



**United States Department of Agriculture**

## **Oregon House Committee on Economic Development and Trade**

**Written Testimony Submitted by Acting State Director Jill Rees**

**United States Department of Agriculture (USDA), Rural Development**

**Hearing Room E, Oregon State Capitol**

**8:00 AM, Monday, February 6, 2017**

Chair: Representative Ann Lininger, District 38 (Lake Oswego)  
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Member: Representative Bill Post, District 25 (Keizer)  
Member: Representative E. Werner Reschke, District 56 (Klamath Falls)

Good morning, Chair Lininger and members of the Committee; thank you for inviting the United States Department of Agriculture (USDA) here today. I currently serve as the Acting State Director overseeing the Oregon operations of the three agencies that comprise USDA's Rural Development mission area:

- The Rural Housing Service,
- The Rural Utilities Service, and
- The Rural Business and Cooperative Service. Joining me today is Lisa Siesennop, the Oregon Program Director for USDA's Business and Cooperative programs.

USDA's Rural Development mission area is dedicated to improving the economy and quality of life in rural America through more than 40 programs designed to help rural communities grow and prosper. In federal fiscal year 2016, USDA Rural Development invested nearly \$584 million in rural Oregon through our housing, infrastructure, community, and business programs. Since 2009, this assistance to rural Oregon amounts to over \$4.7 billion.

A significant portion of USDA Rural Development funding is delivered in the form of direct and guaranteed loans to help low- and moderate-income rural Americans purchase safe, affordable housing in rural areas. USDA also offers loans and grants to help rural residents make health and safety repairs to their homes. In federal fiscal year 2016, we helped 2,100 Oregon families purchase or repair their homes with \$378.4 million in USDA financing assistance.

We also administer loans and grants for the development and rehabilitation of affordable rental housing for very-low-, low- and moderate-income residents, the elderly and persons with disabilities. Currently, 211 USDA-financed apartment complexes are providing affordable rental housing for more than 6,300 rural Oregon families across the state. Of those, nearly 5,700 qualified low-income families received USDA rental assistance to keep housing costs at not more than 30 percent of their household income.

Both USDA's Single Family Housing and Multi-Family Housing programs are available in rural communities where decent, affordable and workforce housing is often scarce, affecting not only families, but also rural businesses seeking to attract and retain a skilled workforce.

USDA programs also support the community infrastructure that helps make rural communities great places to live and do business. In recent years, USDA Rural Development's Community Facilities loan and grant program assisted 60 rural Oregon communities with the construction or rehabilitation of schools, health care facilities, fire stations, and other essential community facilities that are critical in supporting rural economies.

Infrastructure is another building block for rural economic development and business expansion. USDA Rural Development invests in rural utility systems that help improve and expand the rural electrical grid, provide clean drinking water to rural communities, and deliver increased Internet service to rural families and businesses, allowing them to compete in today's economy. In 2016, we provided \$17.4 million in loans and grants across rural Oregon to support new or improved water and wastewater services necessary for health, safety and sustainable economies.

Through our Rural Business and Cooperative Programs division, USDA Rural Development also administers a number of programs that provide direct support to help rural businesses get started, expand and innovate. While housing, community facility and infrastructure programs have different rural eligibility requirements, our business programs are generally available in non-metro communities with a population of 50,000 or less. With your permission, I will provide a brief overview of USDA Rural Development's key programs designed to stimulate the development of business opportunity and jobs in rural America.

USDA's Business and Industry Loan Guarantee is designed to increase access to business capital and bolster the existing private credit structure. In 2016, USDA guaranteed \$86.2 million in loans for businesses that are creating and retaining jobs in rural Oregon. Since 2009, the program has stimulated business lending of more than \$374 million across the state. Through the program, USDA can guarantee up to 80 percent of a business loan made by an approved lender. Our guarantee allows lenders to extend more credit to rural businesses than they would typically be able to offer. The program can support financing for business development or expansion, land purchase and development, facilities, leasehold improvement, equipment or working capital. Debt refinancing is also allowed when new jobs will be created and other conditions are met. We can guarantee loans of up to \$10 million through our Oregon state office and loans up to \$25 million with approval from Washington, D.C.

