

**Oral Summary of Testimony Before the
Senate Small Business Committee
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[Salutation]

Senator Shaheen, thank you for the opportunity to speak before the Senate Small Business Committee today, in which I will be sharing with you the achievements of USDA Rural Development in advancing prosperity of New Hampshire's small businesses, as well as the hardships we face in seeing the mission through.

I am Sarah Waring, Rural Development State Director for New Hampshire, the Granite State, and Vermont, the Green Mountain State. In our jurisdiction we have 1.9 million souls, with 70% percent of New Hampshire residents and 90% of Vermonters living in towns of less than 5,000 people. Both states have hovered right around 60-65% employment rate for the last decade, and they have heavily weighted employment percentages toward educational services, health care and social services—which is why small business development is such an important topic of discussion in our region.

On behalf of USDA Rural Development, I would like to offer my heartfelt condolences to the communities in Grafton and Coos County, who are still struggling to find pathways to rebuild from the flooding events in July, and to the farmers and producers throughout the state still recovering from last year's devastating May frost. For as long as it takes, the Biden-Harris Administration and USDA will deploy every resource at our disposal to help families, communities and businesses rebuild their homes, their lives and their livelihoods.

My testimony today will provide more details on Rural Development's ongoing programs that support small businesses and agricultural producers, but I'd like to start by giving some background on the Agency.

Federal policies emerging out of the Great Depression focused on rural American infrastructure like electricity and water and housing, and propelled the needs of the small community into a prominent place within the federal funding apparatus. Six decades later, these rural programs were inefficiently and independently managed across a handful of USDA agencies. The Clinton administration conceived of a unified mission area to make the government's role in rural America more beneficial to its residents, and the result was USDA Rural Development. Unlike most federal agencies that operate through state and county governments, our dollars go directly to the homeowners, businesspeople and communities we serve, so we establish relationships on the ground with our customers that can last generations. Some of our specialists are

veterans of the military and veterans of the Agency. They have seen combat, and they have seen our customers' kids grow from babies to young adults who are taking active roles in community development.

Today, RD is a centralized agency acting as a lender, grantor and partner in projects that improve the quality of life for rural residents. Over the last five years, we've invested roughly \$1.3 billion in the Twin States. That translates to more than 3,400 families with safe housing, 570 businesses with lower costs, and 260 community institutions built or modernized, from town halls and libraries to high schools and hospitals.

In short, Senator, it is a special place to work and I'm proud of what we accomplish every day under the flag of our mission: to increase economic opportunity and improve the quality of life for rural Americans.

We do this through three primary mission areas:

- The **Rural Housing Services** provides financial assistance for affordable housing and community facilities for medical, education, social and public service needs
- The **Rural Utilities Service** finances basic water and wastewater infrastructure, telecommunications, high-speed internet, broadband, and electric infrastructure
- The **Rural Business and Cooperative Service** helps small rural businesses and agricultural producers with technical assistance, financing for facilities and equipment, energy efficiency systems and improvements, and working capital.

It is this last group we'll focus on today.

Among the many acronyms on offer at the USDA, REAP is likely the most recognized among New Hampshire rural businesspeople, farmers and producers. After our Single Family Housing repair program for senior homeowners (62 years old is the delineation at RD), the Rural Energy for America Program is by far the Agency's most popular grant funding source in terms of application volume and activity. The other acronyms relating to USDA energy programs that I'm confident more New Hampshire businesses and communities will become familiar with include PACE, New ERA, EIL, REDLG and RESP. We'll circle back to those later.

Onto REAP and its benefits for small businesses and beyond. I say 'beyond' because of course the wonderful thing about a program like REAP, and any clean-energy program for that matter, is that the natural environment also benefits, and by extension, the surrounding community and its health outcomes. This is the 'win-win' that is defining the transition from a fossil-fuel-based economy to that of renewable energy and energy efficiency. The Biden-Harris Administration's historic, bipartisan Inflation Reduction Act, the IRA, saw significant changes to the program that made the win-win proposition impossible to ignore among small businesspeople.

REAP offers two paths to funding; one for renewable energy projects and the other for energy efficiency. Before the IRA, the program offered a quarter match, with the grantee

required to provide 75 percent of project cost while USDA furnished the remaining 25 percent. Grant amounts maxed out at \$500,000 for renewable energy projects and \$250,000 for energy efficiency. Under the IRA, these program elements doubled: The USDA match went to 50%, and maximum grants increased to \$1 million to establish a renewable energy system and \$500,000 for energy efficiency upgrades.

To understate it, these significant modifications had an impact on our people in Business Programs, which was woefully understaffed to begin with.

This is probably a good time to thank you sincerely for recognizing, along with your congressional colleagues, our crucial need for more people, and communicating your concerns to Agency leaders and Administration representatives regarding our hiring ability and timing. We now have more capable colleagues among us, who are being trained as we speak to process applications and provide comprehensive customer service. This is because of you and your staff's direct engagement with our Agency, which we will always welcome and deeply appreciate, so thank you again.

