

**Statement of USDA Rural Development Chief Innovation Officer Jacki Ponti-Lazaruk
Before the United States Senate Committee on Indian Affairs
April 10, 2019**

Chairman Hoeven, Vice Chairman Udall and Members of the Committee, I appreciate this opportunity to represent USDA and to discuss our programs within Rural Development (RD), including how our nation's tribes utilize these programs to build out critical infrastructure and as tools for community and economic development.

Rural Development's mission is to increase economic opportunity and to improve the quality of life for all rural citizens. We meet this mission by focusing on investments in economic development and infrastructure, by building and leveraging partnerships, and by seeking new ways of delivering our programs through ongoing innovation.

RD manages a loan portfolio of more than \$225 billion administered by three agencies: the Rural Utilities Service (RUS), the Rural Businesses and Cooperative Service (RBS), and the Rural Housing Service (RHS). RD investments support rural residents looking for affordable, safe housing; municipalities seeking water infrastructure and community facilities; and small rural businesses, co-ops, and agricultural producers looking to expand into new markets. We are also a vital source of financing for rural broadband and electric infrastructure. Together, RD agencies work to help communities build stronger economies, create jobs, and improve the quality of life in rural areas.

In 2017, Secretary Perdue created the Innovation Center (IC) within RD, which I oversee as Chief Innovation Officer. A major part of what the IC does is analyze RD's program performance, policies and strategies, and find ways to improve program delivery to all our constituencies, including throughout rural tribal reservations. Our mission is to equip rural communities with economic development tools to drive rural prosperity. We achieve this by identifying best practices in economic development, promoting multi-sector partnerships and capacity at the local level, and driving synergies by promoting collaboration across agencies.

The more than 40 programs that RD administers offer tribal leaders and members access to financial and technical assistance. We recognize the tremendous need for these types of resources in tribal communities and are fully committed to building on past investments and improving our ongoing support of tribal nations and Alaska. Secretary Perdue and Acting Assistant to the Secretary for Rural Development, Joel Baxley, place a high priority on improving program delivery to drive investments and promote development in Native communities.

RD agencies have a long history of investing in tribal economies. Since 2001, Rural Development has invested more than \$6.2 billion in loans and grants that will yield benefits to American Indians and Alaska Natives for years to come. Of this investment, \$449 million was invested last year alone and has been deployed through a variety of projects.

For example, RD provided a \$7.6 million loan to the 1994 land-grant Cankdeska Cikana Community College to build an early childhood development center and daycare facility for the Spirit Lake Tribe located in Ft. Totten, North Dakota. This new facility replaced several older facilities and will provide an educational head start for Spirit Lake's children.

In 2018, RD also provided a \$5.8 million dollar Telecommunications Infrastructure Loan to Hopi Telecommunications, Inc in Arizona. This investment will be used to construct fiber-to-the-premises (FTTP) systems in the Keams Canyon, Kykotsmovi and Polacca exchanges and make additional system improvements. It is expected that approximately 650 customers will be placed on the FTTP system, while customers who remain on the copper system or wireless system will all be able to access speeds of at least 10 Mbps upload and 1 Mbps download.

Also in FY 18, through our Community Facilities loan program, we made numerous investments to tribes to help finance essential community facilities. For example, we provided a \$4.8 million direct loan to the Yakutat Tlingit Tribe in southeast Alaska to construct a healthcare clinic, an \$8 million direct loan and \$3 million in guaranteed loans to the Blackfeet Nation in Montana to

construct a new senior care facility and a \$1.4 million direct loan to the Red Lake Nation in Minnesota for the 2nd phase of construction of the Red Lake Community Center.

