



WRITTEN STATEMENT FOR THE RECORD

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**On behalf of the
National Association of Development Organizations (NADO)**

**Before the
U.S. House Committee on Agriculture
Subcommittee on Rural Development, Research, Biotechnology, and Foreign Agriculture
Formulation of the 2012 Farm Bill: Rural Development Programs**

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Thank you, Chairman Johnson, Ranking Member Costa, and members of the subcommittee, for the opportunity to testify today on the 2012 Farm Bill's Rural Development Title. Let me start by thanking you and the members of the subcommittee for your leadership and interest in the rural development mission area as part of the 2012 Farm Bill reauthorization process. The broad portfolio of USDA Rural Development programs for business development, infrastructure, housing, value-added agriculture production and marketing, regional strategic planning, and broadband deployment are essential to the long-term economic competitiveness and quality of our nation's rural communities.

My name is Leanne Mazer. I am the Executive Director of the Tri-County Council for Western Maryland, headquartered in Cumberland, and a Past President and Board Member of the National Association of Development Organizations (NADO). My background includes nearly two decades in regional and local economic development, including more than twelve years in my current position.

The **National Association of Development Organizations (NADO)** represents the national network of 540 regional development organizations. As public-based organizations governed primarily by local elected officials and other community leaders, the members of NADO focus on improving the economic

conditions and quality of life across America's local communities through regional strategies, partnerships and solutions. In addition, NADO is a member of the Campaign for Renewed Rural Development, a broad-based coalition led by our partners at the National Association of Counties.

The **Tri-County Council for Western Maryland** is a regional economic development agency serving Allegany, Garrett, and Washington counties. We provide a variety of programs and services within our region, and serve as a regional planning and development organization under the guidelines of both the Appalachian Regional Commission (ARC) and the U.S. Economic Development Administration (EDA). In addition to our professional and technical assistance programs for local governments, businesses, and non-profit entities, our organization operates several small business development loan funds, serves as the state data center affiliate for Western Maryland, and offers Geographic Information System (GIS) services for our local communities and partners.

Mr. Chairman, I will focus my remarks today on three key areas related to USDA Rural Development and the future of our rural regions and communities:

- 1. The mission area of USDA Rural Development is critical to our nation's rural and most distressed areas as they work to develop the fundamental building blocks necessary to be economically viable and competitive.** This includes basic yet essential investments for infrastructure and utilities, housing and community facilities, and access to capital and technical expertise for our businesses and entrepreneurs.
- 2. With rural regions now facing intense global competition, we need to ensure USDA Rural Development has the policies, program tools, and flexibility to assist rural communities with cutting-edge, asset-based regional development strategies and investments.** This will take a new level of sophistication and capacity within our rural regions and at USDA Rural Development. Specifically, we need to foster stronger public-private-nonprofit partnerships, prepare our rural workforce with new skills, and develop modern infrastructure and community facilities, which can be achieved more efficiently and cost effectively by leveraging and investing in existing regional development strategy processes such as the U.S. Economic Development Administration's Comprehensive Economic Development Strategy (CEDS) framework.
- 3. USDA Rural Development applications, policies, and reporting requirements should be streamlined and broadened to reflect the scale of rural investments, emerging needs and opportunities of rural regions, and capacity of local organizations.** While retaining necessary financial and performance accountability standards, Congress should ensure USDA Rural Development has a modern set of policies, programs, and incentives to help rural communities pursue regionally-based, locally-driven community and economic development strategies.

First, Mr. Chairman, the mission area of USDA Rural Development is critical to our nation's rural and most distressed areas as they work to develop the fundamental building blocks necessary to be economically viable and competitive. With USDA's assistance over the decades, rural communities across the nation are now better positioned to pursue regional asset-based and innovation-focused development strategies that are resulting in new job and local wealth retention opportunities.

However, continued gains are increasingly at-risk due to Rural Development funding cuts in recent years. Since FY2010, the Budget Authority for the USDA Rural Development mission area has been cut by nearly \$733 million, including reductions of \$102.46 million in the Rural Utilities Service, \$333.93 million in the Rural Housing Service and \$75.52 million in the Rural Business-Cooperative Service. Over the past two years, water and waste water grants have been cut \$41.61 million, community facility grants are down 44 percent, and support for rural microenterprise lending and technical assistance was eliminated for the current fiscal year.