Because of these incredible changes to REAP, our Business Programs Director and his staff are buried under the avalanche of new applications. This is not a new phenomenon—that of good ideas on paper creating tight processing bottlenecks on the ground—but with these particular program changes, and our particular situation with staff shortages, there was a perfect storm of backlog.

The numbers tell the story:

In fiscal year 2022, our jurisdiction took in 49 REAP applications and funded 38 projects for \$3.7 million, a decent year for the program. In FY23, post-IRA, we accepted 98 applications and funded 73 for \$11.6 million. This year, we're looking at 145 applications, with \$36.5 million on the table for funding consideration. Year over year, that's a jump of *100% and 68%*! And please remember, REAP is just one of dozens of business programs the Agency offers.

REAP projects offer small businesses significant cost savings and at varying scales according to their size and needs. Take A Place to Grow, for example, a nature-based childcare business founded and franchised by Jen Legere, a single mom who was once homeless with her children. Jen built her business because of her focus and intelligence and determination, and because she knew where to look for financial breaks and boosts. In 2018, she applied for two small REAP grants, each a little more than \$9,000, to weatherize the flagship location in Brentwood and install solar panels on the roof. With the combined projects, she saves her business roughly \$6,000 each year, and she's eager to reapply for 'REAP 2.0,' as she's informally tagged it.

Then we have Candia First Stoppe, a unique country store/gas station/truck stop/restaurant business we visited in July with USDA Deputy Secretary Xochitl Torres-Small, and your colleague, Congressman Chris Pappas. Future-facing Co-Owners Joe Sobol and Craig St. Peter jumped at the chance to secure an IRA-funded, nearly

\$850,000 REAP grant to install a 561.6 kilowatt (kW) solar array. The new system will offset the operation's electrical power needs, translating to more than \$133,000 in annual energy savings.

Whether it's a big or small project, whether pre- or post-IRA, REAP is making a big difference for bottom lines of small businesses throughout New Hampshire.

Other USDA energy programs that don't enjoy REAP's popularity have promising potential to benefit rural residents as well as businesses. Last week on September 7th, the USDA announced more than \$7.3 billion in IRA-funded clean energy investments through the Empowering Rural America program, or the New ERA, which will leverage private investments of more than \$29 billion to build in excess of 10 gigawatts of clean energy for rural communities across the country. A week previous, on August 29th, the Agency announced \$140 million to lower energy costs in rural Nevada and Kentucky through the new Powering Affordable Clean Energy Program, or PACE, also an IRA initiative.

Why isn't New Hampshire benefitting from this funding? These investments are being made throughout the Rural Partners Network, or RPN, a conglomerate funding network made up of big states with big utilities and far-reaching, remote rural areas. While the Twin States may miss out on these opportunities designed for larger populations, there are other accessible energy programs outside of REAP that we continue to promote.

The Electric Infrastructure Loan & Loan Guarantee program offers renewable energy and energy-efficiency financing that utilities, state and local governments, nonprofits and LLCs can apply for. Eligible activities also include replacing and restoring critical power infrastructure. Aligned Solar Partners out of New York City received a \$15.2 million loan through the EIL Program in 2022 to build five solar arrays throughout Maine and New Hampshire, generating 10.291 megawatts of electricity, enough to power an average of 1,800 homes annually.

Across the Connecticut River, the Vermont Bond Bank will begin to help communities with more affordable energy using the \$40 million it secured through USDA's Rural Energy Savings Program, or RESP. Eligible to applicants from utilities, nonprofits, cooperatives and state and local governments, this program is a catch-all for potential clean-energy projects, including lighting, water and waste disposal, on- or off-grid renewable energy systems, HVAC, water heaters, motors and more.

Then there are programs that aren't classified as USDA energy programs, but nonetheless make contributions to climate-smart practices and activities. The Meat and Poultry Processing Expansion Grant, or MPPEP, brings big savings to ag processing facilities, where the tightest bottlenecks are located in the meat industry. By expanding operational areas and equipment, and enabling these businesses to double and triple throughput, MPPEP reduces costs and time, and therefore energy consumption. The New Hampshire Community Loan Fund is the national administrator of MPPEP, overseeing the \$64 million USDA program allocation. The Rural Economic Development

Loan & Grant Program, or REDLG, can be applied to community development activities geared toward energy-smart economic solutions, like start-up venture costs and funding for incubators and technical assistance.

In closing today, Senator, I'd like to offer a few thoughts in summary that I hope you'll take with you:

- Our programs work in driving down costs for small businesses
- They work incredibly well, in fact, but only as far as the people we have to process the applications
- Despite your hiring call to action for Rural Development, we still need more people on the ground to more effectively carry out our mission
- There are USDA energy programs that we need to collaborate on making more familiar and accessible to rural communities and utilities, which will in turn benefit small businesses and rural residents
- We are sincerely thankful for your time and your efforts, and those of your staff, and we look forward to working with you closely to help rural New Hampshire small businesses thrive and succeed.

[Handoff]