Many RD programs are expressly designed to help alleviate the challenges faced in the most remote corners and persistently poor communities across the United States. We recognize that while many challenges faced by tribal nations are shared by all rural communities, these communities also face unique challenges. Through your leadership and support, Congress has provided RD with special tools to help drive investments to tribes and their members, as well as the 1994 land-grant tribal colleges and universities, including the mandatory funds we receive each year. It also includes the RUS Substantially Underserved Trust Area (or SUTA) provisions. The SUTA provisions provide additional flexibilities in our rural utilities programs to help drive investments in trust areas that are substantially underserved.

Historically, RD has had funds provided by Congress for Tribal projects in the following programs:

- The Community Facilities program through the Tribal College and University Grant Initiative;
- The Rural Business Development Grant program;
- The Intermediary Relending program;
- The Water and Environmental Grant program;
- The Rural Alaska Village Grant program; and,
- The Business and Industry Loan Guarantee program.

These special tools ensure that tribal nations have access to funds for critical investments that benefit tribes and tribal members. In a typical year, approximately \$50 million in program authority is legislatively mandated for tribal projects across these six RD programs. However, the vast majority of RD's investments benefitting tribes and Native Americans flow through our traditional programs. Using FY 2018 as an example, RD invested almost eight times the amount (\$399 million) in loans and grants that benefitted American Indians and Alaska Natives through our traditional programs compared to the tribal set-asides.

RD often partners with other government and private financing entities on projects, including those serving tribes. For example, when the Mississippi Band of Choctaw Indians needed to build a new health center, funding from the tribe, RD's Community Facilities (CF) Program, and the Indian Health Service (IHS) were combined to support the project. In 2013, RD provided a \$40 million CF direct loan, a commercial bank provided a \$10 million loan that was then guaranteed through the CF program and the Choctaw contributed \$5 million to the project. The result is a successfully operating new 20-bed hospital that also provides tribal members with outpatient, dental, emergency, trauma, behavioral health and community and public health services.

RD's suite of programs enable us to serve our customers at almost any stage of development, from initial concept, to project and community planning, application development and construction. The variety of loan, grant, and technical assistance products and services provide tribes and those who serve them with a path to investing and growing over time to provide critical services to their members. Sacred Wind Communications (SWC), a New Mexico-based telecommunications provider, is a good example of this, first with a small RD grant in 2005, and then with larger loans from RD that gave them the resources to scale and expand their reach. In 2005, SWC was first awarded a RUS Community Connect broadband grant for \$436,461 to provide both phone and Internet services to Huerfano, New Mexico – a small town of approximately 400 residents, located on the Navajo Nation reservation. SWC contributed an additional \$86,500 of its own funds to guarantee the success of the project. Telephones were installed in all community buildings, connectivity was delivered to key community buildings, and a new Computer Training Center was opened to the public. More recently, SWC has since also received multiple telecommunications loans from RUS, including a \$13.8 million loan in March of 2016 to improve internet service within the Navajo Nation in northwest New Mexico. The loan was awarded with a lower interest rate (2%) under the Substantially Underserved Trust Area (SUTA) provisions of the 2008 Farm Bill. The SUTA provisions were implemented as part of a long-term strategy to assist tribes in meeting their utility infrastructure needs and improving economic development.

Leveraging the right programs at the right time enabled SWC to grow over time into a company that now serves tribal members across 22 Navajo Nation chapters.

Broadband

RD is building on its commitment to support deployment of critical infrastructure and to promote economic development in tribal areas. With an estimated 35 percent of residents of tribal lands still lacking broadband service, we understand that providing access to broadband is a high priority for many tribal leaders. From FY 2010-2017, tribal organizations benefited from \$259.6 million in RUS loans, grants, or loan/grant combinations that were provided to tribal or non-tribal providers to support broadband infrastructure and programs on tribal lands. During that same time period, tribes directly benefited from \$317.1 million in Broadband Initiative Program (BIP) grants and nearly \$3 million in BIP Technical Assistance grants. In addition, \$23.1 million in Community Connect grants were awarded to tribes, tribally owned broadband providers, and other entities that bring broadband service to unserved tribal areas.

