

**ASSESSING THE GOVERNMENT'S ROLE IN SERVING  
RURAL AMERICAN SMALL BUSINESSES (PART ONE)**

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**HEARING**

BEFORE THE

**SUBCOMMITTEE ON RURAL DEVELOP-  
MENT, AGRICULTURE, TRADE, AND  
ENTREPRENEURSHIP**

OF THE

**COMMITTEE ON SMALL BUSINESS**

**UNITED STATES**

**HOUSE OF REPRESENTATIVES**

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**THURSDAY, NOVEMBER 14, 2019**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON SMALL BUSINESS,  
SUBCOMMITTEE ON RURAL DEVELOPMENT, AGRICULTURE,  
TRADE AND ENTREPRENEURSHIP,  
*Washington, DC.*

The Subcommittee met, pursuant to call, at 10:08 a.m., in Room 2360, Rayburn House Office Building, Hon. Abby Finkenauer [chairwoman of the Subcommittee] presiding.

Present: Representatives Finkenauer, Golden, Craig, Radewagen, Joyce, and Bishop.

Also Present: Representative Cox.

Chairwoman FINKENAUER. Good morning. The Committee will come to order.

Thank you all so much for joining us here today, and special thanks to our witnesses for being here today to testify.

The Department of Agriculture and Small Business Administration are two of the federal agencies with the significant resources and potential to drive economic growth in our small towns and in our rural areas. These agencies are tasked with administering hundreds of millions of dollars in funding for businesses and community development. Today's hearing is about making sure that our taxpayer dollars are being used effectively and are reaching the rural communities that need them the most.

As the Congresswoman from Iowa's First Congressional District, I know firsthand that our friends and neighbors in rural communities are dealing with a lot of challenges, especially right now. Growing up in Sherrill, Iowa—as I like to say, a town with more cows than people, in rural Dubuque County—my mom and dad taught my brother, my sisters, and me the value of hard work, how to respect and care for others, and the strength of our rural communities.

Sadly, some of our rural communities are still struggling to recover from the recession.

From 2010 to 2016, population in rural counties went down as people left our small towns for what they hoped would be better jobs or went away for college or graduate schools and never came back home.

This trend is starting to reverse, though, in some places.

Nationally, the number of people living in rural areas went up between 2016 and 2017, the first rural population increase in nearly a decade, though this growth isn't being seen in every rural county.

According to the Department of Agriculture, much of that growth is concentrated in communities closer to big cities or in areas with more infrastructure or development. Rural unemployment is also going down but still hasn't caught up to the lower rates in urban and metropolitan areas. We still have more work to do to improve economic opportunities in our small towns and rural communities, and make sure that places like northeast Iowa are not left behind as our way of life in doing business changes.

That is the reason we are here today; to learn more about what the Small Business Administration and the Department of Agriculture can do to give small businesses in rural America the tools they need to grow and succeed.

When we look at ways to drive economic and business development in rural communities, one strategy that has demonstrated real promise is small scale entrepreneurship. Small businesses create more than half of all new jobs in rural areas. Entrepreneurs in rural America start businesses at higher rates than urban Americans, and their businesses are often more resilient than storefronts and startups in urban areas. Rural America has also become more economically diverse than in past decades as sectors like healthcare and tourism continue to grow.

In northeast Iowa, our small business owners are not just farmers and manufacturers, but also biofuel producers, breweries, and bike shop owners. I think that many of my colleagues here today, including Dr. Joyce, can speak to how the economic opportunities and challenges in rural communities that they represent have changed over the last decade. I bring this up to underscore the need for policy solutions that are flexible and dynamic to support small businesses and rural economies.

I already know some of the ways the Department of Agriculture and Small Business Administration are making a difference when it comes to economic development in northeast Iowa. We have seen it firsthand. For example, a Value-Added Producer Grant from the Department of Agriculture helped Dan and Debbie's Creamery—a first-generation dairy farm in Ely, Iowa—offer new products, expand into new markets, and become part of a growing regional foods movement in Iowa. Community Memorial Hospital in Sumner, Iowa, was able to leverage financing from the Department of Agriculture to build new health care facilities and expand access to specialty care in Bremer County.

These are two success stories showing how the Department of Agriculture Rural Development is partnering with our businesses, public and private community-based organizations, and financial institutions to create jobs and new economic opportunities in rural areas.

The Small Business Administration, like the Department of Agriculture, has many programs designed to boost access to capital and support small businesses. On almost every Main Street that I visit in Iowa, I hear how financing backed by the Small Business Ad-

ministration has helped small business owners turn their dreams into reality.

Unlike Department of Agriculture Rural Development programs, the Small Business Administration helps urban and rural businesses alike, but the bulk of their services are concentrated in metropolitan areas. Part of the reason why we are here today is to ensure that resources and services offered by the Small Business Administration are well suited to assist our small businesses in rural areas and complement existing rural development programs.

A few months ago, I joined my colleagues Mr. Cox, Mr. Golden, and Ms. Craig, in sending a letter to the Small Business Administration requesting more information about its Office of Rural Affairs, an entity that was established by Congress over 20 years ago but was seemingly never set up by the Small Business Administration. While I am pleased the Administration has recently appointed a national director of the Office of Rural Affairs, it isn't clear how this office is serving small businesses or why the agency has only now appointed a director.

In 2013 and again in 2018, the Department of Agriculture and the Small Business Administration signed a memorandum of understanding to support rural small businesses and economic development. I am particularly interested in learning more about how the most recent agreement has changed, how these agencies are working together, and improving the effectiveness of their services. Given the state of agricultural economy at this time, and in my state in particular, I am especially interested in learning how the Office of Rural Affairs will be working with the Department of Agriculture to provide additional assistance to our farmers and agribusinesses during this very troubling time.

With the President's ongoing trade war with China and attacks on renewable fuel standard—on top of the flooding and extreme weather we have seen in the Midwest—our farmers are hurting, and I hope that today's discussion will help us find ways to improve coordination and collaboration between these programs that serve small businesses across all sectors of the rural economy.

Again, thank you so much to our witnesses for being here today for what I hope will be a very productive discussion.

I am excited to have Dr. Joyce joining us here as well, our Ranking Member.

With that, I would like to yield to Dr. Joyce, Ranking Member of this Committee.

Mr. JOYCE. Thank you, Chairwoman Finkenauer, and thank you for holding this hearing and for holding the hearing last month in Gettysburg in my district. It was a pleasure to introduce you to the Keystone State, and I hope you can come back and spend more time in Gettysburg and tour the battlefields.

At that field hearing, my constituents explained the significant negative effects of poor internet service and the access that the internet has on our communities. There is no doubt that small businesses of all industries require access to reliable and affordable broadband to compete in local, national, and international markets. Rural small businesses like those in my district and in our Chairwoman's district as well are constrained by limited access to resources. In addition, inadequate access to the internet, rural firms

have less financing options, less qualified and available workers, and less business assistant services than urban firms do. Our rural communities depend on the success of local small businesses.

Today, we will review the USDA and SBA rural economic development initiatives and those impacts on small businesses. In a 2008 report, a U.S. Government Accountability Office report titled, Rural Economic Development: Collaboration Between SBA and USDA Could Be Improved, determined that the SBA and the USDA have complementary missions and services in our rural areas. GAO recommended that these agencies initiate more formal collaborations which would allow leverage the unique strengths of each program, increase the number of financing options available to rural borrowers and ultimately improve economic development in rural areas. My question that we will pose to you with your presentations is, has there been any progress over the past 11 years?

Thank you for both of our witnesses for providing us an update on the collaborative efforts between SBA and USDA. As the Small Business Committee, we know that your team work has the greatest impact.

I yield back.

Chairwoman FINKENAUER. Thank you, Dr. Joyce. The gentleman yields back.

If Subcommittee members have an opening statement prepared, we ask that they be submitted for the record.

I would now just like to take a minute to explain the timing rules. Each witness gets 5 minutes to testify and members get 5 minutes for questioning. There is a lighting system in front of you to assist you. The green light will be on when you begin and then the yellow light will come on when you have 1 minute remaining. The red light comes on when you are out of time, and we ask that you stay within the timeframe to the best of your ability.

I would now like to introduce our witnesses. Our first witness is Ms. Bette Brand, the administrator of the Rural Business-Cooperative Service at the Department of Agriculture. She came to the agency after 35 years with Farm Credit of the Virginias, where she mostly recently served as chief advocate for the agriculture industry and rural business, supporting producers at the state and national level and educating policymakers and consumers about agriculture. She has wide-ranging experiences, having served on the Virginia Agribusiness Council, the Virginia Horse Council, the Virginia Cooperative Council, and the Virginia Foundation for Agriculture in the Classroom.

Welcome, and thank you for being here today, Ms. Brand.

Our second witness is Ms. Michelle Christian, who was first appointed by the White House on February 20, 2018, to serve as the U.S. Small Business Administration Mid-Atlantic regional administrator. As the regional administrator, she was responsible for overseeing the delivery of the agency's small business programs and the business development initiatives throughout the mid-Atlantic region. Recently, she was elevated to the position of national director of the Office of Rural Affairs, where she is responsible for overseeing business and economic development throughout rural America.

Thank you both so much for being here today. I will now recognize each witness for 5 minutes to provide their testimony.

Ms. Brand, you are now recognized for 5 minutes.

**STATEMENTS OF BETTE BRAND, ADMINISTRATOR, RURAL BUSINESS-COOPERATIVE SERVICE, USDA-RURAL DEVELOPMENT, WASHINGTON, DC; AND MICHELLE CHRISTIAN, NATIONAL DIRECTOR, OFFICE OF RURAL AFFAIRS, UNITED STATES SMALL BUSINESS ADMINISTRATION, WASHINGTON, DC**

**STATEMENT OF BETTE BRAND**

Ms. BRAND. Thank you very much, and good morning. Chairwoman Finkenauer, Ranking Member Joyce, and distinguished members of the Committee, my name is Bette Brand, and I am the administrator for USDA Rural Development, Rural Business-Cooperative Service. The Rural Business-Cooperative Service, or RBCS, provides capital to rural businesses and communities to improve economic opportunity and quality of life for rural Americans.

As administrator, I oversee the programs delivered by the Rural Business-Cooperative Service, which includes business programs, cooperative programs, community/economic development programs, and energy programs. The investments RBCS makes to help support America's long-term prosperity by ensuring that our rural communities continue to contribute to the economy grow and prosper.

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 facilities, improvements for energy efficiency, renewable energy production, job training, equipment and entrepreneurial skills that support, create, and preserve quality jobs in rural communities.

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, telecommunications, financial services, and home healthcare. Communities also have benefited from other cooperatives such as grocery stores, pharmacies, and hardware stores. RBCS delivers programs designed to help rural communities begin, improve, and expand cooperatives.

The Rural Business-Cooperative Service also recognizes the value of energy efficiency through rural businesses, cooperatives, and communities. As a result, 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. We are also committed to partnering with other Federal agencies to improve program effectiveness and delivery to businesses, organizations, cooperatives, and consumers across rural America.

In April of 2018, USDA signed a memorandum of understanding with the Small Business Administration to strengthen collaboration

on a shared set of goals, including improved access to capital and rural communities, streamlining program delivery, innovation for rural technical assistance providers, and partnerships with rural businesses to provide the tools they need to succeed. The MOU established four interagency working groups to address some of the challenges in rural America, but specifically focused on business growth and access to capital.

