



September 13, 2017

The Honorable Sonny Perdue
Secretary of Agriculture
Chairman of Interagency Task Force
on Agriculture and Rural Prosperity
1400 Jefferson Drive, SW
Washington, D.C. 20024

Dear Mr. Secretary:

On behalf of the more than 220 organizations that make up the Rebuild Rural Coalition, we ask for your support for rebuilding infrastructure in rural America. Our coalition collectively represents U.S. agricultural producers, rural businesses, rural communities and rural families.

As you know well, rural America faces unique challenges not faced by more urbanized areas. Foremost among these challenges is rural America's deteriorating infrastructure. Those of us representing rural communities have seen our infrastructure deteriorate, jeopardizing jobs, our agricultural competitiveness and the health of rural families. Past infrastructure initiatives often prioritized urban and suburban infrastructure while not adequately addressing the unique needs of rural communities.

We have been encouraged by the President's executive order on Promoting Agriculture and Rural Prosperity in America and the creation of the Interagency Task Force, which you chair. Like this taskforce, the Rebuild Rural Coalition focuses solely on the needs of rural communities and has identified eight primary areas of need that, if acted upon, could greatly benefit the lives and prosperity of rural Americans.

Agricultural Research

The Federal Government has a longstanding commitment to supporting public agricultural research. The need for increased funding for public agricultural research conducted at land grant universities, in partnership with the U.S. Department of Agriculture (USDA), is great. The Hatch Act of 1887 recognized the need for specialized facilities dedicated to research on agricultural

topics, and many states have relied upon the federal capacity funds they receive through the Farm Bill to build and maintain those facilities. However, they are aging. With the current climate of stagnant or reduced federal and state funding, many of the facilities that helped to drive innovation in agriculture have deteriorated to the point of limiting their usefulness and safety for conducting 21st century research. A 2015 APLU study found that the deferred maintenance cost for only 91 of the institutions totaled \$8.4 billion. As of 2011, the nations of Brazil, India and China each spend \$2.15 for every \$1.00 that the U.S. invested in public agriculture research and development. Without increased investment in agricultural research facilities, our country will fall behind in leading the world through innovation and lose our global competitive edge.

To ensure our scientists' success in addressing food security, food safety, agricultural productivity and environmental stewardship needs, 68 percent of the research infrastructure will need replacing in the next 10 years. With the estimated replacement cost of all research facilities at \$29 billion, that 68 percent will total \$20 billion. A federally-led program of investing \$1 billion per year over the next 10 years would stimulate other investments and position the U.S. agricultural research system to continue competing in the world food and agriculture markets.

In addition, we need to clearly communicate the real costs of research with our funding partners. Most federal agencies pay a negotiated facilities and administrative (F&A) rate for university-conducted research, which funding agencies and universities carefully scrutinize. However, allowing USDA to fund less than the full indirect-costs rate prevents the necessary stewardship of our research facilities to carry out important research.

Transportation

Another major factor in the competitiveness of rural industry and agriculture is our nation's transportation infrastructure. Historically, the United States has invested in and benefitted from a transportation system where the four major modes (truck, rail, barge and ocean-going vessels) complement and, to an extent, compete with each other. However, lack of major investment over past decades has resulted in the decaying of that infrastructure. As a percentage of gross domestic product (GDP) the U.S. currently spends less on its transportation infrastructure than at any point since World War II. To ensure the prosperity of rural America, significant investment must be made in transportation infrastructure, specifically in U.S. inland waterways and rural roads and bridges.

Our nation's locks and dams system also requires urgent maintenance and modernization. Most locks and dams were built in the 1920s and 1930s and have far exceeded their intended 50-year design lifespan. In the past decade, there has been a 700 percent increase in unscheduled stoppages for repairs. Just one example of the problems that occur if investment is not made is

shown in a recent University of Tennessee study. It concluded that a disruption at Mississippi River Lock 25 would result in a loss of 7,000 jobs and \$2.4 billion in reduced economic activity.

Priority should be placed on funding the backlog of 25 critical inland waterways projects, an \$8.75 billion total federal investment to ensure the economic wellbeing of rural economies. However, imposing additional costs on those utilizing commercial barge transportation – on top of the 50 percent cost-share that farmers and the private sector already pay into the Inland Waterways Trust Fund – would risk diverting traffic from the most efficient mode of transportation available to agriculture and rural business and further congest U.S. highways, resulting in higher rail freight rates ultimately borne by customers in rural communities.

The roads and bridges that connect our communities serve as a lifeline for rural America. According to 2012 federal data, 74 percent of bridges, 73 percent of the 4 million miles of public roads and 33 percent of all vehicle miles traveled are in rural areas. However, only 44 percent of rural road mileage qualifies for federal grants, with state and local funding covering the remainder. Meanwhile, 15 percent of the nation's major rural roads consist of pavement rated in poor condition, while an additional 21 percent is rated in mediocre condition, according to the same 2012 federal data. Needs and demands for maintenance and construction of roads and bridges outpace current and projected funding, requiring the identification of additional funding sources. We urge you to ensure rural roads and bridges are eligible for federal grants and funding. State, local, rural and agricultural stakeholders also should have the ability to prioritize federal funds so that they best meet the needs of their communities.