RD's ReConnect is the most recent program to offer loans, grants and loan/grant combinations to finance broadband infrastructure projects through eligible rural entities, including tribes.

The scoring criteria for Round One of ReConnect includes priority points for applications that serve tribal lands. Eligible tribal applicants may also invoke SUTA on ReConnect applications, particularly on interest rates. To ensure potential applicants understand the program and its eligibility requirements, RD is hosting six workshops around the nation. At least two of the workshops are located near tribal lands or at tribal venues, including one that is concluding today (April 10) in Tucson, AZ at a Pascua Yaqui owned facility. More information about the workshops can be found on the "Events" page at <https://reconnect.usda.gov>. We are hopeful that efforts such as these will encourage tribes to apply and equip them to prepare competitive applications for this funding opportunity.

In addition to ReConnect, RD is beginning its work to implement new broadband provisions from the 2018 Farm Bill. As always, we will engage and listen to tribal perspectives as we implement these new provisions.

Technical Assistance

For many tribal communities, understanding which RD programs meet their needs can be challenging. Advice and assistance are available to RD applicants and borrowers throughout the planning, filing, and build out of projects. RD provides technical assistance to tribes directly, in collaboration with partners and through grants provided to private technical assistance providers. Several programs, including the Water and Environmental Programs (WEP), the Community Facilities (CF) Program and the new ReConnect program offer funding for technical assistance and training.

For example, WEP administers a Technical Assistance and Training (TAT) Grant program, as well as a Solid Waste Management Grant (SWM) program, both of which are available and subscribed to by tribal and Alaska native communities. Grantees of these programs provide a variety of training and assistance to rural water and waste utilities in everything from board governance and rate setting, to asset management. From 2007 to 2018, USDA awarded \$12.4 million in SWM grants and \$24 million in TAT grants to tribes and non-profit entities to help tribes with technical assistance and training needs related to water, waste water, and solid waste management. In 2018, 47% of the TAT grant recipients were tribes or entities serving tribes.

RD funded circuit riders also provide hands-on technical assistance to tribes in operating water systems. For example, when the Jemez Pueblo community in New Mexico became concerned with health impacts because red-colored water began flowing from their taps, they contacted the New Mexico Rural Water Association for help. Rural Water's Circuit Rider was able to determine that the reddish water was being caused by an improperly functioning chlorine injection pump. Working together, the RD funded Circuit Rider and the Pueblo staff rebuilt and calibrated the pump to deliver clean safe water to the 1,000 members on the system.

In August of 2018, Rural Development Oklahoma partnered with the Native American Finance Officers Association and the University of Arkansas' Indigenous Food and Agriculture Initiative to provide training for RD Oklahoma Community Programs Staff on reading Tribal financial statements and underwriting tribal deals. As a result, the Community Programs staff in Oklahoma is better prepared to underwrite tribal deals and deploy more of RD's funding to tribes throughout the state.

In terms of outreach, RD employs a full time National Native American Coordinator who works across all RD programs and provides support to RD staff and Tribes across the Nation. And in each state that serves at least one federally recognized tribe, RD appoints a Native American Coordinator, customarily as a collateral duty, to serve as a single point of contact for tribes in that state.

Innovating for Better Service

RD is continuously exploring ways in which we can more strategically engage our customers and deliver our programs. Secretary Perdue has a clear vision for USDA programs to be delivered efficiently, effectively, and with integrity and a focus on customer service. Through RD's new Innovation Center, we are building our analytics capabilities to support data-driven decision making and more strategic engagement. We intend to use this new function to strategically target our outreach to tribes and other rural customers. RD is also looking at new approaches to improve program delivery.

For example, RD is partnering with two Native Community Development Financial Institutions (NCDFIs) that have extensive experience working in Native American communities. In FY 2018, RD obligated \$800,000 each to Mazaska Owecaso Otipi Financial and to Four Bands Community Fund. The organizations will relend the money to eligible homebuyers for mortgages on South Dakota and some North Dakota Tribal trust lands. Mazaska Owecaso Otipi Financial and Four Bands Community Fund also will service the mortgage loans after they are made. RD is providing the funding through the Single Family Housing Direct Loan program.