Field collaboration for both USDA and SBA has been a valuable outcome of the MOU in order to strategically meet the needs of rural businesses across the country. USDA and SBA have set forth strategic goals and objectives for fiscal year 2020 to provide access to capital and to increase awareness of programs that support the mission of both agencies.

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

Mr. GOLDEN. [Presiding.] Thank you, Ms. Brand. And you may have noticed while you were opening up there that we have changed faces on you. Looking forward to having a good back and forth, and thanks again for being here today.

And Mrs. Radewagen and I have worked together actually recently on a bill to reauthorize the small business development centers, which you are likely familiar with, Ms. Christian. And I would go ahead and recognize you for 5 minutes for opening statement. Thank you.

#### **STATEMENT OF MICHELLE CHRISTIAN**

Ms. CHRISTIAN. Thank you.

Good morning, members, and thank you for inviting me here to today's hearing. I am honored to have the opportunity to discuss SBA's focus on rural entrepreneurship, entrepreneurship, and the positive impacts those efforts are having on America's small businesses. My name is Michelle Christian. I am the Small Business Administration's director of rural affairs, a position that I am pleased to have accepted 2 months ago after serving as the mid-Atlantic regional administrator. I coordinate now with SBA's nationwide regional administrators, all of our 68 district offices, and all of our partners to engage directly with rural entrepreneurs.

By working closely with these district offices and other Federal agencies, SBA's Office of Rural Affairs can directly assist in connecting rural communities and entrepreneurs, no matter where they are in their process of starting their business, with vital small business resources to help them start and grow. At the SBA, we use strategic relationships and partnerships to reach all of our small business constituents, including those in rural areas where my office will specifically focus on.

In 2018, former Administrator Linda McMahon made SBA's rural initiative a priority for the agency. Bolstered by the memorandum of understanding with the U.S. Department of Agriculture, we are furthering the Administration's goal to bring prosperity back to rural America. The goal of the MOU is to strengthen rural

businesses and agricultural economies through more effective program delivery and increased access to capital. Because of the MOU, the USDA and SBA have better coordination in administering their respective programs, and we are designing it to aid rural small businesses and entrepreneurs. Working individually, SBA and USDA do have different customers. Working together, each agency can now reach a new constituency, and that is a positive impact that the MOU has now had.

Our outreach and connection building with rural businesses and communities is and has been a mission of the SBA. My position as director is to now coordinate the activities and the outreach with our SBA district offices and to be sure to include the Federal, State, and local partners in all of the rural communities to educate everyone on all of our resources.

These outreach events focus on bringing Federal resources directly to the rural entrepreneurs and directly to the rural small business owners. SBA is well positioned to lead these rural outreach sessions since we have many connections in these small local communities. We hold regular roundtables and forums where we, in conjunction with our resource partners, local chambers, and community leaders, support the small business ecosystem as a whole. In rural opportunity zones, we educate rural communities on the potential for investment, as well as the incentives created by this program. Outreach events and activities are happening across the country in our regional offices, district offices, and resource partners.

One of the key aspects of my job is to listen to businesses. Simply having events that we show up and showcasing what we have and do and leave is just simply not enough. We must listen and we must understand how the current process or program in the Federal Government is or is not working for them, and we must ensure proper followup, and that is the key. It is through this outreach that I have learned that rural entrepreneurs often face challenges that nonrural owners don't, such as lack of broadband.

I would like to thank by closing the Committee for the chance to discuss how SBA is able to help rural small businesses. While I might not be an obvious choice for this rural affairs position, I am from New Jersey, I went to school in New York, and I live outside of Philadelphia, but I have a real passion to help and adjust the needs of the people in rural America. Everyone might not want to take advantage of what we are telling them and they may never want to talk to us again, but it is our job to ensure that every American, regardless of where they reside and live, is informed of the programs and services that are available through the Federal Government.

Thank you, and I look forward to your questions.

Mr. GOLDEN. Thank you very much.

I will go ahead and kick things off. You know, one of the first things I wanted to ask you about and, Ms. Christian, it is just out of curiosity; actually, you had pointed out in your written testimony and I think maybe a little bit in your opening statement, you talked about 40 percent of opportunity zones being designated in rural areas, which I think has potential to be very helpful in some communities. I am getting some feedback, though, on the ground

in my district, which is, I believe, the second most rural in the entire House of Representatives, it is big and large, Maine's Second Congressional District, but there is not really a lot of activity going on around these, and some concerns that by the time some of the guidelines were put out, the program, you know, was well advanced, and people asking for an extension of sorts in order to be able to apply.

But I was just curious what strategies you might have in mind to try and get people to more actively pursue these opportunities. Because I do think, to date, that many of the investments have been focused on more metropolitan and urban areas where there is a longer history of investment, perhaps viewed as less risky for investors, and I think that that is unfortunate, because I think that the spirit of the law was certainly meant to direct some of these opportunities into rural areas. So any ideas and planning that you have on that?

Ms. CHRISTIAN. So I have two ideas actually. The first week of December, there will be some opportunities on events actually in Maine too. I hope you are made aware of those, and if not, we will make sure that you are. We are trying to focus more on the rural areas when it comes to opportunity zones because the cities are low-hanging fruit. Baltimore was able to hire an opportunity zone czar. Rural communities are not able to do that. Local mayors and economic development folks are very focused on just running the town, quite frankly, and it is difficult to learn all the nuances with these rules and regulations that keep coming out.

So, there is a focus to educate the local communities, the small rural communities on what they can achieve through this program. It is a push and it will be a push through my office to educate the communities. I was recently speaking with a very small town economic development team in trying to showcase to them how small businesses in their community can grow and how we can also attract new businesses, because even when a bigger business comes, small businesses thrive because it is the ancillary businesses; it is the supply chain. So, there is so much more than when people just think small business and, quite frankly, we go up to 500 people.

So, in rural America, a facility with 500 people, I sometimes get a glare, it is like we don't need a 500-person facility, a manufacturing plant with 150 will do just fine. So, I think it is apples and oranges with cities to these rural areas, but we are out there, we are trying to inform, and that goes back to what we do at SBA. It is really letting individuals and communities know what the resources are.

And in regard to opportunity zones, the way this is framed, it really is a bottom-up approach. This is not a Federal program coming down, because the investment is coming from private entities, and what you said, sometimes the investment might not pencil out in a rural community, and that is the issue where—go to Brooklyn, you may have a better chance of getting a very quick return, but in a lot of these other communities, there may be some work there to be done.

That being said, there are—the White House Opportunity Revitalization Council has the 17 Federal agencies and commissions that are working with their grants and programs to give priority

and preference points and a special treatment, for lack of a better term, to these communities so that they can better themselves. So hopefully, through those two programs, the investment and the programs through the Federal Government, we can help revitalize these communities.

Mr. GOLDEN. Well, I look forward to learning more about how things go in my district, and would certainly love to join or have my staff there and be a part of that. We have had a great relationship with the SBA office in the State of Maine, and we would love to continue that, but I think you are spot on. You know, town managers, you know, usually don't even have an economic development director or someone to assist them. So the follow-up piece of what you were talking about in regards to your office's mission, I think, is actually most critical because people don't have a lot of bandwidth and really do need an aggressive office that will not only show up and listen, like you said, and that is just step one, but then secondly, follow up and actually bring some manpower and resources to the table to actually help people access some of these great programs that are potentially out there for them. So thank you.

Ms. CHRISTIAN. That is the key, I believe, to what I am going to do with this office, is to ensure that follow-up, because it was not enough to just give the information; it is helping them utilize that information correctly.

Mr. GOLDEN. Thank you. We will certainly have some follow-up questions, but I will go ahead and recognize Congresswoman Radewagen for 5 minutes of questioning. Thank you.

Mrs. RADEWAGEN. Congressman, good morning. Thank you, Mr. Chairman. I also want to welcome Ms. Brand and Ms. Christian, and thank you for testifying today.

My first question is for the both of you. What is the best way for rural business owners to learn about each of your programs? Ms. Brand?

Ms. BRAND. Thank you for that question. We are very fortunate to have people—a team from Rural Development in each of the States serving specific States and 47 that cover across the United States. Within those State, the State directors, we also have a team that are specifically trained in the different program areas. And so that is the key. The primary source of being able to provide information is having direct access to an individual that cannot only explain their programs, but help walk through how they may best use all the programs to better serve.

In addition, we, of course, have the website and many avenues for media and information. We also—many of our programs are guaranteed programs, so we work really hard to inform our lenders, and they too are a very good advocate because they go out and seek businesses and we are then able to guarantee the loans for them.

Mrs. RADEWAGEN. Ms. Christian?

Ms. CHRISTIAN. Thank you. We have our 68 field offices throughout the country and our 10 regional administrators, and we are focused on getting into these rural areas. Terrain is somewhat of a problem for them to get to locations where we might be at, so we have made it a point to go to them. And especially with access

to capital, we are trying to hold events at a library, at a local chamber, at a community building so that we bring the lenders to them. A lot of these rural communities are having community banks leave their area, so the banker that they have always known and that their parents used, they are no longer there. And trust sometimes is an issue in these types of communities, and we want to make sure we can connect people one-on-one.

So, we are going into the communities and bringing the resources to them, not only our resources at the SBA, but also of our resource partners, so that they can connect with mentors and individuals that can help them start that business no matter where they are on that food chain. So if they are looking for a business plan, and I would like to say, even if you woke up in the morning and you just have an idea and you just want someone to talk about that idea with, we are going to bring that person to you.

So, we are making it a point to bring our resources to your community, because to tell everyone to go on a website when broadband is such an issue is, quite frankly, not helpful. So, we are coming out to those communities individually, in-person to help them.

Mrs. RADEWAGEN. As a followup, do USDA staff know SBA programs and vice versa? Ms. Brand?

Ms. BRAND. Yes, ma'am. Thank you for that question. The MOU certainly formalized our strategy to make that a more structured endeavor, and we actually do have—have conducted, throughout the last 2 years, joint training sessions, webinars with the teams both here at the national office and in the local State offices and their offices within the State, so they do understand.

And also part of the MOU, one of the results of that is we developed a matrix, and I believe there is a copy out on the table that will, I think, just outlines the different programs and some of the differences that will help people explain, not only for our employees, but for customers and lenders that are involved in the program.

Mrs. RADEWAGEN. Ms. Christian?

Ms. CHRISTIAN. So not only have we interagency trained—so SBA has trained USDA, USDA has trained SBA. When we are out—and as the regional administrator, when I was out in the field, I would go out with the State directors of Pennsylvania, West Virginia, Maryland, Delaware, and we would conduct trainings for local leaders, legislators. We would have congressional roundtables and inform them of our products and services separately, and then also talk about ways that we can help each other. So if you are a small business owner but you may need more access to capital than we are able to give you, but you need our resources to help you write that business plan, well, then, perhaps USDA is the way to go for your capital. But you come to us and we will set you up with a mentor and a business plan and a business coach and we will get you on your way on the technical side. So it has been a great partnership to get our resources out to the community.

Mrs. RADEWAGEN. Thank you, Mr. Chairman. And I yield back.

Mr. GOLDEN. Thank you.

We will go ahead and recognize Congresswoman Angie Craig at this time from Minnesota's Second.

