolutely key. Toward this end, I look forward to exploring more fully the potential of opportunities of a sustainable aviation fuels, or Farm to Fly Program, within USDA's bioenergy programs to foster alternative biofuels in national aviation, expand the fuel supply, and support U.S. agriculture.

To any of our witnesses, can you please share how USDA's biofuel programs, including the Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program, the Biomass Crop Assistance Program, and the Bioenergy Program for Advanced Biofuels can serve to increase domestic energy security, support the agricultural sector, and foster the farm economy in the United States? To anyone who would like to answer. Thank you.

Ms. BOWMAN. Sure, thank you for the question. I will jump in a little bit, although I can't speak to the fuels as much, but certainly to opportunities to provide new markets for farmers more generally, which is an opportunity that we see the BioPreferred Program providing, along with the Biorefinery Assistance Program. The BioPreferred Program, it is intended to increase market demand for biobased products that are made from corn, soy, hemp, all those different agricultural feedstocks. And there are some opportunities to really help grow that program, through the next farm bill, to help increase that market demand, and create those new markets for farmers.

And then we see opportunities with the Biorefinery Program, with adding in, as I talked about earlier, a grant program that would help that—increase access to mid-size biorefinery facilities to help increase the production of bioproducts, get those products to scale—to commercial scale, so help increase, again, some demand to—for those products from farmers to help increase bioproducts.

Mr. MILLER of Ohio. Thank you. I appreciate that. Rural economies and consumers have become acutely aware of supply chain issues over the past several years, and challenges in creating a more resilient and secure United States food supply chain. Just last week I heard from a small cattle processing operator near my Congressional district, E.R. Boliantz Packing Company, on their barriers to increasing processing capacity.

For this reason, I am working with my colleague from Ohio, who also sits on this Committee, Congresswoman Brown, to introduce legislation (H.R. 4873, Food Supply Chain Capacity and Resiliency Act) to reauthorize critical funds through USDA's Food Supply Chain Guaranteed Loan Program to support investments in infrastructure for processing, manufacturing, transportation, and distribution toward a stronger and more secure U.S. food supply chain. This program is already on the ground and working, includ-

ing through a recent effort to increase access to processing equipment to provide food services to schools, daycare facilities, and seniors throughout northeastern Ohio, among other initiatives across the country.

Once again, to any of the witnesses, can you please share how USDA Rural Development's Food Supply Chain Guaranteed Loan Program can assist middle of the food supply chain activities, such as processing, storage, transportation, distribution of food, to increase capacity, and more effectively get food from our farmers to American consumers?

Mr. BLANDING. I will take a quick stab at that, Congressman. Thanks for that question. I think that question is very similar to your original question about biomass, and other energy-type questions. There are significant—there are major things that are going on now. In USDA there is a climate-smart ag initiative going on to look at just those things you mentioned, with biomass and other things, and we are exploring those opportunities now. And with this food supply issue, there are things in reference to putting beef production facilities in certain areas.

But, again, the issue is around the flexibility of the program, and making sure that the community only control it. Because the challenge, historically, has been bringing in corporations or companies to put those things there, and they don't usually last if the community is not engaged. so, again, there are a number of things that are happening now, from climate-smart ag, to production facilities, but the question is making sure that they are flexible enough that folks can access them in the communities, and the communities can lead them. As—and again, I bring back this point about cooperatives, giving people the ability to aggregate, where they can own those as—companies as cooperative businesses.

Mr. MILLER of Ohio. Thank you. I just want to thank the witnesses, and for your patience, thank you, Chairman and Ranking Member. I yield back.

The CHAIRMAN. But wait, there is more. Mr. Molinaro, you are recognized for 5 minutes.

Mr. MOLINARO. Is the best or last, or not really, just last? Fair enough—that is the second time in 3 weeks that the Chairman has insulted me in public, but it is quite all right. I accept it. Don't—

The CHAIRMAN. I am glad you are not keeping track of the in private.