While some of these cuts have been masked by massive increases in USDA's direct loan and loan guarantee program levels (especially due to the historically low subsidy level for the community facilities program), the reality remains that the most distressed rural communities will struggle to make the improvements necessary to remain economically viable. In addition, the programs hit hardest by recent budget cuts include the agency's smaller, more flexible business and community assistance programs, such as Rural Business Enterprise Grants (RBEG), Rural Business Opportunity Grants (RBOG), and the Rural Community Development Initiative (RCDI). Combined, these three community and economic development programs have been cut more than \$17 million, or 37 percent, over the past two years. The program level for the Intermediary Relending Program (IRP), an important access to capital resource for rural businesses and entrepreneurs, is also down 48 percent over the same period.

Other key federal economic development programs that specifically help small towns and rural communities are also facing substantial cuts. Compared to FY2001 levels, project funding for the U.S. Economic Development Administration is down \$181 million (42 percent reduction) and HUD's Community Development Block Grant (CDBG) program is down \$1.46 billion (44 percent cut). This translates into nearly \$620 million in reduced grant investments for vital community and economic development infrastructure each year since half of EDA's investments are typically in rural areas and 30 percent of HUD's CDBG money is targeted, by law, to small cities and rural areas.

In the current budget climate, we understand that most of these core programs for basic yet essential investments for infrastructure and utilities, housing and community facilities, and access to capital for rural communities are unlikely to be restored to their peak levels. This makes USDA Rural Development programs and policies even more essential. While we recognize this committee is not directly responsible for the annual appropriations for USDA Rural Development, the committee can ensure the remaining programs and resources are used in a more strategic and performance-driven manner.

During challenging fiscal times, it is often easy to get caught up in the numbers and forget the real impact federal programs like USDA Rural Development have on the communities and people across America. In one of my counties, we recently completed a significant project of regional importance that would have been impossible without assistance from USDA Rural Development. With a USDA loan, Allegany County, working with state and local partners, was able to construct a new water line to the new Barton Business Park for Advanced Manufacturing, which was developed to create manufacturing and technology jobs in an area where the unemployment rates are consistently higher and the per capita incomes are consistently lower than the national and state averages.

This project was essential to ready the facility for tenants and soon thereafter, cabinet manufacturer American Woodmark moved in. The company, readily positioned to expand its operations to address rising product demand in the U.S. Northeast and Mid-Atlantic regions, immediately created 120 new quality manufacturing jobs. They continue to grow and now employ approximately 332 employees.

In 2005, our agency assumed the management of an IRP fund from another organization within our region. While we are still working with USDA and our clients to clean up and close out previous loans, we are making progress in awarding newer loans and investments. Recognizing that a pressing need in our region was more professional, hands-on business counseling and technical assistance for our local entrepreneurs and businesses, we also secured two USDA Rural Business Enterprise Grants (RBEG) to assist our small business community, particularly those that were potential or existing loan clients. During the two year period with our RBEG investments, we assisted 196 businesses with business counseling and other technical assistance. Among the results, we invested more than \$1.8 million in gap financing to help our partners secure approximately \$12.7 million in new lending and investments. It is worth noting that we provided more than a 50 percent local match for both these USDA awards.

One of the businesses that the Tri-County Council helped during this time period was M & W Ventures, LLC, a Washington County small business engaged in electric motor sales, repair, and installation, whose growth was limited by the size of their existing plant. Our organization assisted the company with a business plan to support the expansion of the plant facility that was needed for overall growth and increased sales. Our organization was able to provide \$400,000 in gap financing to support a total package of \$2.1 million. The company continues to grow, expanding their annual sales to \$3.9 million.

Second, Mr. Chairman, our nation's rural communities are facing enormous pressure from our global competitors. At the same time, our rural regions have the assets and drive to compete and take advantage of new opportunities. Therefore, it is imperative that USDA Rural Development has the policies, program tools, and flexibility to assist rural communities and regions with cutting-edge, asset-based regional innovation strategies and investments.

To be successful in the modern economy, rural entrepreneurs and communities must be connected to global and domestic markets—digitally, institutionally, and physically. This will take a new level of

sophistication and capacity within our rural regions and at USDA Rural Development. It will also mean improving federal interagency collaboration, fostering stronger public-private-nonprofit partnerships, preparing our rural workforce for new challenges, and developing more modern infrastructure and community facilities. We believe this can be achieved more efficiently and cost effectively by facilitating regional collaboration and strategic investments through existing regionally focused, locally driven planning frameworks such as the U.S. Economic Development Administration's Comprehensive Economic Development Strategy (CEDS) process.