Broadband

Access to broadband infrastructure helps drive innovation across the country but that opportunity is disproportionately lacking in rural America. While we have made progress, more work is required to ensure rural Americans have the same access to reliable internet with comparable speeds to their urban counterparts. In the past, one program that has helped greatly expand broadband to rural areas is the Federal Communication Commission's (FCC) Universal Service Fund (USF). Recent USF reforms have helped the program modernize to reorient toward broadband, ensure funds are targeted where the market does not enable delivery and provide a clearer definition of what the FCC considers an efficient level of support in each area.

Unfortunately, this otherwise very effective program is significantly underfunded to achieve its goals. Industry estimates suggest that 71,000 more households would receive access to better broadband infrastructure if the FCC's cost model were funded as designed, rather than implemented with an annual shortfall in excess of \$100 million. Moreover, the program's actual cost recovery mechanisms are significantly underfunded, with recovery of costs associated with investments already made and ongoing operations cut by more than \$173 million over the 12 month period ending June 30, 2018. Additionally, more cuts are expected thereafter, which will

significantly harm rural consumers in the form of higher prices, lower speeds and substantially reduced future broadband investment. Meanwhile, in other rural areas, efforts to establish new USF distribution mechanisms remain a work in progress. Consumers continue to wait for access to robust, future-proof networks and affordable broadband services that urban Americans enjoy each day.

USDA's Rural Utilities Service (RUS) also has long played a crucial role in addressing rural broadband challenges through its telecommunications programs that finance network upgrades and deployment in rural areas. RUS telecom programs complement the USF and help to justify the business case for investment and support for ongoing provision of services at reasonable rates. However, in contrast, the RUS programs have provided upfront financing for deployment of advanced networks, yielding a net profit for taxpayers through interest on loan repayments while helping to deploy state-of-the-art networks to rural Americans left behind by providers unable or unwilling to serve low-population-density markets. With rare exception, RUS, CoBank and the Rural Telephone Finance Cooperative are the primary lenders for small rural providers. In particular, RUS's Broadband Loan & Guarantees program and traditional Telecommunication Infrastructure Loan & Guarantees program create a mutually beneficial outcome for rural broadband consumers and American taxpayers through loans paid back with interest. We urge your continued support of these programs. In addition, we urge the task force to work with Congress to obtain significant, additional funding for loans and grants, available to all viable providers, to incentivize the further deployment of broadband in rural America.

Water

USDA's RUS programs also play a critical role in rural water and wastewater systems. Most water suppliers in the U.S. are small: 94 percent of the country's 51,651 drinking water suppliers and 80 percent of the country's 16,255 wastewater suppliers serve communities with fewer than 10,000 persons. The most recent noncompliance report data from the Environmental Protection Agency (EPA) show 9,949 communities in noncompliance for drinking water regulations. Most of these communities are rural and simply struggle to achieve federal compliance and avoid fines.

With a few exceptions, most of the funding for rural America's water and wastewater development has come from the USDA's rural water grant and loan initiative. As you know, this program prioritizes communities most in need based on economics and water quality. Conversely, EPA water infrastructure funding primarily benefits larger communities because EPA does not require a similar needs-based criteria. Approximately 77 percent of Clean Water State Revolving Fund (CWSRF) funding and 72 percent of Drinking Water State Revolving Fund (DWSRF) funding were awarded to communities with populations exceeding 10,000.

Although both the USDA and the EPA programs are necessary to meet the growing need for updated rural water and wastewater infrastructure, the USDA RUS programs historically have better served the needs of rural America. Since fiscal year (FY) 1940, USDA's Water Program has made 96,724 loans and grants totaling \$54.6 billion. The dollar value of the current infrastructure needs for water and wastewater in rural America is tied directly to the USDA rural water application backlog of 995 pending applications totaling \$2.5 billion. We ask that you continue supporting these programs to ensure that rural communities have access to safe and affordable drinking water as well as the ability to have their local wastewater systems meet federal standards. We also ask that this taskforce study inter-agency opportunities for funding and regulating rural waterway systems to prevent such significant backlogs.

Energy

RUS loans also have helped many rural electric utilities reduce costs and improve reliability by financing construction and maintenance of basic assets like poles and wires. It also helps fund projects to make systems more modern, efficient and secure. RUS recently announced a suite of helpful administrative reforms that will streamline the loan application process. We urge RUS to continue evaluating ways to be as responsive as possible to borrowers' needs.

USDA also manages several rural development programs that rural electric cooperatives use to serve and grow rural economies. In particular, the Rural Economic Development Loan and Grant program finances economic development projects that create jobs in rural communities. The Rural Energy for America Program, the Energy Efficiency and Conservation Loan Program and the Rural Energy Savings Program all encourage the deployment of renewable and energy efficiency technologies into rural areas, which save customers money. We recommend additional investment in these programs.