Mr. MOLINARO. I am—well, that is true. Thank you, Mr. Chairman. I want to continue on that very theme. I know that it has been covered a few times. The lack of flexibility, and the—either redundancy, or complexities of navigating the different funding streams. Now, I think you all already talked about this, and, of course, it was just mentioned, rural development funding is often a big challenge for small communities. I know this firsthand.

As a village mayor 25 years ago, navigating USDA and Rural Development dollars was always a big challenge for small communities like ours. I saw it as a county executive, 20 towns, eight villages, in two cities, all trying to navigate through the funding streams. The applications are a burden. The soft costs are too often too great to even allow smaller communities to access those grant dollars, and then the lack of flexibility.

So, Mr. Blanding, I think I will carry on where you left off. You touch on some of this. You talked a little bit about it just a moment ago, about the highly targeted nature and the lack of flexibility within many of the loan programs that the USDA administers. It is a challenge. Cities, urban centers, get the benefit in particular of Community Development Block Grant funding. I understand the value of having targeted grant programs, because rural communities look different—differently all across the country, but what specific ideas have you either discussed, or would you offer to consolidate and streamline access to those programs to address this issue of flexibility, and to really draw—drive down the overwhelming nature of accessing USDA dollars?

Mr. BLANDING. Thank you, Congressman, for that question. I—and first of all, I would like to say thanks, because there are significant things that this Congress, that USDA and the Secretary has done recently to really start moving toward that. FPAC is one example. They have really started to consolidate things. I am not sure if we know the results of that yet, but there are intentions, as my point. So I think really looking at this issue from a rural perspective, and understanding every piece and how they connect together, whether it is childcare, whether it is housing, whether it is energy, agriculture, all of those things, and really trying to solve the problem, make sure that we talk about all of those in one system.

Mr. MOLINARO. Yes.

Mr. BLANDING. We were talking about water, and water waste systems, and things of that nature—as an example. But the issues sometime away from that. I remember clearly in 2016, I think it was, in Toledo, Ohio, when it was the largest catastrophe, if you will, where there was a—I don't know what you call it. The issue where some pesticides ran off a farm and created this toxic algae bloom.

And it is happening in every state in our Union, and so this—we have to deal with this issue even before we get to the water treatment plants, and we deal with that issue by dealing with our rural community, dealing with producers, small to large, and making sure that we connect all these programs, and that we understand what is going on. I think that will—

Mr. MOLINARO. Do you think—despite the specific nature of the grants, do you think a consolidated application, or a single point of access for rural communities, would be of value?

Mr. BLANDING. I do think so.

Mr. MOLINARO. And specifically I know that the USDA launched the Rural Partners Network, and, of course, it is in its infancy. Has NCBA interacted with—what have you done to interact with the Rural Partner Network, and what recommendations might you have to expand and build on what is supposed to be that collaborative approach?

Mr. BLANDING. Yes. Nothing yet, but I think it is a—I think there is great intent there. We are looking for an opportunity to do so. But, again—I think consolidating this is great, but, again, we—but every agency within USDA is different, so I—but we can't take power from different agencies, because they operate differently. Just got to figure out a way where we can all talk together.

But, again—so Congressman, I am going to be very careful in answering that question, because consolidation can mean a number of things. And so it is without taking power from different agencies, because they all bring different value, but how do they all talk together and figure out how to solve the problems collectively or cohesively?

Mr. MOLINARO. Yes, I think coordinated application and then individual review is the way to make the process a little bit easier. My last 25 seconds, and I won't ask for an answer, I just want to address that the USDA addressing, within rural energy programming, the consumption of active farmland for solar field development is—it should be a priority for us in the development of the farm bill.

We want to accelerate and support renewable energy. We want to diversify America's energy production, but I—we have seen valuable soils in active farmland being consumed really out of desperation instead of design. Mr. Chairman, I yield back.

The CHAIRMAN. Thank you, Mr. Molinaro. And, Madam Ranking Member, if you have closing comments, we are eager to hear them.