One of the many specific ways the Tri-County Council supports regional development is through our long partnership with the U.S. Economic Development Administration (EDA) and the Appalachian Regional Commission. The EDA, through its national network of 380 economic development districts, provides vital seed capital and matching funds for local communities to craft and implement regional economic development strategies. As such, the vast majority of rural America is supported by a Comprehensive Economic Development Strategy (CEDS).

The CEDS is an invaluable framework for identifying the economic conditions, shared development goals, and the regionally impactful investments that will enhance the competitiveness of rural America. Because they are regionally based, locally owned strategies, the CEDS would provide USDA with an established system to help make more strategic investments. In addition, USDA should be given additional resources and authority to assist rural counties and regions with more robust support for developing and implementing in-depth rural asset mapping, key industry analysis, and regional innovation readiness assessments that build upon the groundwork of the CEDS process.

In Maryland, we have been embarking on several regional projects that demonstrate the importance and power of connecting often disparate issue areas for the purposes of regional development. Last week, we were pleased to see the completion of a major project that demonstrates how we used our CEDS to examine existing assets, identify and prioritize local needs, and successfully finish a project of regional significance. The City of Frostburg, in partnership with other federal, state, and local partners, used a USDA Water and Waste Disposal loan (combined with funding from the Appalachian Regional Commission) to complete a major water distribution project that provides reliable, clean and abundant water to over 5,300 homes and businesses.

The USDA loan was used for the replacement of raw water transmission mains, which enabled the City to pump enough water to meet the needs of the existing water service area. This allowed the hydroelectric plant, which generates electricity to offset energy used, to pump raw water from the Piney Dam source under the terms of a net metering agreement with Potomac Edison. The hydroelectric plant, which began production in December 2011, produces between 55 and 70 kW with a current estimated annual value of \$29,000. The new and larger raw water transmission mains now provide the City with the capability to efficiently pump more water and generate additional electrical savings.

This one water project was 30 years in the making and required extensive relationship building and consensus across a spectrum of often divergent stakeholders. Yet, because our region made this project a priority many years ago through our CEDS process, all three counties and 24 municipalities were committed to its success. Our hydroelectric plant is now a key part of our region's economic development infrastructure.

Our organization is also involved in a major initiative to bring broadband to rural and underserved portions of the state through the Maryland Broadband Cooperative. We assisted in creating the first regional community foundation in our part of the state. In addition, we helped facilitate improved communications and coordination among various educational institutions within our region, with a major emphasis on preparing our youth and students for today's economy.

With fewer federal resources, including grant dollars and staffing, it is becoming more essential for USDA Rural Development to make more strategic and performance-based investments that are tied to regional and local plans and priorities. Instead of public, private and nonprofit sector leaders working together on our asset-based opportunities and needs, we are often forced to fit our community and economic development initiatives into USDA's program stovepipes and funding priorities. I would urge a greater recognition and support of existing regional development strategies, including the EDA CEDS, that could assist Rural Development in making sound decisions regarding their investments. This would also require making USDA's rural development programs more flexible and geared toward addressing regional and local priorities.

Finally, Mr. Chairman, USDA Rural Development applications, policies, and reporting requirements should be streamlined and broadened to reflect the scale of the rural investments, emerging needs and opportunities of rural regions, and capacity of local organizations. While retaining necessary financial and performance accountability standards, Congress should ensure USDA Rural Development has a modern set of policies, programs, and incentives to help small towns and rural areas pursue community and economic development growth.

Western Maryland is much like other rural regions across America. Communities and small businesses in this region often lack the staff capacity to apply for, and manage, USDA Rural Development programs. This is unfortunate since programs like USDA Rural Development were established specifically for the purpose of assisting rural communities, especially those with severe distress and poverty.

Every federal program should be adjusted to meet not only the needs, but the capacity of all rural communities and businesses. In order to maximize access to the services and programs that rural regions need to create conditions for job growth, Rural Development should strongly consider a process to identify the current concerns felt by their customers and enter into a program of continuous evaluation and improvement for the purposes of maximizing program impact. Rural Development should also strongly consider establishing stronger connections to entities, such as regional

development organizations and counties, to provide technical assistance to rural communities, small businesses and entrepreneurs.

In closing, I urge your continued support of USDA Rural Development programs and funding in the 2012 Farm Bill, especially those built around regional, asset-based development strategies and investments that create conditions for quality job growth. USDA Rural Development is an essential partner and funding source for rural people and places. It is also a vital tool for regional development organizations, such as the Tri-County Council, and our local government and community partners as we strive to position our communities for the future.

Thank you again, Chairman Johnson, Ranking Member Costa, and members of the subcommittee, for the opportunity to testify today. I would welcome any questions.