Rural businesses seeking less than \$250,000 in loan assistance are served through the Intermediary Relending Program (IRP). With IRP, USDA provides capital to intermediary lenders which, in turn, re-lend for smaller-scale business and community development projects. There are 14 intermediaries

administering IRP loan funds serving all rural areas of the state. The Rural Microentrepreneur Assistance Program is similar to IRP but focuses on even smaller business ventures, includes funds for business technical assistance, and limits loans to ultimate recipients to \$50,000. Together, IRP and RMAP loan funds serve many small and emerging businesses that may not have the credit history or lending needs preferred by conventional lenders.

The Rural Business Development Grant is an annual, competitive process through which public bodies, tribes, educational institutions and nonprofits apply for grant funds to support targeted technical assistance, training and other activities that lead to the development or expansion of small rural businesses. In recent years, we have had just less than \$300,000 annually to administer statewide. Funds typically support business technical assistance such as project planning, market research, feasibility studies, technical reports and business plans. The program can also fund workforce and entrepreneurship training, business incubators, or the soft costs associated with business development and expansion such as renovations, land development or easements. In addition to our state allocation, the Rural Business Development Grant also has a nationwide pool of funds set aside for projects that specifically benefit Native American businesses and communities.

The Value Added Producer Grant is another once-per-year, competitive program that stimulates economic activity and job creation. Agricultural producers, fishers and forest landowners can apply for grants to generate new product lines from raw agricultural products or develop additional uses for existing product lines. Funds can be used to plan a value-added venture or for the processing or marketing of value-added products. Available funds and grant limits often vary from year to year, but the program has in the past offered up to \$75,000 for planning and up to \$300,000 for working capital. Matching funds from the applicant are required. In 2016, USDA awarded \$1.9 million in Value Added Producer Grants to 13 Oregon applicants.

USDA also offers grant assistance for the startup, expansion or operational improvement of rural cooperatives. Funds are available to Cooperative Development Centers operated by nonprofit corporations or institutions of higher education which, in turn, provide expertise to emerging or existing business and agricultural cooperatives. Assistance may include feasibility studies, business plans, operational improvement training, and strategic planning.

USDA also administers a suite of energy programs. The most widely applicable program is the Renewable Energy for America Program (REAP), which offers grants and loan guarantees to help rural small businesses, farmers and ranchers purchase, install and construct renewable energy systems or energy efficiency improvements for their place of business, ranch or farm. Renewable systems may include biomass, geothermal, small hydropower, wind, solar and other commercially available technology. Common efficiency measures include high-efficiency HVAC systems, insulation, lighting, cooling or refrigeration units, doors and windows, efficient pumps for sprinkler pivots, and more. The REAP program can fund up to 25 percent of a project's cost through a grant and also offers a loan guarantee to assist with the remaining costs.

In addition to REAP, USDA Rural Development offers financing options for the production of renewable chemicals and advanced biofuels.

These and other USDA programs create opportunities for economic growth and prosperity, support innovative technologies, and develop enhanced markets for natural resources and the many agricultural commodities produced here in Oregon.

While USDA Rural Development's program delivery has been significant, the needs in rural Oregon are much greater. To help close that gap, we strongly encourage, and often require, recipients to contribute their own resources or obtain third-party financing to support the total cost of projects. We work with lenders and philanthropy to leverage USDA funding with private sector financing. In addition, our staff and our customers also collaborate extensively with state and local agencies to identify additional funding resources as well as technical assistance to maximize the economic and quality of life benefits of this important work.

Our collective ability to support sustainable rural economies is dependent upon the continued and enhanced coordination across federal and state programs, and also among many other local agencies, nonprofits, foundations and private entities. It is imperative that we use all of our collective tools to support innovation and public-private financing strategies for rural business and job creation as well as for the infrastructure, housing and community projects that are also key elements of lasting rural economic development efforts.

We appreciate the opportunity to testify today before the members of this committee. For more information, about USDA Rural Development's work, please feel free to contact our State Office:

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