Mr. CARAVEO. Thank you, Mr. Chairman. Growing up, my parents always taught me the importance of building a strong community and family, of hard work, of caring for others. I think these are values that are absolutely foundational to our rural community, certainly in Colorado, and across the country. I think, as we have heard many times today, these communities know best, how and where to invest resources, and it is incumbent on us to ensure that they have what they need to support hard working rural families.

Again, thank you so much to your witnesses. Really appreciate your testimony. Look forward to continuing to work with you as we face the farm bill reauthorization. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Ms. Caraveo. I have lived in a couple of different big cities over my life, and I don't have anything against the big city, of course, but my wife and I choose to live in rural America. We choose to raise our three sons there. It is just a remarkable—rural America is just a remarkable place. And I think there is no limit, almost no limit, to what rural America can accomplish if they have access to basic tools and support. The kinds of tools and supports that we see across the rest of the country: technical expertise, quality infrastructure, access to capital.

And so I want to thank all of our panelists today for talking about how the 2023 Farm Bill provides us another great opportunity to make sure that those supports, and that those tools, can be available to rural America, consistent with what we see across the rest of the country. So thank you, you have done an excellent job today.

Under the Rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material and supplementary written responses from the witnesses to any questions that were posed by any Member. And, unless there is any further business to come before the Subcommittee, and I see none, this hearing is adjourned.

[Whereupon, at 12:09 p.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]



SUBMITTED STATEMENT BY HON. ANGIE CRAIG, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA; ON BEHALF OF BILL BRODRICK, EXECUTIVE DIRECTOR, NATIONAL RURAL LENDERS ROUNDTABLE\*

The National Rural Lenders Association is a trade association of stakeholders in the rural guaranteed lenders space that growth increased capital deployment in rural America.

These are our three priorities in the farm bill and we ask that you submit these to the record on our behalf.

### **I. Fiscal Responsibility Act Language**

First, we are asking for clarification on the language in the Fiscal Responsibility Act of 2023 which suggests that loan and loan guarantees such as those from USDA are now excluded from being defined as a major Federal action, and therefore no longer requires NEPA review.

#### *a. Current NEPA Rules*

The current rules are convoluted, complex, time consuming and expensive. The Council on Environmental Quality, which oversees NEPA regulations, said in 2018 that the average environmental impact statement took 4.5 years to complete, with 25% taking more than 6 years.<sup>1</sup>

Currently § 102 of the National Environmental Policy Act requires agencies to include an environmental report in proposals for any ‘major Federal action.’ Specifically, all Federal agencies are to prepare detailed statements assessing the environmental impact of and alternatives to major Federal actions significantly affecting the environment. These statements are commonly referred to as Environmental Impact Statements (EIS) and Environmental Assessments (EA). The requirements for these environmental reports have changed under the new language of The Fiscal Responsibility Act of 2023 (H.R. 3746).

H.R. 3746 was passed in the house on 5/31/23 and in the Senate on 6/1/23. The language in this Bill adds a new definition of what is a major Federal action, and has a list of actions that are automatically excluded from being defined as a ‘major Federal action.’ The agreement limits what is considered a major Federal action under NEPA to an action that the agency determines is subject to “substantial Federal control and responsibility.”<sup>2</sup> It specifically excludes, “loans, loan guarantees, or other forms of financial assistance where a Federal agency does not exercise sufficient control and responsibility over the subsequent use of such financial assistance or the effect of the action” from being defined as a ‘major Federal action.’ (§ 111(10)(B)(iii)) It adds new language to § 106 ‘Procedures for Determination of Level of Review’ of NEPA. § 106(a)(2) of the Bill states that, “an agency is not required to prepare an environmental document with respect to a proposed agency action if it is excluded pursuant to one of the agencies categorical exclusions.” § 106(b)(2) states the same in regards to environmental impact assessments. From our understanding, this new definition of a major Federal action that specifically excludes Federal loans and loan guarantees from qualifying, there is no longer a requirement for a NEPA review.

### **II. REAP Limited to Small Businesses**

Second, REAP is currently limited to rural small businesses and agricultural producers. (7 CFR § 4280.112(a)<sup>(1)\*</sup>) We are asking for all businesses to be eligible for this program.