Ms. CRAIG. Thank you so much, Mr. Chairman.

I want to start with a question for Ms. Brand. Thank you both for testifying and for being here today.

Of the numerous USDA rural business programs, there are some outstanding ones that provide funds directly to small businesses, such as the Value-Added Producer Grant program, the Rural Micro-Entrepreneurial Assistance program, and the Rural Energy for America programs. These programs can make a big difference to small businesses in rural communities. The Value-Added Producer Grant has been especially impactful in my district where, just this past fiscal year, businesses in Red Wing, Northfield, West St. Paul, Farmington, and Dundas have received funding for necessary production equipment.

What data are you collecting about the efficacy of these programs, and how are you ensuring that those who are eligible for these programs are adequately being served?

Ms. BRAND. Thank you very much for that question. We have metrics that we measure on each of those we study, and it is important that we look at the jobs created, the geographic disbursement of our program funding. For example, the Value-Added Producer Grant program is a very popular program. In fact, it is oversubscribed about three to one, so it is a competitive program. And we have a very methodical way of evaluating applications that is run through several review panels in order to make sure that they not only meet the requirements of the program, but that are being—the biggest impact is being made.

And our other programs as well have the underwriting requirements and the regulations that we follow, but also looking at the impact that it makes for those communities with regard to underserved communities, jobs created, and other measures like that.

Ms. CRAIG. That is fantastic. I just want to follow up with, our Committee has held two hearings on the clean energy economy, and we have heard about the number of small businesses engaged in energy efficiency, construction, and manufacturing. We have also seen the increased employment opportunities in renewable energy. I was proud to secure increased funding for the Rural Energy for America program during the appropriations process, which issues grants and loans to farms in rural small businesses.

How do USDA rural business programs or the small business efforts that you also undertake, Ms. Christian, how do those support the growth and development of small businesses in the clean energy economy?

Ms. CHRISTIAN. Well, most recently, we actually held an event with the Department of Energy, USDA, and SBA, and it was focused on energy in Appalachia, and our position was all types of energy in the supply chain and the ancillary businesses that come along with larger energy facilities being located in a rural community. So, we are well aware that small businesses around energy will succeed.

There are so many jobs that are there, and many times people just think about the big energy company, but it really is those ancillary businesses. And we work, at SBA, our western Pennsylvania

office, is constantly working with small business owners that are directly related to the energy industry, whether it is making a widget for whatever it is they are doing; I am not going to pretend I know. But our small business owners are making that widget and we are helping them. Whether they are a business of 10 or a business of 500, we are helping them to help the energy business and to succeed, and it really is helping those communities.

So, when those smaller businesses are able to succeed around these energy facilities, then the whole community really thrives, and that is something that is needed in these rural areas. So, we are seeing such a difference, and USDA is working with energy. We are working with USDA. It absolutely makes sense for us all to be working in this universe together.

Ms. CRAIG. Thank you.

Ms. Brand, anything to add in the 30 seconds I have left?

Ms. BRAND. I will say that through the reprogram, the Rural Energy for America, we could help many of the small businesses that SBA funds as well through energy efficiency, whether it be lighting for those refrigerators or refrigeration systems, things to help them improve their bottom line and reduce their energy cost.

Ms. CRAIG. Thank you so much.

Mr. Chairman, I yield back.

Mr. GOLDEN. Thank you.

We will now go ahead and recognize Congressman Dan Bishop from North Carolina's Ninth.

Mr. BISHOP. Thank you, Mr. Chairman.

And, Ms. Christian, I am proud to represent more than 1,500 poultry farmers in my district and, in fact, in the Ninth District of North Carolina, poultry farms produced in excess of a billion-five annual output. And the SBA has proposed a new rule that would restrict the ability of poultry farmers to access SBA section 7A loans, and I believe this rule would unnecessarily hurt the thousands of poultry farmers across the country, including the 1,500 in my district.

I understand that the agency is still reviewing the rule, and I would like to know, if I could, what the status of that review is.

Ms. CHRISTIAN. So that particular rule is outside of my purview at this time. I am sure, now that I am in this role as a national rural affairs director, that that will come up. I have only been in this position for 2 months, but that is something that affects rural America outside of your district and throughout.

Prior, I was the regional administrator, and Delaware was included, and that is a big issue in Delaware also. So, if I could, I will get back to you on that, and we will make sure we have accurate information for you on where we are in that thinking at SBA.

Mr. BISHOP. I would appreciate that. I began my service in Congress after having just won a special election, and so I am learning about that and intend to learn more about it. And I appreciate what you said earlier about, you know, the key aspects of your position being to listen to businesses and the experiences they have and then to follow up. So that would be terrific. I would appreciate that very much.

Ms. Brand, if I could ask you, of the programs that the Rural Business-Cooperative Service oversees, which one has been the most successful at attracting private capital investment?

Ms. BRAND. Thank you for that question. I would say that our largest program, the Business and Industry Guaranteed Loan program, requires that we have private equity into the project, whether it be from the owner or other investments that they have received. Oftentimes, these projects are quite big and require more than just the USDA guarantee, but partnership with SBA, other Federal agencies, or State and local tax credit dollars and those sort of things.

We do also have a program within rural Business-Cooperative Service called the Rural Business Investment Program, where we certify private investment funds to serve rural America and people that helps them to attract investors. And most of those are geared toward specific geographic areas or industries, but between the two of them, I think, they have had a significant impact on bringing dollars, private dollars to balance out the Federal monies that are used for rural communities.

Mr. BISHOP. Thank you, ma'am.

I have got one more. In 2017, USDA and SBA resource partner SCORE signed an MOU to support new and beginning farmers, and I was unfamiliar with the program, reading about it here that it provides sort of free or low-cost mentoring and training to entrepreneurs throughout the country. So I assume this MOU is focusing on farmers.

I wonder if either of you are aware of activities generated by this MOU? It seems like a particularly difficult thing to do, given the nature of what I understand about most farming businesses, tend to be passed on family to family—or generation to generation within families, at least I see a lot of that in my district, and I am curious whether or not this effort produces results and if you see activity resulting from it.

Ms. CHRISTIAN. So, the Small Business Development Centers, along with all of our resource partners, provide technical assistance to small business owners. So it could be a Women's Business Center, Small Business Development Center, SCORE. We have partners focused on veterans business outreach centers, and they are helping all industries, including in rural locations and farmers, if they so need our resources to—and I apologize—with their business plans, with technical assistance, with getting that access to capital. We can also help them prepare for their loans for their loan application. So, these partners are out there.

In regard to the MOU in particular, I do know that SBDCs are working with SBA's resource partners with them to get out to these communities to make sure they have that technical resource, because to simply give access to capital with no guidance at times is not very helpful at all. So, we want to make sure we do have that technical part, and that is what the SBDCs are there to do.

Mr. BISHOP. Thank you very much.

Mr. Chairman, I yield back.

Mr. GOLDEN. Thank you.

And we also have a special guest joining us today from the Agriculture Committee, Congressman TJ Cox from California 21, and

he has joined us to ask a couple of questions as well. So thank you very much for joining us.

Mr. COX. Well, thank you so much for having me. I want to thank Chairwoman Finkenauer and Ranking Member Joyce for allowing me to waive around to this Committee today.

I represent California's 21st Congressional District, which is the central valley of California, with the majority of the district being rural as well. And we like to say the 21st Congressional District is the top agricultural district in the top agricultural State. So thank you so much, Ms. Brand, Ms. Christian, for being here and being able to answer our questions.

In May, I and 18 other Members introduced H.R. 2633, a bill to study reviving the Office of Rural Affairs within the SBA. The bill would require the SBA to submit a very detailed report to the Congress and this Committee on the history of the Office of Rural Affairs. Then in January, myself, Chairwoman Finkenauer, Mr. Golden, and other members of the Committee, 14 other members, submitted a letter to the SBA asking for this particular information on the Office of Rural Affairs, back in January. And I would like to submit this letter for the record.

Unfortunately, little disappointed to tell you, and you may know this, we never received a response from the SBA. The authorizing committee for the SBA never got a response from this letter. Little disappointed in that.

At any rate, we have been advocating for the reestablishment of this office since the beginning of the year, and I am very glad to see that you have been appointed, Ms. Christian.

So we are here today, we would like to know a bit more about the office, how you intend to use it and to support rural small businesses. And so the first question, what date were you appointed, Ms. Christian, to be the national director of the Office of Rural Affairs?

Ms. CHRISTIAN. I believe the official date was August 30 of this year.

Mr. COX. Okay. Yeah. And how many people are going to be employed in that office? What is the current budget going to be?

Ms. CHRISTIAN. So, we are working on the logistics of the office right now. I have been there 2 months. I was the regional administrator in Region III. I am transitioning from that position into this position, so we are still working on that at a headquarter level with our current acting administrator and our staff.

Mr. COX. Well, when do you expect to be able to have those plans in place and be able to get back to the Committee here with the size, scope, budget and so on?

Ms. CHRISTIAN. I will work with the SBA team at our headquarters here in Washington, D.C., and we will see, as soon as possible, that we can get that information to you.

Mr. COX. Is that going to be a year or 6 months or 2 weeks, or what does that mean, as soon as possible?

Ms. CHRISTIAN. Congressman, it means as soon as I can speak to the staff at SBA and our acting administrator—I will make it a priority today, and I will commit to you that I will speak with folks in the agency today to see a timeline and I will get back to you.

Mr. COX. Okay, thanks. Were you aware of the letter that we had sent, that the Committee had sent, asking about the reestablishment of this office?

Ms. CHRISTIAN. I just saw the letter recently.

Mr. COX. Okay.

Ms. CHRISTIAN. So, no, I was not aware of it in the past. I have only been in this position, as I stated, since approximately August 30, and I just recently saw that letter.

Mr. COX. Okay. Was anybody at the SBA aware of the letter? It is a little concerning if the letter got lost. As the authorizing committee, we want—I don't want to—we want to help, right. We are the legislating committee, we are the authorizing committee, and we go to our appropriators to be able to provide the funds to be able to work for the American people, particularly the people in our rural areas.

Ms. CHRISTIAN. Absolutely. Here is what I can tell you, Congressman. I will pledge to you, to this Committee, and to rural small business owners, I take this job very seriously. I am very honored and privileged to be working in this position now. When I was the regional administrator for Region III, I did make it a focus to go into rural locations because I saw such a need, and I do believe because I went into those rural locations, I can now help on a national level. I will be working on a roadmap and a business plan as how I am going to structure this office so that we reach places and that we have the structure that you are looking for, and I will share that with you and discuss that with you and our staff.

I do understand there is concern about the letter, but going forward, I am going to be and have the staff at SBA be everywhere we need to be to reach these rural communities.

Mr. COX. Well, right, and thanks. And we would certainly appreciate the commitment for that plan, as you are speaking, but a timeline as well. And so it goes back to the as soon as possible. And so if you could commit to getting back to us with the plan in relatively short order, it would certainly be appreciated.

I have got a little bit of time left, but I will yield the balance of my time for the next round. Thanks so much.

Mr. GOLDEN. Thank you.