Each NCDFI contributed \$200,000 for mortgages in the pilot program. RD is stepping out of its traditional business model with this pilot in an effort to increase home ownership on trust land. RD has helped nearly 4 million rural residents purchase homes since passage of the Housing Act of 1949. However, homeownership rates on tribal lands historically have been significantly lower than those for other communities. Both NCDFIs have deep ties to the local communities and will be able to reach potential homebuyers more effectively than USDA and other lenders. Currently, mortgage applications are pending with both NCDFIs and loans are anticipated in the

coming months. RD will monitor the success of this pilot to determine whether to request the authority to expand its reach.

New Opportunities in the 2018 Farm Bill

The 2018 Farm Bill reauthorizes RD programs that support tribal economic development and provides new tools that will enable RD to better serve the needs of tribal nations. Big or small, these changes will make a real impact on program delivery.

We thank this Committee and the Agriculture Committees for the update to the Rural Alaska Village Grant (RAVG) program in Section 6408 of the Farm Bill. This change supports the commitment among federal, state, and local partners to work collaboratively to deliver the RAVG program in an efficient, streamlined, accountable and impactful way. In June of 2011, RD, the Environmental Protection Agency (EPA), IHS and the State of Alaska entered into a Memorandum of Understanding (MOU) that detailed a new and better way of working with each other and Alaskan villages to make water and waste infrastructure investments in rural Alaskan villages where dire sanitation conditions exist in highly remote communities. Since then, RD has invested more than \$220 million through RAVG to improve infrastructure and the quality of life for Alaska Natives.

The RAVG program is an excellent example of how partnership among federal and state entities can change lives in native communities. The village of Eek, population 474, was an unserved community with no water or sewer infrastructure. Residents hauled water and utilized honeybuckets for wastewater. Over a span of four years, RD partnered with IHS, EPA and the State of Alaska to provide funding for a much-needed new community-wide water and sanitation system. In 2017, RD awarded a \$3.12 million RAVG grant to complete the last phase of construction and the project is near completion. The Alaskan Native Health Consortium (ANTHC) has been another instrumental partner, managing the project through construction. Because of the phased approach, many residents have already received first-time water and sewer service. The new system will have added health benefits as well. When running water and sewer is introduced to a community, illness rates drop. In one study of rural Alaskan communities, clinic visits for respiratory infections declined by 16 percent, skin infections by 20

percent, and gastrointestinal infections by 38 percent after the introduction of modern sanitation systems. Working collaboratively made this life-changing project possible.

The new Farm Bill also authorizes RD to refinance certain RD hospital loans, as well as telecommunications and electric loans. We understand that these authorities are of interest to tribal borrowers and we look forward to engaging on this issue in the upcoming USDA Farm Bill consultations.

In Section 6302 of the Farm Bill, USDA is directed to establish a technical assistance program to improve tribal entities' access to RD programs. While RD has technical assistance funding in some specific program areas and dedicated staff across the country to serve our customers, this provision provides RD with the opportunity to engage and serve our native and tribal customers in a more comprehensive and focused manner. We are committed to providing technical assistance that addresses the unique challenges faced by tribal governments, tribal producers, tribal businesses, and tribally designated housing entities in understanding and strategically accessing RD's wide breadth of programs and services.

RD is looking forward to the tribal consultations and listening sessions in the weeks and months ahead to hear from tribes how to best implement this section of the Farm Bill and to begin building the framework of a new central RD technical assistance function to be deployed should funding be appropriated for it.

Conclusion

RD will continue to actively support all tribal nations in their efforts to improve the quality of life for their members. To do so, we will partner with other public and private entities to fund projects, leverage the many tools and authorities Congress has provided, and work to provide faster, friendlier and more efficient access to RD programs.