A rural small business is defined as, “a small business that is located in a rural area or that can demonstrate the proposed project for which assistance is being applied for under this part is located in a rural area.” (7 CFR § 4280.103). Further, to qualify as a small business the “net worth is not in excess of \$15 million and average net income (excluding carry-over losses) for the preceding two completed fiscal years is not in excess of \$5.0 million; or the size of the concern does not exceed the Small Business Administration (SBA) size standard thresholds designated for the industry in which it is primarily engaged, as measured by number of employees or annual receipts.” (7 CFR § 4280.103)

\* **Editor’s note:** the statement was submitted via Brodrick and Associates.

<sup>1</sup> Congressional Quarterly House Action Report, *Fact Sheet*, 20 (May 30, 2023).

<sup>2</sup> *Id.* at 21.

<sup>(1)</sup> <https://www.ecfr.gov/current/title-7/subtitle-B/chapter-XLII/part-4280#sp7.15.4280.b.†>

\* **Editor’s note:** references annotated with † are retained in Committee file.

The Inflation Reduction Act increases the amount of money available for REAP in order to promote the act's climate focus.<sup>3</sup> "The IRA appropriated \$820.25 million for REAP through fiscal year (FY) 2031,"<sup>4</sup> and there is \$980,160,928 remaining for funding. Further, The maximum grant size was increased from \$250,000 to \$500,000 for energy efficiency projects and from \$500,000 to \$1 million for renewable energy systems."<sup>5</sup> So, there is money available and there is a high demand from larger businesses to take advantage of these programs and update their systems to be more climate friendly.

### III. REAP \$25 Million Loan Limit

Third, REAP currently has a \$25 million limit on loan guarantees. (7 CFR § 5001.406(c)<sup>(21)</sup>) We are asking for this loan limit to be increased to \$50 million. There are very large projects that are not eligible for this funding because they do not qualify as a rural small business, but would in fact have a positive effect on the Administration's priorities regarding climate change such as renewable energy projects. The IRA's grant of money to REAP was just one way it is working to promote its climate change goals and supporting new jobs.

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SUPPLEMENTARY MATERIAL SUBMITTED BY DEBRA NESBITT, CHAIR, NATIONAL RURAL LENDERS ASSOCIATION

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Mr. ROSE. . . . Mr. Holmes, Mr. Nesbitt, in one of my communities back in Tennessee, I saw the unfortunate situation where USDA Rural Development financed two water treatment facilities in the same community. And as that advanced, there was a fair amount of political discussion around it, as you can imagine. But I am just wondering, do we need to revise the criteria that is applied? Clearly commercial lenders would not finance two competing facilities that would more than supply a community, and yet in this case that happened. And we are out of time, so I don't want to ask the Committee for their indulgence, but you might respond to that, if there are changes that need to be made. Thank you, Mr. Chairman. I yield back.

Thank you Congressman Rose for the question about two water treatment facilities financed in the same community. It is my understanding that these were direct USDA Water/Wastewater loans but I am not familiar with the specifics of the projects. Typically utility service areas are regulated by state utility commissions but I am not sure if that is the case in Tennessee. Many state utility commissions issue Certificates of Convenience and Necessity (CCN) that give a utility the exclusive right to provide retail water or sewer service to an identified geographic area. You are correct that it is unlikely a lender would approve two competing loans, so I am uncertain why the Agency would approve two competing loans that serve the same area.

The following excerpts from the regulation detail the required consultation, § 1780.1(h) "RUS financed facility will be in compliance with any current development plans of state, multijurisdictional areas, counties, or municipalities in which the proposed project is located." § 1780.7 **Eligibility.** (c)(3) "Projects must be necessary for orderly community development and consistent with a current comprehensive community water, waste disposal, or other current development plan for the rural area." Again, thank you for the opportunity to respond and please let me know if I can provide further assistance.

DEBRA NESBITT.