And we are going to do a second round, you know, just some followup and closing the loop a little bit on some of what Mr. Bishop and Ms. Craig were talking about. I can tell you, up in Maine, the partnerships with farmers has actually been quite helpful. We have a lot of smaller farmers within the aging population and less of that. It used to be passed down from, you know, family to family, and we still have some of that, but often we will find some farmers who don't have anyone to hand that farm off to. So, you know, programs that help people, young families who want to get into farming, you know, learn a little bit, get some mentorship, and some technical assistance has been a big help in the State of Maine. So I want to thank you, both of your agencies for that.

You know, you were talking with Congresswoman Craig a little bit about some of the clean energy program, and the program that USDA has is one that is, I think, quite popular. A lot of farms actually utilizing that in Maine in trying to establish some energy efficiency or even independence. Obviously, they always need some

kind of backup just in case, but trying to get their overhead cost down is what it is all about.

And I do want to encourage you to look into ways that you can push forward, access to capital for those types of investments, because the kind of feedback I get from a lot of small business owners in Maine about things like solar or other energy improvements is that the differences in interest rates can make the difference in whether or not it pencils out for them in the short term or short-enough term so that they can go ahead and prioritize that as an investment. And we really wanted to see in Maine that SBA would work, you know, a little bit more, you know, in conjunction with the USDA and with small businesses to try and make that happen. So just something I would share with you.

You talked about followup and, obviously, Congressman Cox cares passionately about seeing the success of this new office and new position, and I do think that that followup is very important, obviously. This is also on Congress. It has been since the 1990s when this program was put forward and, you know, oversight is our role. Clearly, this was not prioritized under multiple administrations, and it needs to be, because rural America really needs that help, as you have rightfully pointed out.

And I do hope that we will see in the budget some resources for your office and some additional resources, because you have got a lot of passion, but you can't do it all by yourself. You certainly have, you know, the regional offices at SBA, but I think we are going to need some more boots on the ground and people out there helping you with this focus on rural communities. So we are very interested in the timeline and what the plans are.

And I did want to ask you, we talked a little bit about opportunity zones, but in your experiences in Region III, which SBA programs do you think are most helpful, most successful, most known in rural communities? And if you could just randomly choose one, which one needs the most improvement in order to be helpful to rural America?

Ms. CHRISTIAN. I believe everyone thinks all the SBA does is lend money, and we don't even lend money. We just simply guarantee the loans. So, it is just education on all the programs. I think we are missing out on the technical part. We have staff that are able to walk folks through business plans, but then we also have our partners, and those are resources that are 99.9 percent free, and don't quote me on that number. The majority of them are free. It is taxpayer dollars. It is something that we want these rural communities to understand.

Something else that is really important, when I am traveling, business owners are having a workforce issue. They cannot keep employees. A lot of these rural communities have a terrible drug epidemic with the opioid crisis, and all that has come with that has led to some workforce problems. We are hoping to bridge that gap. We are working with community colleges to have them partner with small businesses and do some apprenticeships and really train both high school kids, community college kids, and then those reentering the workforce if they had left a position and now they come back.

We have the MOU with USDA, which we are working hard with, but I also believe that we are breaking down the silos and bringing information from other agencies over to rural America. For example, the workforce programs through the Department of Labor, which I regularly speak about and refer over to the Department of Labor, because I am—again, we are the boots on the ground. So we have the access to that rural community, and the Department of Labor may not have that access, but if I can take that local community and connect them to someone who can help them in the Federal Government that is not myself, I have done my job. So, I want to inform everyone of our programs and services, but I also want them to know as a bigger picture what is out there and what is available.

Mr. GOLDEN. Thank you. You know, I think we have a lot that we agree about. Early on in my, you know, new term here in Congress, I went out being a new member of this Committee, I toured all these businesses in my district, and often took SBA up on offers to do roundtables. We still do that. And the sad thing is, as I often hear as I talk to small business owners, well, did you ever think about reaching out to SBA about this? I wasn't really aware that they do that. Did you know you could get some mentorship through the SCORE program or assistance through this program? I don't know it exists.

And you have pointed out there is also a rural broadband internet access divide. So boots on the ground, again, and the face-to-face. You mentioned, I thought it was interesting in your opening statement, that some people may never want to talk to you again. That is that trust factor with the government, and that comes from face-to-face and personal relationships. I just want to—I think you have an opportunity in your position to push SBA out into these rural areas with those types of meetings are really important and could make sure that the programs that SBA has to offer are better utilized, and I think that would be a benefit to rural communities.

Mrs. Radewagen, would you like to ask any more questions?

Mrs. RADEWAGEN. Thank you, Mr. Chairman.

Let's see here. So, Ms. Christian, how does SBA define rural and how does USDA define rural?

Ms. Brand, how can business owners find out if they qualify as rural according to program requirements?

Ms. CHRISTIAN. I will not speak for USDA. They have many programs. So, as part of this joint MOU, we are using the Rural Development's definition of rural, so I will defer to Ms. Brand on her programs. But they can find out by contacting our office. We will let them know if they qualify as rural.

But to be honest, we help everyone, so we are helping rural, suburban, Tribal. If you are in a city—we are helping everyone. We have everyone out there and we are spreading our resources. We are having more of a focus on rural, so if you are just outside a 50,000-person parameter that defines you as rural, we are still going to make sure that we help that community. So, we are helping all communities, but the MOU does have the focus, and I will defer to Bette.

Mrs. RADEWAGEN. Ms. Brand?

Ms. BRAND. Thank you. In our programs in Rural Business-Cooperative Service, the definition of rural are those towns or municipalities less than 50,000, and they can find out through not only our State office, but we also have many area offices within the State and have people out ready to explain to them and help them understand. But certainly, if it is less than 50,000, it is pretty cut and dry.

Mrs. RADEWAGEN. Thank you.

Next question. The SBA Rural Strong initiative is delivered in partnership with USDA through the 2018 MOU. According to an SBA press release, Rural Strong is a comprehensive initiative compromised with specific programming to rural economic development needs. What services are provided through this initiative and where have events taken place? Who determines where and when joint events are held?

Ms. CHRISTIAN. I was a part of putting that together. I am very proud of the work that we did as part of the MOU. We pretty much—I use the term “roadmap.” That is what that is. It is a playbook on how we can better service the communities together. And we determine where we are going. We reach out to our congressionals. We reach out to chambers of commerce. We really try to get as many people in one room at one time to give our services. A lot of these small business owners are working the business. They don’t have time during the day to come out, so we want to make sure that if they do come to us for an hour or 2, we have many, many resources from all of our resource partners, USDA.

When I would do an event, I would sit there with my USDA State director, we would have our resource partners, our district directors, local mayors, State reps, congressionals, everyone at the table, because it is a holistic approach. It is not just one person helping one person. We want to help communities as a whole. We want to get as much information out as we possibly can, and we get to connect these business owners with their legislators, with their elected officials, that they may not always be able to connect with. And we have seen things happen in those communities that they may have needed to get done, but they didn’t have the door to—or they didn’t know how to access you, so it is a two-way street. We hope that you come to us and you let us know what you need, and we bring business owners to you also.

Mrs. RADEWAGEN. I would like to just get your perspective as well, Ms. Brand.

Ms. BRAND. Yes. Thank you very much. Ms. Christian’s description of those events and opportunities for all of the partners, Federal, State, and local, to get together and help our small business owners and people in communities in rural areas understand how these programs—not just what our programs do and what SBA’s programs do, but how they can work together and really describe—with those people that are sitting there through those meetings are able to describe certain projects, how they were accomplished, the different partners that came in, and that helped people visualize.

Also, the lenders in those areas are there as well, and they are also understanding and sharing best practices to help people become more familiar and comfortable with—because every situation

could be different and it is unique, and we help them figure out and visualize what it would look like for them.

Mrs. RADEWAGEN. Thank you, Mr. Chairman. And I yield back.

Mr. GOLDEN. We are going to go ahead and recognize—did you have further questions, Mr. Cox?

Thank you.

Mr. COX. And thanks, Mrs. Radewagen. I was going to ask the same exact question about rural definition, because it all seems to be a conflict between the USDA, the Census Bureau, the Treasury Department, and Congress department and so on. Because what I can tell you is that a lot of the counties I have, they have towns with larger than 50,000 people, but then 20 miles out it is as rural as you can be. And, unfortunately, a lot of those areas don't qualify for a lot of the USDA financing, and I want to make sure that they do under the SBA.

But a lot of the issues that you find in rural areas is simply market values and appraised values. If I want to build a building that is going to cost me a million dollars because it is being built in this rural area, it might only appraise at \$800,000 and then you can only lend 70 percent on that, and so I have got a large financing gap there. And I would like to know, what are the tools that are available out there to be able to meet that financing gap? And are you working with, you know, the Treasury Department, like the CDFI Fund, which oftentimes brings that type of capital, that gap financing available to these worthy projects in rural areas?

Ms. BRAND. Yes, thank you. You are exactly right, it takes CDFIs, it takes tax credits, new market tax credits, it takes a lot of Federal and State and local partners. There is historical tax credits that can be utilized as well. And to put all those together, many of these small businesses may be overwhelmed by the options, and so we work together to make sure that all of the resources are available and are understood so that they can truly figure out.

And the value of the real estate does have an impact on being in rural. Oftentimes, the specialty of the collateral may be limiting as well, but all of those are things that we have worked with for the many years that we have had the program and understand and have had many success stories of businesses that were able to fulfill their dreams and provide jobs in the community through our programs.

Mr. COX. Great. Thanks.

Ms. Christian, did you want to weigh in on that?

Ms. CHRISTIAN. I think I just want to emphasize that we are out in the community, outside of where USDA can reach, so it is a part of this partnership that we have for us to possibly come in in that circumstance that you just described. So, we may not have a business that qualifies for USDA's services, but they can obtain access to capital through one of our lenders.

So rural, although there are definitions with numbers, there is still commonsense rural, right, outside of the government's definition of rural, and we still want to make sure we reach those people that are in those areas.

Mr. COX. Yeah. And that is certainly the case that the common-sense definition of rural sometimes doesn't meet the statutorily defined sense and limits a lot of that lending.

And the other thing is, is that it is interesting what you are talking about opportunity zones, is that opportunity zones may be a source of capital, but that capital is always there for one reason, and it is employed and its invested to meet demand. And that is the issue in rural areas is that there is a demand. I can build a fantastic hotel with my opportunity zones in upstate Maine, but if no one is up there, right, they are not going to get a return on that.

And I know one of the core functions and the mandated functions of this Office of Rural Affairs is to promote tourism and travel. And I guess, are there plans to work with the United States Tourism and Travel Administration to assist small businesses in rural areas with tourism promotion and development?

Ms. CHRISTIAN. So, what I found in these rural locations is tourism is really having a boom. So, in these coal towns and steel mill towns, tourism is the new hot boom and it is the new hot economy. Actually, in West Virginia, we partnered with USDA to do joint lending for a hotel outside of a ski resort in southern West Virginia—West Virginia and Pennsylvania are my rural, and Virginia, so I apologize. I know I am national now, but I was very focused on this area.

There are Hatfield and McCoy trails in West Virginia. That is a big boom for the economy. There is so much going on in these rural areas so, yes, I focus with the State. I will be focusing nationally now, so that is something that I think we forget about in these rural communities that could advertise to come into the rural communities. And speaking of rural opportunity zones, to build a hotel, perhaps focusing on the tourism and the small businesses and the great restaurants and the great breweries, we do so much at SBA related to tourism, and I would like to package that to help these rural areas advertise for themselves so that they can, you know, fill the boom that is going on in the rest of the country.