We support reforms to the National Environmental Policy Act and the Endangered Species Act to promote the development of rural infrastructure. In addition, streamlining federal government management practices on federal lands will facilitate the maintenance and expansion of electric and broadband services by rural electric cooperatives and rural broadband providers. The current review process can take substantial amounts of time, undermining the ability to plan for and deploy infrastructure, especially in areas of the country with shorter construction seasons due to weather.

Healthcare

Access to health care facilities remains crucial for rural communities to survive and prosper. Rural citizens are older, poorer and sicker more often, on average, than their urban counterparts, and they are more likely to suffer from chronic diseases that require monitoring and follow-up care. Unfortunately, 82 rural hospitals have closed since 2010 and 673 more are vulnerable to closure. If not addressed this could have a significant impact on the quality of life and economic wellbeing in many rural communities. Please work to ensure that rural hospitals have access to reliable sources of funding so rural Americans can have the same quality of health care facilities

and technology as their urban counterparts. This includes examining compensation for rural hospitals and how they can access the flexible credit and capital they need to support the communities they serve.

We also need flexibility for the creation of new health care delivery models. Programs seeking to address rural infrastructure must include broadband investment and an accompanying investment in telehealth. Telehealth can transform rural healthcare by decreasing transportation burdens for patients, increasing the convenience of rural physicians' consultations to urban providers, avoiding lost wages for travel to distant facilities, lowering health care costs by facilitating easier patient compliance and care and creating an avenue for effective patient education.

Housing

Rural residents need access to affordable, quality housing. The USDA Section 502 Single Family Housing Direct Loan Program is important to many rural Americans as it exclusively targets low income rural families and reserves 40 percent of the funds for very-low income families. Section 502 has helped more than 2.1 million families purchase homes and fills a gap in the private market by serving hardworking American families with incomes averaging \$28,275. In FY 2016, 7,086 low- and very-low income rural families obtained homeownership through Section 502 direct loans. In the first eight months of FY 2017, USDA made 3,792 loans totaling more than \$510 million. With fewer than three months remaining in this fiscal year, the \$1 billion worth of Section 502 direct loans in the application stage underscores how demand outpaces supply. The USDA Section 502 Guaranteed Loan Program, which helps lenders work with low- and moderate-income families in rural areas, also is essential to meeting the housing needs of rural America.

The USDA Rural Development (USDA RD) Section 515 rural multifamily housing and Section 514 farm labor multifamily properties serve as a lynchpin for affordable housing in rural communities. The Section 514 and 515 programs (under the Housing Act of 1949) operate through a successful public-private partnership. The 514 and 515 portfolios consist of 14,295 apartment complexes containing 431,689 units as of 2016. In 2002, USDA RD estimated that 4,250 Section 515 properties with 85,000 units "will physically deteriorate to the point of being unsafe or unsanitary within the next five years." At that time, RD estimated it would need \$850 million to maintain just this portion of the portfolio and as much as \$3.2 billion for portfolio-wide rehabilitation. Adjusted for inflation, the 2002 estimate of \$3.2 billion grows to approximately \$5 billion. Due to RD's policies during the past six years, the RD multifamily portfolio has fewer than 15,000 projects for the first time in 20 years.

In 2016, RD contracted for its own study, which confirmed the existence of significant deferred maintenance. Providing for this portfolio will not only care for the extremely low income families and elderly residents but also improve infrastructure and create jobs. For each 100 apartment units, 116 jobs (plus an additional 32 recurring local jobs) are created, generating more than \$3.3 million in federal, state and local revenue. Moreover, many rural areas face

worker shortages due to the lack of available affordable housing near rural jobs. We ask you to continue supporting these programs as they are vital for many low income rural residents and the overall prosperity of our rural economies and communities.

Finance

Rural America faces unique challenges that are fundamentally different than those faced by other parts of our nation. While the dollar amount of many projects often seems small, the collective need is great. Adding to these challenges, smaller tax bases in rural communities often make funding projects at the local level difficult, if not impossible. Creative solutions are required to make the investments necessary to rebuild our rural community infrastructure.

We believe federal, state and local governments all have a large role in financing these investments but understand that budget constraints likely will require finding areas where both the public and private sectors can work in partnership. Government guarantees also play an important role in attracting private sources of investment and often are very cost effective. Timely access to funding and minimal delays from projects requiring federal permits will help control costs. More effective partnerships between federal, state, and local governments and private sources of financing can accelerate project timelines and reduce the ultimate costs of rebuilding rural infrastructure.

We encourage you to maintain and enhance the federal commitment to funding rural infrastructure and to explore creative solutions through public-private partnerships to catalyze new sources of capital investment and ensure that rural communities have the long-term, reliable support necessary to improve their communities' vital infrastructure.

On behalf of the Rebuild Rural coalition, we thank you for your ongoing efforts to improve the lives of rural Americans and respectfully ask you to consider the recommendations made above. As members of our coalition recently demonstrated in testimony before the House Agriculture Committee, the problems of rural America are numerous and desperately need addressing. As a coalition of more than 220 organizations focused on rural communities, we hope to work with this taskforce to improve the lives of the rural Americans we all serve.

Sincerely,

Rebuild Rural Coalition