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<sup>3</sup>National Sustainable Agriculture Coalition, *Funding for Rural Energy for America Program Now Available*, † <https://sustainableagriculture.net/blog/funding-for-rural-energy-for-america-program-now-available/> (April 12, 2023).

<sup>4</sup>*Id.*

<sup>5</sup>USDA, *REAP in the Inflation Reduction Act: What's New*, † <https://www.rd.usda.gov/inflation-reduction-act/rural-energy-america-program-reap>.

<sup>(21)</sup><https://www.ecfr.gov/current/title-7/subtitle-B/chapter-L/part-5001/subpart-E/subject-group-ECFRde6690202c21592/section-5001.406>. †

SUPPLEMENTARY MATERIAL SUBMITTED BY MATTHEW W. HOLMES, CHIEF EXECUTIVE OFFICER, NATIONAL RURAL WATER ASSOCIATION

**Insert**

Mr. ROSE. . . . Mr. Holmes, Mr. Nesbitt, in one of my communities back in Tennessee, I saw the unfortunate situation where USDA Rural Development financed two water treatment facilities in the same community. And as that advanced, there was a fair amount of political discussion around it, as you can imagine. But I am just wondering, do we need to revise the criteria that is applied? Clearly commercial lenders would not finance two competing facilities that would more than supply a community, and yet in this case that happened. And we are out of time, so I don't want to ask the Committee for their indulgence, but you might respond to that, if there are changes that need to be made. Thank you, Mr. Chairman. I yield back.

Congressman Rose, I cannot speak on behalf of Rural Development's decision to finance these two water treatment facilities, the service areas or other details contained within those applications. Service areas are also defined differently in each state. Our mission is to serve all rural communities. We can work with the Agency to address this issue within the existing regulations and policy to provide further clarification.

We understand and respect an individual community's desire to produce, operate and manage their own water and wastewater utilities when it is economically feasible and possess managerial capacity. There is also a natural ongoing process for regionalization and consolidation activities around the nation. Considering that 91% (44,924) of the country's water systems are serving communities under 10,000 population, you can see why this is occurring where it is financially feasible.

States and regions also vary on how they define regionalization or consolidation. We have suggested the Committee consider additional incentive measures to further advance sustainably services provided by rural utilities. The target population should be lower-income communities without adequate water or wastewater service. These communities often lack financial and managerial capacity and the desire to operate independently and sustain affordable services. Our recommendation is to provide a financial incentive by allowing a high performing, local or contiguous system to apply for a grant/loan on behalf of the underserved community.

Presently, most rural utilities and their governing boards want to provide service to their neighbors but have no financial basis to proceed. Boards do not want to absorb new service areas while negatively impacting their existing customers, raising their rates, or taking on inadequate infrastructure. NRWA believes a limited and fair financial incentive will alleviate these concerns and serve rural residents with affordable and financially sustainable services. The authority should be narrow while ensuring the additional subsidy is targeted entirely to the community in need.

SUBMITTED STATEMENT BY COBANK

The time for reauthorizing the farm bill is here. The farm bill is the most significant piece of Federal policy focused on enhancing the lives of rural residents and communities. The Rural Development Title authorizes dozens of programs and provides no mandatory resources for those communities to access loan or grant programs. While CoBank does not directly benefit from the success of most programs authorized at the United States Department of Agriculture (USDA), we all benefit when the communities we both serve have access to reliable sources of capital.

CoBank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. CoBank is a member of the Farm Credit System, a nationwide network of banks and cooperatively owned retail lending associations chartered to support the borrowing needs of U.S. agriculture and the nation's rural economy. In addition to serving our direct retail borrowers, we also provide wholesale loans and other financial services to our 17 affiliated Farm Credit Associations across 23 states, serving approximately 76,000 farmers, ranchers, and other rural businesses.

The mission of CoBank includes serving "as a dependable provider of credit and other value-added financial services to agriculture and rural infrastructure providers in order to serve rural America." The mission of USDA's Rural Development office is to "promote economic development by supporting loans to businesses through banks, credit unions and community-managed lending pools. We offer technical assistance and information to help agricultural producers and cooperatives get started and improve the effectiveness of their operations." It is clear from these statements our two entities are naturally complementary. We take pride in working

together with USDA to serve the same entities to better the same communities for the same purpose, and to improve the lives of rural Americans.