Mr. COX. Thanks so much. That is absolutely one of the mandated goals of this office, and so I would like to reiterate our support for that goal there. So thanks very much.

Ms. CHRISTIAN. Thank you.

Mr. COX. I will yield.

Mr. GOLDEN. Well, I think that we are going to go ahead and wrap it up at this point. I do want to thank you both.

Ms. Brand, I apologize, I didn't really have a whole lot of questions for you about USDA, but we are very familiar with the programs offered in Maine and appreciate the work that is being done—as we do SBA—although, I think, you know, more work to be done, and that is why you are in this position, and we look forward to working with you to help you be as successful as you can.

And with that in mind, I am sure that the Committee staff will be following up with you with some questions about program metrics, data and plans, budget, what we might expect out of our President's budget request in support of your mission and things along those lines, because we want to make sure that we are moving forward. Certainly incumbent upon us not to drop the ball.

You did mention you have—by the way, you know, Maine being at the northern stretch of the mountain range, tomato/tomato type thing, Appalachia/Appalachia, you know, we say it a little bit different, but you pointed out you have a real, I think, pride point in that area and a strong focus on it. Don't forget the other rural areas, because there is a lot of them and they do need help. So we are going to look to you to really have a national focus, because every community, every rural community deserves the help. So thank you.

All right. I suppose I will go ahead and read Congresswoman Finkenauer's closing statement, unless there is anything in here I object to, but I suppose it is probably not the case.

So thank you again for being here today, both of you. We appreciate it, and we appreciate the work that you do for rural communities.

Small businesses are the backbone of the American economy, and for rural communities that continue to struggle with things such as declining population, innovators and small business owners can help unlock new potential and opportunity. As we have discussed today, the Department of Agriculture and the Small Business Administration are already working to engage rural businesses in communities, but certainly more can be done.

This hearing was the first in a series of oversight efforts to make sure that our Federal resources are reaching small businesses and promoting economic development in rural communities. As part of that oversight, this Subcommittee will monitor the progress being made by the Office of Rural Affairs as it scales up services and outreach efforts in rural areas.

This office will also continue its outreach to leaders in northeast Iowa, I suppose, but we will certainly focus on Maine as well, and we want to hear about their experiences working with the Department of Agriculture and the Small Business Administration to make sure that the programs and services that we discussed today are translating into real results for rural communities. As we continue to work on ways to better support entrepreneurs and small businesses in America, I encourage my colleagues here today to do the same in the congressional districts that they represent.

And I would ask unanimous consent that members of the Committee have 5 legislative days to submit statements and supporting materials for the record. Without objection, so ordered.

And if there is no further business to come before the Committee, we are adjourned. Thank you very much.

[Whereupon, at 11:14 a.m., the subcommittee was adjourned.]

**A P P E N D I X**

Testimony of

**Bette Brand, Administrator for Rural Business-Cooperative Service,****U.S. Department of Agriculture****Before the****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****November 14, 2019**

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.



**Statement of Michelle Christian  
Director  
Rural Affairs  
U.S. Small Business Administration**

**before the  
House Committee on Small Business  
Subcommittee on Rural Development, Agriculture, Trade, and  
Entrepreneurship**

**Hearing on "Assessing the Government's Role in Serving Rural American  
Small Businesses"**

**November 14<sup>th</sup>, 2019**



**Statement of Michelle Christian  
Director, Rural Affairs  
U.S. Small Business Administration**

Chairwoman Finkenauer, Ranking Member Joyce and members of the Subcommittee, thank you for inviting me to today's hearing on, "Assessing the Government's Role in Serving Rural American Small Businesses." I am honored to have the opportunity to discuss SBA's focus on rural entrepreneurship and the positive impact of those efforts for America's small businesses.

My name is Michelle Christian and I am the U.S. Small Business Administration's Director of Rural Affairs, a position that I am pleased to have accepted two months ago after serving as the Mid-Atlantic Regional Administrator. In this role I coordinate with SBA's 68 district offices that are engaged with rural entrepreneurs. By working closely with district offices and other federal agencies, SBA's Rural Affairs is able to assist in directly connecting rural communities and entrepreneurs with vital small business resources to help them start and grow.

One of our core goals is to foster collaboration between federal agencies and commissions, such as Appalachian Regional Commission, in order to connect rural Americans to vital products and services that will help entrepreneurs start, grow and expand their business. Informing and educating rural America of all the critical resources available through SBA and other federal organizations will help rural communities succeed and thrive.

In 2018, former SBA Administrator Linda McMahon and U.S. Department of Agriculture (USDA) Secretary Sonny Purdue developed a Memorandum of Understanding (MOU) to further the administration's goal to bring prosperity back to rural America. The goal of the MOU is to strengthen rural businesses and agricultural economies through more effective program delivery and increased access to capital. Because of the MOU, the SBA and USDA have better coordination in administering their respective programs designed to aid rural small businesses and entrepreneurs.

Upon the execution of the MOU, SBA district offices strategically began performing greater outreach to rural communities and put SBA and USDA programs directly in front of rural small business owners and entrepreneurs. SBA and USDA work together regularly within rural communities to host events such as lender trainings, local business forums and opportunity zone events. Through these events, the rural business community gains a better understanding of the resources available to help them succeed.

A focus of the partnership between SBA and USDA is to encourage greater access to capital. SBA is working across the nation with USDA to bring lending institutions together for trainings on the importance of rural lending. Lender consolidation and the fact that many community banks are leaving rural communities are limiting rural entrepreneurs' ability to obtain much

needed capital. Additionally, SBA and USDA are holding lending forums for non-SBA and non-USDA lenders to educate them on the loan programs offered by both agencies.

When comparing FY19 to the previous year, there was a 19.2% increase in microloan dollars loaned to small businesses in rural areas. This increase is significant for two reasons: First, we know that SBA outreach and focus on rural loans, particularly our engagement with the lending community, is expanding access to capital. Second, increased microlending in rural areas supports the creation of start-ups since we know that many entrepreneurs use microloans to launch their business.

SBA and USDA are also partnering to connect entrepreneurs and small business owners with SBA's staff and resource partners, who counsel, mentor, and train businesses at little or no cost. These workshops and trainings provide invaluable information for attendees from how to write a business plan to exporting your products overseas. Additionally, other federal programs within the agencies have seen greater collaboration and a focus on reaching rural communities.

Since roughly 40% of Opportunity Zones are located in rural areas we strive to hold many of our outreach events in these areas in order to highlight the myriad benefits to businesses in such zones. At these events, I have had the pleasure of meeting rural entrepreneurs who have benefitted from these government resources. I also find out first hand from rural entrepreneurs about how we can better serve their needs. I am pleased to be able to point many entrepreneurs and small businesses to SBA's vast network of resources and partners. These partners have all been given guidance to focus on rural areas and Opportunity Zones.

In closing, thank you to the Subcommittee for the opportunity to testify today. Federal collaboration is the key to success of ensuring that entrepreneurs and rural small businesses are aware and have access to the resources available to them. Earned media efforts also help share the news about the products and services available from SBA and USDA. The MOU and the work that has been done because of it have greatly helped rural America obtain the information needed to achieve economic prosperity.

Questions for the Record

**“Assessing the Government’s Role in Serving Rural American Small Businesses (Part One)”**

**Ms. Michelle Christian, National Director of Office of Rural Affairs, Small Business Administration**

- When was the last time there was an Office of Rural Affairs at SBA? Who was the previous head of the office?

**SBA Response:** While I cannot address decisions made by prior administrations, I am the first official appointed to head this office during this Administration.

- When did the SBA begin implementing the law initially and when did it subsequently abandon such efforts?

**SBA Response:** The law establishing the Office of Regional Affairs (ORA) came into effect in 1990. While I cannot address decisions made by prior administrations, under this Administration SBA is actively engaging and supporting rural communities throughout the country.

- What rationale did the SBA have to justify abandoning the establishment of the Office?

**SBA Response:** While I cannot address decisions made by prior administrations, this Administration has been forward leaning in its efforts associated with outreach to the rural community. Former Administrator Linda McMahon made SBA’s Rural Initiative a priority for the Agency. This began with the landmark Memorandum of Understanding with the U.S. Department of Agriculture’s Secretary Sonny Perdue, which has since resulted in an increased focus on capital and investment across rural areas. These efforts have also led to more robust engagement with other Government agencies on related issues like workforce development, access to broadband, HUBZone participation, and Opportunity Zone advancement. As part of that effort, SBA program offices have coordinated directly with the USDA to ensure that SBA programs have an increased focus on rural small business owners.

- In which years were funds appropriated for the Office of Rural Affairs? What did the SBA do with those funds?

**SBA Response:** SBA has never received appropriated funds for the Office of Rural Affairs.

- What section or division of the Small Business Administration is the Office of Rural Affairs a part of?

**SBA Response:** The Office of Rural Affairs is part of the Office of Field Operations.

- Who do you report to as the National Director of the Office of Rural Affairs?

**SBA Response:** I report to the Associate Administrator of the Office of Field Operations.

- How many people are employed in the Office of Rural Affairs?

**SBA Response:** The Office of Rural Affairs consists of the Director. Its work is done in coordination with SBA's large network of staff. Additionally, rural initiatives are identified through program offices in coordination with the Director of ORA.

- What is the current budget of the Office of Rural Affairs?

**SBA Response:** There is no specific line item budget for ORA, but rather the individual events across the country are planned and paid for out of the allocated budget for the particular geographic region where the event is being held. That budget comes from SBA's Office of Field Operations which ORA reports into.

- What are the mechanisms for funding the Office of Rural Affairs?

**SBA Response:** There is no specific line item budget for ORA, but rather the individual events across the country are planned and paid for, out of the allocated budget for the particular geographic region where the event is being held. That budget comes from SBA's Office of Field Operations which ORA reports into.

- Is there any publicly accessible information about the Office of Rural Affairs online such as a website, or any information about the Office of Rural Affairs in print? If so, please provide them to the Committee.

**SBA Response:** While the Office of Rural Affairs is currently working to update the SBA website with a dedicated Office of Rural Affairs page for information about helpful resources and upcoming events in 2020, there is existing available information on the SBA website, including but not limited to: LenderMatch, SBA's Local Assistance location map, District Office contact information, SBA's Business Guide, and information on the SBA programs. The SBA routinely shares information about SBA and its programs at events across the United States, as well as through its network of 68 district offices and nationwide resource partners, such as SCORE, Women's Business Centers, Veterans Business Outreach Centers and Small Business Development Centers. Much of this information is also jointly marketed by USDA as part of the above-referenced MOU.

- As the National Director for the Office of Rural Affairs at SBA, what are the major challenges faced by rural small businesses? How will the Office address these challenges?

**SBA Response:** While rural small businesses face many challenges, the SBA is well-positioned to provide support to this community. Certain challenges include access to resources about entrepreneurship, lender consolidation and lack of broadband. To address these, SBA holds events bringing information directly to rural small business owners and the lending community, as well as provides direct counseling and on-line resources to interested parties. The partnership under the MOU has been a valuable tool in supporting rural small businesses.

- What SBA programs are most relevant and supportive to businesses and entrepreneurs in rural America?

