

Testimony of
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U.S. Department of Agriculture
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U.S. House Committee on Small Business
Subcommittee on Rural Development, Agriculture, Trade, and Entrepreneurship
Assessing the Government's Role in Serving Rural American Small Businesses
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Chairwoman Finkenauer, Ranking Member Joyce, and distinguished members of the Committee, I am honored to be here this morning on behalf of the Rural Business Cooperative Service (RBCS), one of the three agencies that make up USDA Rural Development.

RBCS delivers a broad spectrum of programs and services which aid in the growth and development of rural communities. Our agency provides rural businesses and communities capital to expand and grow. This also includes support for training, education, and development of entrepreneurial skills that help those living in rural areas start and grow their businesses.

Business Programs

In RBCS, our business programs provide financial backing to stimulate business creation and growth through partnerships with public and private community-based organizations and financial institutions. Through our programs, we partner with rural businesses to deliver financial assistance and business development to help provide capital for small businesses, job training, equipment and entrepreneurial skills that support, create, and preserve quality jobs in rural communities. In FY19, these programs provided 890 loans and grants for approximately \$1.359 billion.

The Business and Industry Loan Guarantees Program (B&I) bolsters the availability of private credit by guaranteeing loans for rural businesses. Federal or state-chartered banks, farm credit banks, and credit unions are all eligible to apply as lenders for this program. These funds can be used for business conversion, repair, development or modernization, as well as the purchase and development of land, easements, and buildings. Applicants that qualify for these loan guarantees include for-profits, non-profits, cooperatives, federally recognized tribes, public bodies, and individuals in a city or town with a population less than 50,000.

The Value-Added Producer Grant Program is a competitive program that provides funding for agricultural producers to expand and diversify their business beyond their core agricultural production. The program is designed for independent producers, farmer and rancher cooperatives, producer groups, and majority-controlled producer-based business ventures. The goals of this program are to generate new products, create and expand marketing opportunities,

and increase producer income. 10 percent of funding is typically reserved for beginning farmers or ranchers or socially disadvantaged farmers or ranchers. Applicants who qualify as beginning farmers or ranchers, socially disadvantaged farmers or ranchers, and small or medium sized family farms also receive additional scoring points.

Cooperative Programs

Along with America's rural businesses, cooperatives also make up an essential part of the U.S. economy helping farmers and ranchers not only market their products, but also providing services that keep our rural communities going, such as electricity, financial services, food, and hardware. RBCS also delivers programs designed to help rural communities begin, improve, and expand cooperatives.

The Rural Cooperative Development Grant (RCDG) program, administered through RBCS, annually distributes approximately \$5.8 million dollars to close to 30 cooperative development centers. Most of these centers are non-profits or university-based entities that provide technical assistance to develop new cooperatives and support for newly created cooperatives.

In addition, our B&I Loan Guarantees can provide cooperatives with increased access to capital which can be used to expand, grow, and even modernize co-ops. Our Value-Added Producer Grants also partner with farmer and rancher cooperatives to expand marketing opportunities and generate new products. At RBCS, we want to make sure that cooperatives across America's rural areas know about the resources we provide.

Community Development

RBCS establishes strategic alliances and partnerships that leverage public-private and cooperative resources to create jobs and stimulate rural economic activity. Rural Development helps those living in rural America overcome multi-jurisdictional challenges by leveraging federal, state, local, or private funding.

The Rural Business Development Grant (RBDG) helps small and emerging businesses or non-profits in rural communities start up or expand. These competitive grants allow for the development of land, the construction or improvement of access roads, utility extensions, and support for distance learning networks and rural workforce development programs. RBDG does not require the applicant to match funds and allows for government entities, public bodies, nonprofits, and tribes to apply for the program, as long as the area is rural in character and the population is less than 50,000.

Energy Programs

RBCS also recognizes the value of energy efficiency for rural businesses, cooperatives, and communities. We have a suite of programs that are designed to help finance the cost of renewable energy systems and improve energy efficiency for our customers. This includes the Rural Energy for America Program, which provides funding for renewable energy development and energy efficiency improvements.

Financing available through RBCS energy programs can be used for a variety of energy sources, like renewables and chemicals, to improve energy efficiency in rural communities. The Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program provides loan guarantees that help biorefineries commercialize emerging technologies. Our programs also fund the installation of efficient lighting, upgrades to refrigeration systems, building and insulation improvements, and the establishment of other renewable energy systems including geothermal and hydropower.

MOU

RBCS is also committed to partnering with other federal agencies to improve program effectiveness and delivery to businesses, organizations, cooperatives, and consumers across rural areas. In April of 2018, USDA signed a Memorandum of Understanding (MOU) with the Small Business Administration (SBA) to strengthen collaboration on a shared set of goals including improved access to capital in rural communities, streamlining program delivery, innovation for rural technical assistance providers, and partnership with rural businesses to provide the tools they need to succeed.

The MOU established interagency working groups to address a variety of challenges in rural America, such as access to capital and ensuring rural communities are aware of the programs available to them and how they can work in tandem. For example, in FY18, USDA and SBA each provided long-term financing loans to G.S.E. Machining and Fabrication that will help the business to grow and create jobs. USDA and SBA have also been holding lending forums to educate lenders on the loan programs offered by both agencies and how they can be utilized by rural entrepreneurs. In Fiscal Year 18 (FY), the USDA and SBA funded ten joint projects across ten different states, totaling \$104 million to help rural businesses expand and grow.

Field collaboration for both USDA and SBA has also been a valuable outcome of the MOU in order to strategically meet the needs of rural businesses across the country. Staff for both USDA and SBA have been working together to educate rural communities on the programs available to them at events like roundtables, business forums, and lender training. USDA and SBA have already set forth strategic goals and objectives for FY 20 to provide access to capital and increase awareness of programs that support the mission of both agencies.

Thank you for having me here today to discuss the important work that the Rural Business Cooperative Service does to support rural businesses, cooperatives, and communities. RBCS will continue to work with SBA to promote economic prosperity in rural communities. Together, America prospers. At this time, I will answer your questions.