Access to affordable, reliable credit for rural towns, villages, townships, and communities is the only way these entities survive. The Rural Development Title of the farm bill was created as an avenue to enhance peoples' lives where agricultural producers, cooperatives, and their families live, so that the heart of the country will not have to leave in order to live. The opportunities in the Rural Development Title of the farm bill can address critical issues that seek to promote a prosperous rural economy supporting business creation, human capital concerns, rural poverty issues, adequate medical care, and infrastructure needed to serve these communities.

In partnership with CoBank, the University of Missouri released a study to discuss the trends and realities of today's rural America last year.<sup>1</sup> Rural populations and job opportunities continue to decline. Improvements and enhancements in these areas are needed now more than ever in rural America. The report highlighted that service jobs, such as retail, professional services, healthcare and restaurants have been replacing agriculture and manufacturing jobs increasingly over the last several decades. Off-farm income is critical to the income of farm-dependent rural residents. By 2018, over half of rural residents and farmers traveled outside their county for work, up ten percent from just 2 decades prior. This number just continues to increase. The questions we need to answer are: How do we get people to go back to rural America? How do we keep them there? How do we help rural America thrive and put rural citizens in a position to compete in the global market place? When we answer these questions, we put our communities in a better position to grow and thrive.

A strong Rural Development Title is necessary to reduce the divide that rural communities face with regard to economics, education, and quality of life compared to their urban counterparts. As individuals leave the farm for urban life, what is left is sometimes forgotten. The deteriorating infrastructure in our small and local communities is unsustainable. The idea that water treatment facilities have not been replaced in over 60 years is hard to comprehend. Water quality issues are prevalent throughout the country, just as we have seen in Jackson, Mississippi, Las Vegas, New Mexico and Flint, Michigan. We also need to address this issue in our collective rural backyard. The Rural Development Title of the farm bill—when funded adequately and administered efficiently—has the ability to address many of the issues that strike the core of small underserved rural communities. Without the programs of this Title, basic human and economic needs often go unmet, such as financing local water treatment facilities, accessing broadband to teleconference with a doctor hours away, or being able to further one's education taking college courses online. Many rural Americans do not *want* to leave their communities, but may have no other option when needs go unmet. When their life needs are met, people stay and communities thrive. This also draws new businesses and opportunities, creating jobs and long-term economic growth. Each of these improve the quality of life for everyone who lives there.

Several programs to highlight are:

#### **Water and Waste Disposal Loan Program**

The Water and Waste Disposal Loan Program is vital to the health and well-being of any rural community. Without clean water, a community will not exist. The program extends affordable access to clean and reliable water for households and businesses in rural areas. The National Rural Water Association will tell you the infrastructure in these communities has exceeded its projected lifespan and the deterioration of these facilities is hurting communities. We know the Environmental Protection Agency (EPA) is afforded a substantive number of dollars to address water safety and affordability measures, but USDA needs the same resources to properly serve rural water systems. Most of the water systems in the country are rural water systems and the resources needed to maintain these facilities continue to be overlooked. Rural water systems are consolidating because of rising costs and a retiring workforce. After this consolidation communities served by a system that exceed 10,000 in population are no longer eligible for portions of the water and waste disposal program dollars.

Most funding from EPA is absorbed by larger metropolitan areas and fails to reach communities that are "rural in character." For this reason, we encourage the Committee to consider modifications to the current program to allow for changing

<sup>1</sup> <https://www.cobank.com/web/cobank/knowledge-exchange/general/the-importance-of-off-farm-income-to-the-agricultural-economy>.

<sup>2</sup> **Editor's note:** the report entitled, *The Importance of Off-Farm Income to the Agricultural Economy*, is retained in Committee file.

rural water systems to be able to continue to access rural development dollars and to be able to continue to access financing from CoBank.