**SBA Response:** Small businesses in rural areas can avail themselves of all of SBA's programs, including but not limited to: the 7(a), 504 and microloan programs (including SBA's 504 Rural Pilot Initiative), small business government contracting programs, entrepreneurial development and counseling resources, and opportunities for investment by Small Business Investment Companies. These programs are complemented by the multiple programs available at USDA, among other agencies, and part of my mission and that of our Regional Administrators and District Directors is to continually inform the public of these available opportunities

- Are there specific SBA entrepreneurial development programs that are targeted to address the needs of rural small businesses?

**SBA Response:** Small businesses in rural areas can avail themselves of all of SBA's programs, including but not limited to: business counseling support from all of SBA's Resource Partners (SBDC, SCORE, and WBC), the 7(a), 504 (including SBA's 504 Rural Pilot Initiative) and micro loan programs, small business government contracting programs, and opportunities for investment by Small Business Investment Companies. These programs are complemented by the multiple programs available at USDA, among other agencies, and part of my mission and that of our Regional Administrators and District Directors is to continually inform the public of these available opportunities.

- How are you going to use the STEP program to increase exports from small businesses in rural America?

**SBA Response:** Beginning with the publication of the FY19 STEP grant funding announcement, the Office of International Trade (OIT) identified assistance to rural small business concerns as an area of special emphasis for the STEP program. OIT will continue to highlight the need for STEP grantees to focus on assisting rural small businesses in all subsequent funding announcements and, moving forward, SBA will take

into account a STEP grantee's efforts to assist this special small business community when assessing their past performance during the award selection process

- How do small businesses or other stakeholders engage with the Office of Rural Affairs?

**SBA Response:** Small businesses or other stakeholders can go directly to their local SBA district office or an SBA Resource Partner who can help engage with the Office of Rural Affairs as may be necessary; however, these groups have access to the resources that most rural small businesses might need.

- Since your appointment to the Office of Rural Affairs, how many businesses has the office directly impacted, supported, or benefited?

**SBA Response:** As described above, SBA's local Regional Administrators, District Offices, and Resource Partners are the primary direct points of contact for small businesses seeking access to resources and services. The Office of Rural Affairs works closely with SBA's Regional Administrators and Resource Partners to encourage business and economic development throughout rural America along with expanding internal as well as external engagement

- What are the specific goals of the Office of Rural Affairs? And what is the roadmap to accomplish these goals?

**SBA Response:** As described above, ORA's goals are to encourage business and economic development throughout rural America and expand internal as well as external engagement. I am working closely with the Office of the Administrator and the SBA Regional Administrators (RAs) across the 10 regions, who are the direct connection to the District Directors (DDs) located in SBA's 68 district offices across the country. As part of the USDA MOU, many of these offices have already been conducting rural outreach to entrepreneurs. In fact, several of our other program offices also contribute to this important effort. As an example, the Office of Rural Affairs is working in conjunction with SBA's Office of Veterans Business Development to hold a Veteran Rural Business Summit in March 2020.

- How is the Office of Rural Affairs tracking outreach and engagement, and what other data and metrics are being gathered by the Office of Rural Affairs to ensure that the office is addressing small business needs in rural America?

**SBA Response:** SBA and USDA have been coordinating to collect necessary data. Regional Administrators collect outreach data through their district offices that tracks data points such as the number of participants, SBA partners who attended, and the location of event. Additionally, we have been able to map out these outreach events. Please see the attached maps that mark all the SBA-USDA Partnership events.

- The SBA has established a 504 loan rural initiative pilot program. This program allows a third-party Certified Development Company to make a 504 loan outside of its area of operation and waives certain requirements normally part of the 504 loan program. Under this pilot program the Certified Development Company need not demonstrate to SBA that it can adequately fulfill its program responsibilities for the 504 loan, and the SBA need not determine whether the Certified Development Company has satisfactory SBA performance. These safeguards under the 504 programs were implemented for a reason. Given these waivers under the pilot 504 rural loan program, how is SBA ensuring that Certified Development Companies are acting in a responsible and satisfactory manor in rural America?

**SBA Response:** Under normal circumstances, if a CDC wished to make a loan outside of its approved area of operations, the CDC must apply to the Sacramento Loan Processing Center (SLPC) for permission. Based on the regulatory waiver, the pilot authorizes CDCs to make rural loans outside of their areas of operation, subject to certain conditions. To mitigate risk, CDCs are limited to making these loans within their SBA regions. Additionally, the SLPC reviews and approves each loan made under the pilot, and CDCs must follow all 504 Loan Program Requirements for processing, underwriting, closing, servicing, and liquidating. The Office of Credit Risk Management (OCRM) oversees all CDCs for compliance with 504 Loan Program Requirements, and these loans are included in OCRM's regular oversight reviews.

- How many loans have been made under the 504 rural initiative pilot program?

**SBA Response:** As of December 17, 2019, there have been a total of 11 loans made for a total of \$9 million.

- SBA SOP 00 21 5 states, "Any SBA Form 606 requesting approval of a new pilot program must contain an evaluation plan for the pilot program, including an assessment of the program's cost, performance, and its effect on program participants and beneficiaries, the results of which will be considered prior to extending, terminating, or making permanent the pilot program." What are the evaluations that SBA is conducting or plans to conduct of the 504 rural program?

**SBA Response:** The evaluation criteria were established in the Federal Register notice announcing the pilot and republished with the announcement of the extension date through September 30, 2021. Due to the low volume of loans, SBA has not yet undertaken a formal review due to the lack of sufficient data. However, the CDCs provided SBA with feedback on the need for additional time to establish their presence in rural markets. Accordingly, the pilot was extended to afford CDCs additional time to invest in outreach and marketing in rural areas within their regions.

- What criteria does SBA plan to use to evaluate the effectiveness of the 504 rural pilot program?

**SBA Response:** As set forth in the Federal Register Notice published August 28, 2019: the SBA will consider the following: (a) the measurable objectives to be achieved through the 504 Rural Pilot, including the number of small business concerns served, and the delinquency and default rates on the 504 Rural Pilot loans compared to regular 504 loans; (b) the number of CDCs that participate in the 504 Rural Pilot and their performance in making and servicing 504 Rural Pilot loans; and (c) the costs and standards of performance which, in order to be acceptable, must not impact the overall subsidy rate for the 504 Loan Program.

- Cooperative businesses play an important role in rural communities. Does SBA support any cooperative business development programs?

**SBA Response:** SBA supports eligible cooperatives in all areas of the country including rural areas that meet the requirements of SBA's loan programs detailed in SBA's Standard Operating Procedure (SOP) 50 10, Lender and Development Company Loan Programs. SBA's Office of Capital Access has also conducted outreach sessions to lenders and interested parties about the financing of cooperative businesses. SBA's resource partners, such as Small Business Development Centers, overseen by Office of Small Business Development Centers, can provide counseling and training to these businesses. Through outreach to the rural community, SBA regularly collaborates with the SBA's Resource Partners to attend and speak to the community.

- How specifically do SBA programs engage with cooperative businesses?

**SBA Response:** Along with the above information, in 2019, SBA met with another Federal agency that provides guaranteed loans to cooperatives and met with stakeholders to discuss potential ways to increase access to capital for cooperatives. In addition, through training and outreach to SBA Lenders and SBA employees, the Agency will continue to publicize the permissible options and promote better understanding of SBA loan programs. SBA will do this via marketing materials, outreach events and additional details about cooperative lending in revisions to the loan program SOP. SBA has also held training sessions for cooperatives in FY 2020 and will offer more sessions throughout the rest of the fiscal year.

- Are there any SBA programs that support cooperative businesses in securing financing or access to capital?

**SBA Response:** Yes, both the SBA 7(a) and 504 loan programs can support cooperative businesses in securing financing or access to capital. During SBA outreach events, SBA regularly invites SBA participating banks to attend and speak directly with the rural community. Additionally, SBA holds trainings with SBA participating banks and prospective banks to encourage rural loan making.

- The SBA Regional Innovation Cluster Initiative connects and enhances innovation assets so that small businesses can commercialize new technologies and expand market access. How is the Office of Rural Affairs engaging with this program, and how many rural areas have been selected as Regional Innovation Clusters?

**SBA Response:** The Office of Entrepreneurial Development (OED) oversees the Regional Innovation Cluster program. Through coordination between OED and USDA, the Regional Innovation Cluster program's FY19 funding opportunity announcement included extra points awarded for Cluster proposals with a rural emphasis.

- How does the Office of Rural Affairs work specifically with farmers and the agricultural sector in rural America?

**SBA Response:** By working closely with USDA, SBA can reach more farming and agricultural small businesses. The SBA's Director of Rural Affairs, Regional Administrators, and SBA District Offices collaborate with USDA when determining location of events. This collaboration leads to events being placed in strategic locations that make it easier for rural, farming, and agricultural entrepreneurs to attend and have greater access to SBA and USDA programs.

- The USDA and SBA have signed a Memorandum of Understanding in 2018. Please describe the specific activities, locations, and outcomes of activities that SBA has conducted or participated in as part of this Memorandum of Understanding?

**SBA Response:** See attached for a summary of activity in the year since the MOU was signed. Highlights include:

- A co-branded, one-page program matrix was developed and distributed to both USDA and SBA field staff. The matrix highlights each agency's primary loan guarantee programs and can be used as a quick reference guide for training, working with guaranteed lenders, or potential loan guarantee recipients.
  - Training of USDA field staff on the SBA 8(a) program. This enables USDA field staff to better inform their customers of the opportunities and advantages of Federal Government contracting which will help their rural businesses grow and achieve sustainability.
  - Several joint Native American outreach events have been held, including one in Pacific Grove, CA. Both the USDA Native American Coordinator and the California State Director participated in the event along with SBA staff.
  - The MOU sparked new partnerships between USDA and SBA field staff and deepened the existing partnerships. Most SBA field staff are now having regular meetings with their USDA counterparts to discuss collaboration, training, and outreach.
- Please list any upcoming USDA-SBA joint activities and initiatives.

**SBA Response:** The Office of Rural Affairs is working to place upcoming events onto [www.sba.gov](http://www.sba.gov). We will share these events as they become populated.

- Who determines where and when joint activities are held?

**SBA Response:** The Office of Rural Affairs, SBA Regional Administrators and SBA District Offices collaborate with their USDA counterparts to determine location and time of events. Other events, such as the SBIC/RBIC outreach, are coordinated between USDA, SBA Program Office Associate Administrators and SBA District Offices and Regional Administrators. Each SBA District Office has outreach and event goals which help determine a threshold number of events that each office strives to achieve. The SBA Director of Rural Affairs coordinates with SBA Regional Administrators to help bolster coordination between federal partners. However, it is important to note that both USDA and SBA field staff were trained on each other's programs and have marketing materials which highlight both agencies. That allows us to cover more ground in educating people about each agency's resources, even if it is not at a joint event.

- What information and metrics collected at joint activities are shared with the U.S. Department of Agriculture? What data has SBA received from USDA?

**SBA Response:** The SBA collects data such as type of event, number of attendees, location of event, and the purpose of event. One of the focuses of the Director of Rural Affairs is to streamline the data collected between SBA and USDA.

- Besides USDA, what federal agencies does the Office of Rural Affairs coordinate with in engaging with rural America?