In the 2018 Farm Bill, the Water and Waste Disposal Loan Guarantee Program authorized increasing the population cap for the rural water and waste disposal guaranteed loan program to 50,000. All lenders could continue to help USDA execute this program, except for CoBank, which remains capped at serving communities of 20,000. We encourage harmonizing the cap on our work in this space to be consistent with all other rural lenders.

CoBank derives its lending authority from the Farm Credit Act, which was designed to help enhance the mission of the Rural Utility Service at USDA. While we are not the “lender of last resort” like USDA, we encourage the Committee to consider measures that would allow CoBank to leverage the investment and harmonize efforts of this program, just as the 2018 Farm Bill did for other rural utility providers.

#### **Community Facilities Loan Program**

The Community Facilities Loan Guarantee Program allows private lenders to assist rural communities in building facilities that are essential to the lives of their community. This program supports purchase, construction, and improvements to equipment or necessary facilities. Historically, CoBank has engaged in this program and partnered with local Farm Credit associations, community organizations, community banks and credit unions to make improvements in rural healthcare facilities and for other public safety facilities. Due to regulatory burdens imposed by the Farm Credit Administration (FCA), our engagement in this program has diminished in recent years. Rural communities are being limited by arbitrary requirements of our regulator, rather than listening to the intent of the program as authorized by Congress. By clarifying the authorizing statute, we can continue to meet our shared mission of serving rural communities and facilitate investments in essential services and infrastructure like childcare facilities, schools, and hospitals. We hope to work with this Committee to improve the existing structure and expand our capacity to assist rural constituents who, without this program, may not be able to receive necessary healthcare treatments or benefit from essential public safety measures.

#### **Rural Business Investment Program**

Since the 2002 Farm Bill, the Rural Business Investment Program (RBIP) has stimulated a great source of capital to innovators in agricultural and rural businesses. The 2018 Farm Bill brought significant changes to RBIP, allowing Farm Credit System participants to invest in up to 50 percent of a fund, before the fund must only invest in Farm Credit eligible activities. With more capital needed in rural America, and to encourage more innovation in the agricultural space, we believe that the funds should not be hindered by Farm Credit authority limitations. CoBank and the greater Farm Credit System support ways to encourage more investors to participate in the program, and to expand the cap of Farm Credit System investors to 75 percent. We believe that as a reliable partner in the program, we can continue to attract interested investors to bring more capital into rural America. We look forward to working with the Committee on ways to enhance investors’ investment in rural America.

Since 2013, CoBank has committed \$254.5 million in 15 private equity funds in concert with Farm Credit institutions and other institutional investors: Midwest Growth Partners, Midwest Growth Partners II, and Midwest Growth Partners III, West Des Moines, Iowa; Advantage Capital Ag Partners, St. Louis, Missouri; Innova Ag Innovation Fund IV and Innova Ag Innovation Fund VI, Memphis, Tennessee; Open Prairie Rural Opportunities Fund, Effingham, Illinois; Blue Highway Growth Capital Fund, Boston, Massachusetts and Philadelphia, Pennsylvania; Pharos Capital Partners Fund IV–A, Nashville, Tennessee and Dallas, Texas; Lewis & Clark RBIC Fund II, St. Louis, Missouri; Rural American Fund III RBIC, Chicago, Illinois; Azalea Capital RBIC Fund, Greenville, South Carolina; AGR Partners RBIC Fund, Davis, California; RuralWorks Impact Partners 1, Cornwall, Vermont and Minneapolis, Minnesota; Generation Food Rural Partners I, New York, New York. Each of these funds has a slightly different focus to meet different needs of a diverse rural economy. Today, over 110 rural businesses have received investments from these funds.

While these are significant achievements, we believe that enhancements to RBIP will further address the investment needs of rural entrepreneurs so that more people can start and grow their businesses in rural communities.

#### **Business & Industry Loan Guarantees**

The Business & Industry Loan Guarantees (B&I Loans) allow for Farm Credit institutions, like CoBank, to participate. This partnership allows entities participating

in the loan to extend more credit than they typically would be able to, all with the mission to bring investment in to rural America. Over the past several years, we have seen a dramatic deterioration of interest of the B&I program. Many of our customers have started to engage with the Small Business Administration because their loan programs offer a higher guarantee and don't require the expensive fees, like the B&I program. During the pandemic, we worked with USDA to try to engage customers on applying for the B&I program, but we did not see a dramatic increase in participation. It is worth considering enhancements to the program, as this program has the opportunity to fulfill a great need for entrepreneurial innovation in the agriculture and rural spaces.

### **Rural Cooperative Development Grants**

For more than 20 years, USDA has depended on the services and expertise of cooperative development centers to support economic needs of rural communities through cooperatives. These centers are nonprofit organizations or centers housed within institutions of higher education that provide technical assistance unavailable directly from USDA or through programs offered by the SBA. Rural Cooperative Development Grants (RCDG) support the startup, expansion and innovation of cooperatively owned businesses and benefit from the program's flexibility to address a wide variety of economic needs. Co-ops including child- and elder-care, housing, meat processing, grocery, and other businesses are just a few examples. Increasingly, businesses and communities have sought to use these funds to prevent the closure of existing mom-and-pop businesses and converting the business to a cooperative owned by the community or the workers themselves. This program has been largely successful despite little attention. We urge the Committee to work with cooperative development centers to usher modest changes to the RCDG program that will improve its effectiveness for rural cooperatives.

CoBank is a proud partner of this network of cooperative development centers. In 2012, CoBank launched the Co-op Start program to compliment the growing need seen by cooperative development centers. Co-op Start provides patient financing to early stage farmer-owned processing and marketing cooperatives that are working with RCDG grantees. By specifically targeting entities considered low-resource and not fully creditworthy under traditional credit metrics, CoBank helps to advance these entities to the next stage of development when they can qualify for conventional financing. Recognizing the challenges many startup entities face in raising equity, CoBank introduced a Rural Impact Equity Match Grant Program in 2020, primarily for farmer cooperatives, but entities with other structures that demonstrate a meaningfully positive impact on rural America are also eligible. As part of these grant awards, CoBank also provides additional technical assistance funding to cooperative development centers to support this work. To date, CoBank has provided over \$3 million in innovative loans, leases, and grants to 28 start-ups and five cooperative development centers through the Co-op Start program. In just three grant cycles, the Rural Impact Equity Match has injected \$350,000 in startups in amounts up to \$50,000.

CoBank will continue to support cooperative development opportunities at USDA. Along with our cooperative colleagues, we will advocate for more Federal cooperative development resources in order to partner in an effective way to multiply our impact.

### **In Conclusion**

The farm bill provides food assistance and food security to low-resource individuals, investment opportunities for emerging agricultural research, security for livestock and crop producers and financial access for rural communities. Too often, it is this last piece—access to affordable, reliable financial tools—that is overlooked. It is easy for many to take for granted the people who grow our food and the communities where they live and work; easy to ignore the infrastructure needed for producers to transport commodities, and for livestock and food products to reach our dining tables and global markets; easy to forget land-grant universities are anchoring institutions and create employment opportunities for many rural residents and answering research questions that can help agriculture solve emerging challenges; and it is easy for some to forget what it takes to access safe drinking water when they have never gone without. Each of these essential activities requires access to a program supported by Rural Development and the USDA.

It is our mission to serve hard-working individuals, companies, producers, and customers in rural America. We prioritize those who have been overlooked. CoBank will continue to advocate for a strong and robust Rural Development Title. Improvements are always possible, but maintaining the foundation in which USDA has built and working to enhance any program to improve rural America is of the utmost im-

portance to the customers we both serve. More resources are needed in rural communities and with no new funding expected for this farm bill, we hope the Committee will consider proposals from partners who are willing to put time and resources behind the proposals in which we suggest. We appreciate the Committee's consideration of our comments and look forward to working with you towards a successful 2023 Farm Bill.