**SBA Response:** The SBA regularly coordinates with other agencies as well as local and state stakeholders. As an example, in FY19, the SBA and USDA held several rural resource events which included other Regional Administrators and staff from the Department of Housing and Urban Development, the Department of Commerce, the General Services Administration, the Department of Justice, the Appalachian Regional Commission as well as other Federal partners. These events brought Federal resources directly to rural communities.

- How do SBA programs, including the entrepreneurial development programs, work with other federal agencies to promote entrepreneurship and small business development in rural America?

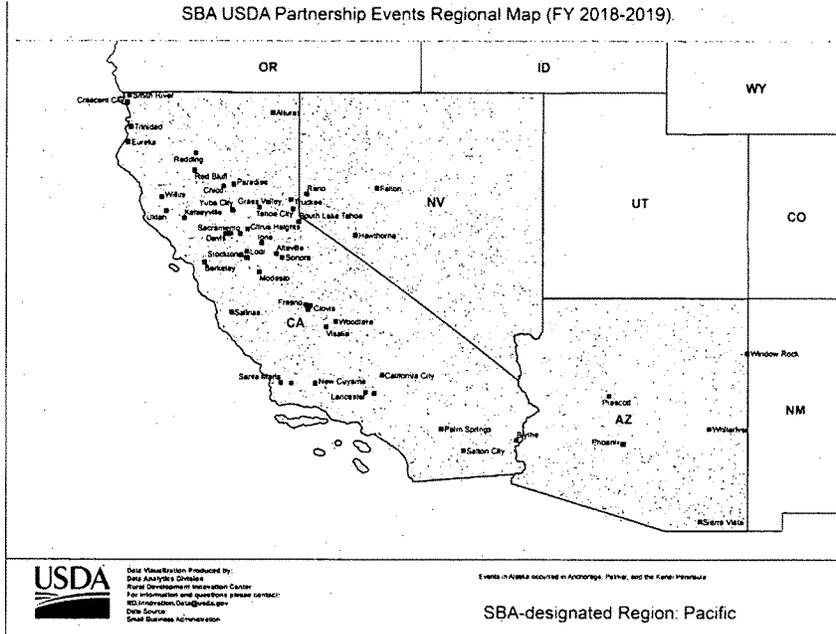
**SBA Response:** By using SBA's network of Regional Administrators and District Offices, SBA has focused on rural outreach events in coordination with representatives from other Federal agencies to discuss all Federal programs and services vital to ensuring that rural entrepreneurs succeed. These events are generally done in coordination with SBA resource partners.

- What steps have you taken to implement the 2017 Report to the President of the United States from the Task Force on Agriculture and Rural Prosperity?

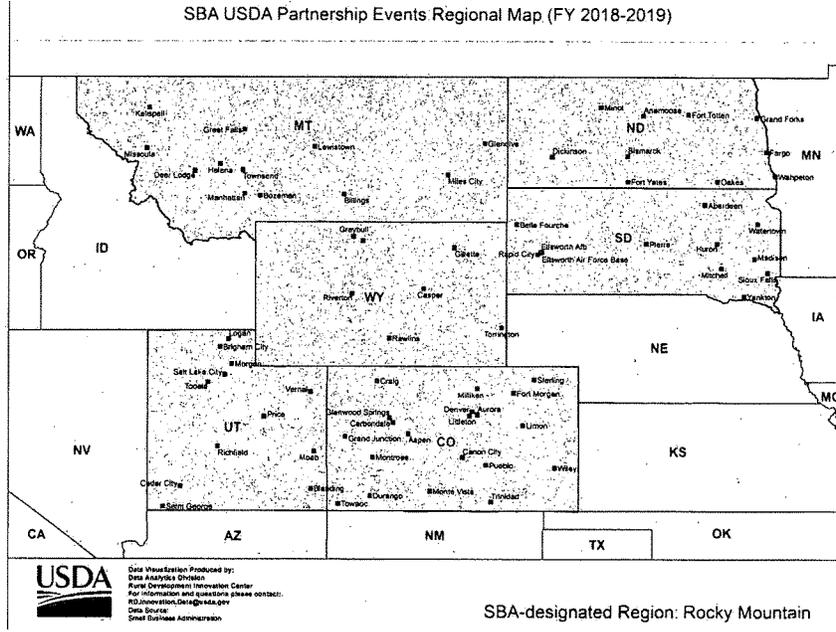
**SBA Response:** To implement the 2017 Report to the President of the United States from the Task Force on Agriculture and Rural Prosperity, the SBA signed a formal Memorandum of Understanding with U.S. Department of Agriculture. One of the goals of the MOU increases access to capital in rural America by identifying synergies between USDA Business & Industry fund and SBA's 7(a) and 504 loan programs, increase cooperation between SBIC and RBIC programs, and facilitate delivery of SBA and USDA programs through both agencies' field networks. Because of the MOU, SBA and USDA collaborate more effectively on a local and regional level to ensure rural entrepreneurs have access to these programs.



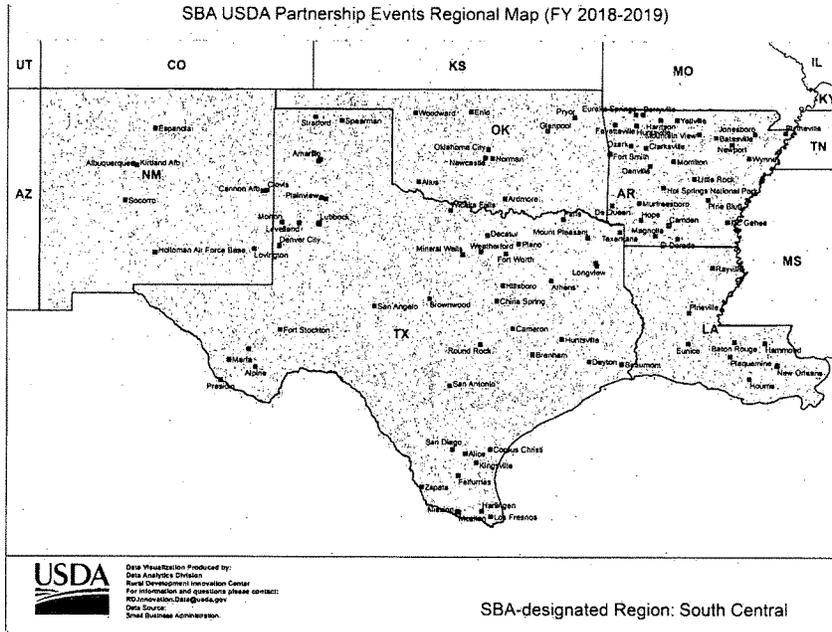
SBA USDA Partnership Events Regional Map (FY 2018-2019)



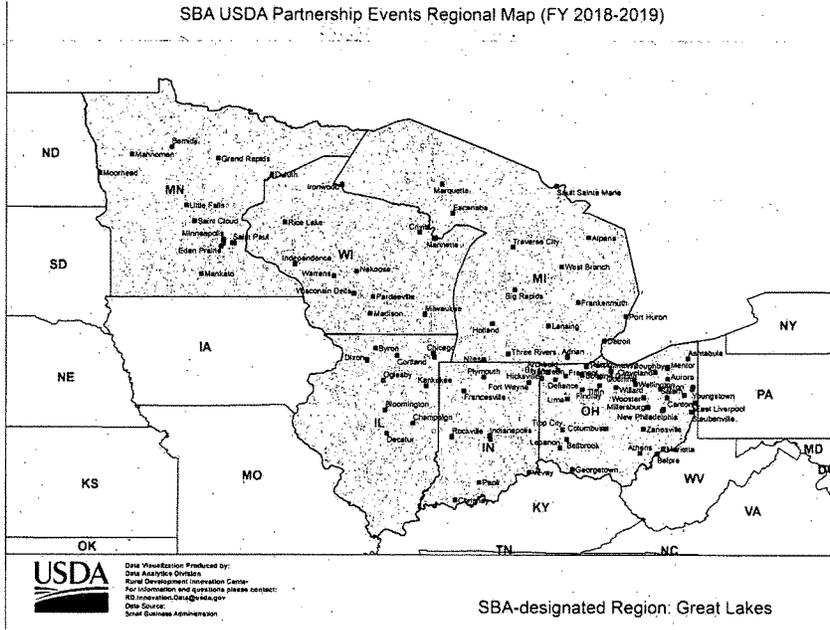
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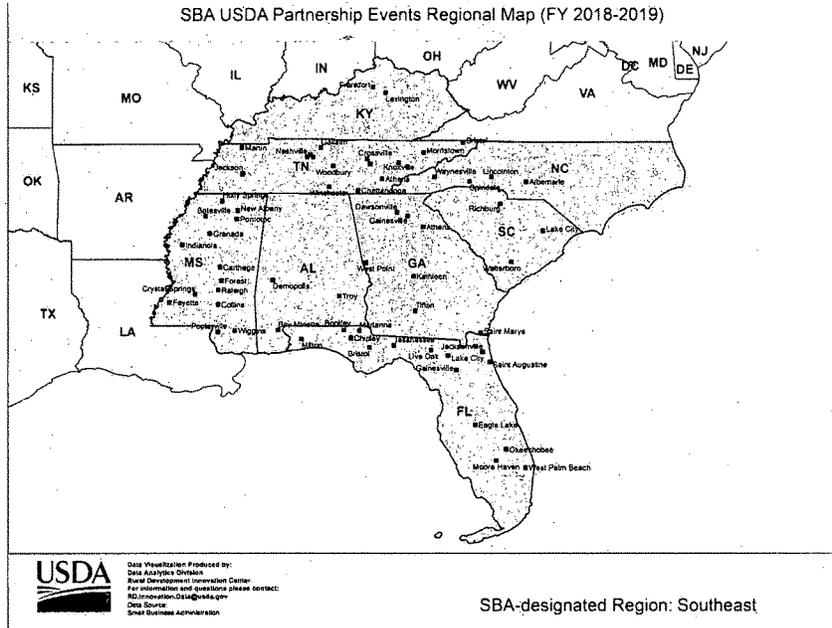




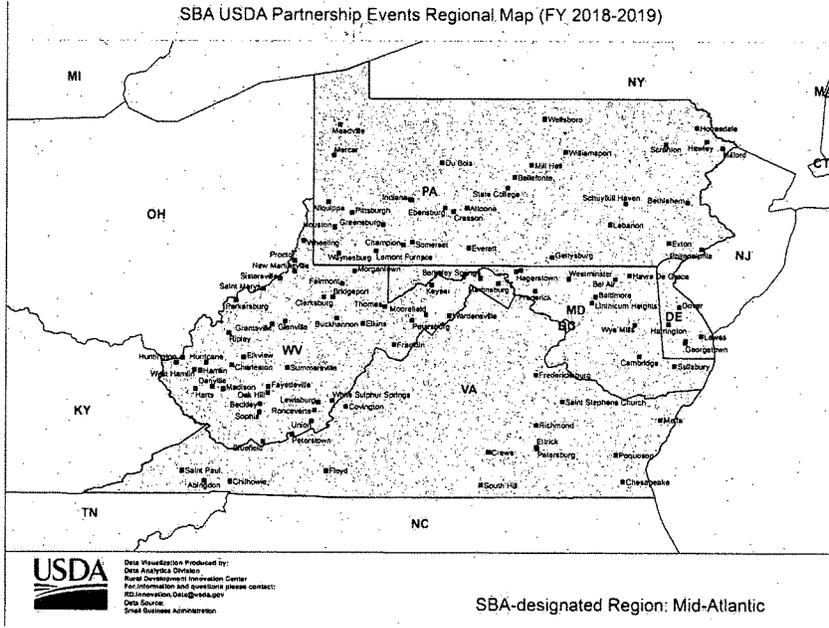
SBA USDA Partnership Events Regional Map (FY 2018-2019)



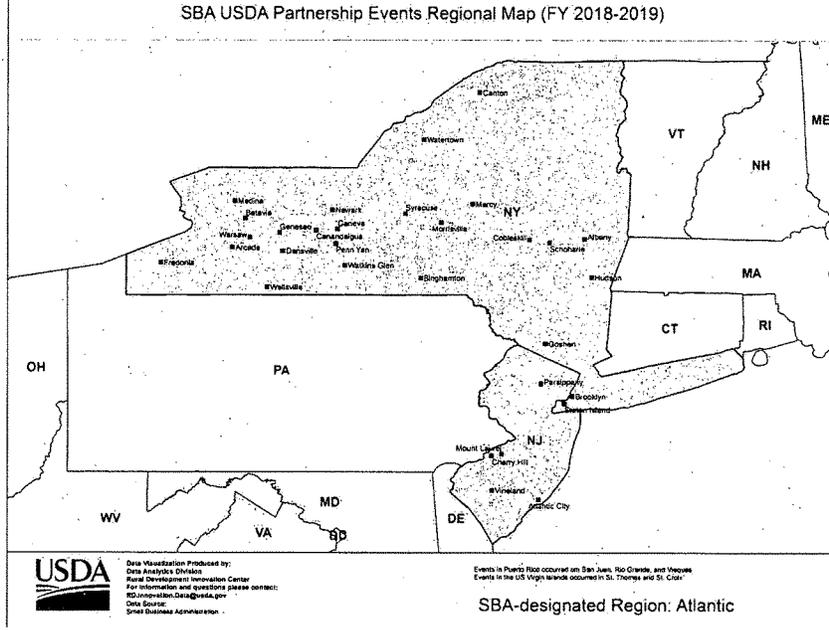
SBA-designated Region: Great Lakes



SBA USDA Partnership Events Regional Map (FY 2018-2019)



SBA USDA Partnership Events Regional Map (FY 2018-2019)

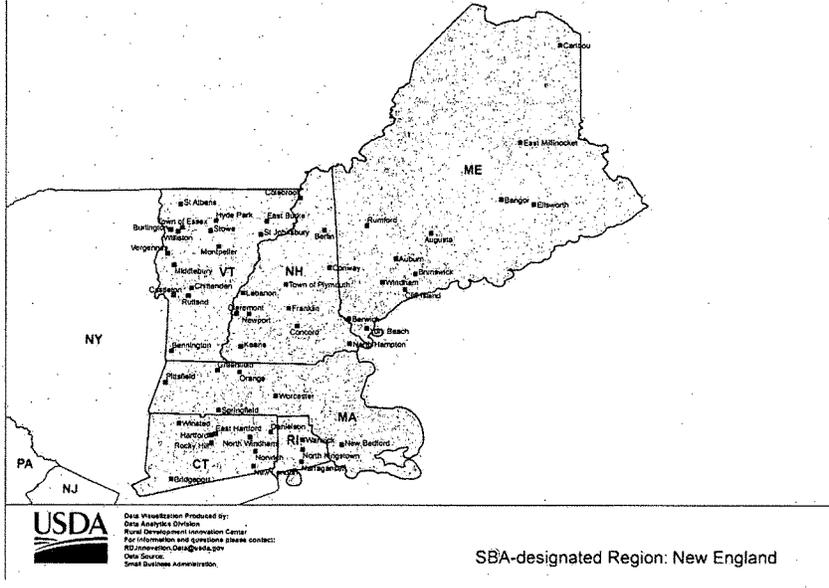


Data Visualization Produced by:  
Data Analytics Division  
Rural Development Innovation Center  
For information and questions please contact:  
ICInnovationData@usda.gov  
Data Source:  
Small Business Administration

Events in Puerto Rico occurred on San Juan, Rio Grande, and Vieques  
Events in the US Virgin Islands occurred in St. Thomas and St. Croix

SBA-designated Region: Atlantic

SBA USDA Partnership Events Regional Map (FY 2018-2019)





## USDA/SBA MOU 1 Year Summary

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This document summarizes the purpose and accomplishments of the Memorandum of Understanding ("MOU") between the United States Department of Agriculture ("USDA") and the United States Small Business Administration ("SBA") signed by Secretary Perdue and Administrator McMahon on April 4, 2018.

### Background

The purpose of the MOU is to document and formalize on-going coordination and collaboration between the USDA and the SBA to improve program effectiveness, increase access to capital to rural areas, strategically align investments to the priorities established by the Agriculture and Rural Prosperity Taskforce, improving investment opportunities in rural areas, examining synergies to streamline and deliver programs, identifying ways to increase the benefits of the Tax Cuts and Jobs Act of 2017, improving innovation for rural technical assistance providers, and aiding rural businesses in providing tools to export products around the world.

In order to achieve these objectives, four work groups were established:

- Access to Capital - Lending
- Access to Capital – Investment
- Contracting and Business Development
- Native American Initiatives & Innovation Clusters

These groups have met independently to work towards their goals and report to a regularly scheduled bi-weekly meeting of Agency Leadership.

### Accomplishments

#### Access to Capital – Lending

The USDA's primary access to capital program is the Business and Industry Loan Guarantee Program ("B&I"), with approximately \$1B in loan approval authority. The SBA's primary programs are the 7(a) and 504 Programs with approximately \$30B in loan approval authority. While the B&I Program is focused solely on rural areas the SBA Programs can work with borrowers located anywhere in the United States. Since the signing of the MOU numerous initiatives have been implemented to improve collaboration, increase access to capital to rural businesses, and advance synergies between the agencies. Examples include:

- A co-branded, one-page program matrix was developed and distributed to both USDA and SBA field staff. The matrix highlights each agency's primary loan guarantee programs and can be used as a quick reference guide for training, working with guaranteed lenders, or potential loan guarantee recipients.
- Training was held in August 2018 for SBA field staff in which the USDA presented detailed information on their guaranteed loan programs. Likewise, training was held in September 2018 for USDA field staff in which the SBA presented detailed information on their programs. The trainers were able to discuss the differences in loan eligibility guidelines and educate one another's teams on the vast differences in the respective

programs and how they may be able to work together. Additional training is being scheduled for FY2019.

- Numerous joint workshops, including Rural Strong, Boots to Business, Lending Roundtables, and Small Business Roadshows have been initiated throughout the states to educate both lenders and potential borrowers on the loan guarantee programs, the collaboration between the agencies, and the benefits of working with guaranteed programs. USDA also participated in 55-60 Boots to Business (B2B) and B2B Reboot classes in the past year.
- A Field Operational Guide has been developed for the USDA State Directors and the SBA District Directors to collaborate together to develop a plan for their specific state/district. This plan is designed to build on the momentum achieved in FY2018 and to develop new and creative ways to collaborate to increase access to capital to rural businesses.

### **Access to Capital - Investment**

The USDA's Investment vehicle is the Rural Business Investment Program ("RBIP"), while the SBA's is the Small Business Investment Corporation Program ("SBIC"). These programs are similar in that private investors create a pool of investment funds and then invest them into a specifically identified geographic area or industry. They are different in that the USDA program is non-leveraged (i.e. a certification program) and the SBA program is leveraged (i.e. SBA provides low interest loans to the fund). Selected accomplishments include:

- The joint working group has held several outreach events reaching over 190 decision makers and potential investors highlighting the opportunities and advantages of investing in the RBIC and SBIC investment programs.
- The joint working group held a training session for the FDIC, OCC and Federal Reserve banking regulators to educate them on the advantages of financial institutions investing in these investment products (e.g. CRA credit, investment diversification).
- The joint team is striving to better align the RBIC and SBIC applications as many of the investment groups are similar. This would increase the efficiency in the application process for private capital markets.

### **Contracting and Business Development**

The USDA and SBA have numerous complimentary services to assist rural businesses. The USDA has a robust delivery system through its expansive system of state, area, and satellite offices. The SBA has a network of business assistance providers through their network of Small Business Development Centers, SCORE Chapters, and Women's and Veterans Business Centers.

Leveraging these unique assets of each agency provides information and technical assistance otherwise not provided. Successes include:

- Training of USDA field staff on the SBA 8(a) program. This will allow the USDA team to better inform their customers of the opportunities and advantages of Federal Government contracting which will help their rural businesses grow and achieve sustainability.
- A tool has been created and shared with the SBA field staff which establishes geographic "business focus" areas across SBA HUBZone's, USDA eligible rural areas, and U.S. Treasury Opportunity Zones.
- The SBA has created new marketing and outreach brochures for the 8(a) program specifically with rural businesses in mind. This material has been distributed to the USDA field staff.

- With the recent addition of the BioBased Marketing Program (aka the BioPreferred Program), we anticipate a great synergy with the SBA 8(a) program.

### **Native American Initiatives & Innovation Clusters**

The USDA has dedicated staff and extensive experience working with Native Americans. Working together, through increased outreach, education, and collaboration the agencies hope to increase program delivery to these rural and often high poverty areas. Innovation clusters are a geographically located group of interconnected companies and associated institutions in a particular industry. They “cluster” to attract expertise, talent, capital, and economies of scale (e.g. Silicon Valley, Michigan Auto Industry). Recent successes in these areas include:

- Several joint Native American outreach events have been held, including one in Pacific Grove, CA. Both the USDA Native American Coordinator and the California State Director participated in the event along with SBA staff.
- An aggressive Native American outreach schedule has been planned for FY2019. The SBA recently hired a person to oversee this, and they then contract the actual events. The USDA Native American Specialist has been working with this new person and the SBA contractor helping them identify the best locations for outreach and educational events.
- The SBA announced that it would award funding to seven new innovation clusters in FY2018. The USDA assisted in drafting the Request for Proposals (“RFP”) and outreach for the SBA innovation clusters. The clusters were recently announced, and it appears that four out of the seven are located in rural areas.

### **Outcomes**

- Together, in FY2018 the USDA and SBA funded ten joint projects for over \$104,000,000 (\$82,000,000 USDA and \$22,000,000 SBA) in ten different states. Tracking these joint transactions remains a challenge as neither the USDA or SBA’s IT systems have a way to flag these. Two examples of these joint transactions include:
  - Vidalia Denim – The USDA provided a \$25,000,000 B&I guaranteed loan while the SBA provided a \$5,000,000 7(a) guaranteed loan to this start-up manufacturing facility in a rural town. The company was starting in a shuttered facility. The previous owner had moved its operations to Mexico. The company will be manufacturing denim for a major label blue jeans company. All of their cotton will be locally sourced, and they will be purchasing their indigo from a former recipient of a Value-Added Producer Grant.
  - G.S.E. Machining & Fabrication – The USDA provided a \$2,560,000 B&I guaranteed loan while the SBA provided a \$1,955,000 7(a) guaranteed loan. The loans provided long term financing which will allow the business to grow and create jobs.
- The partnerships between USDA and SBA field staff are either off to a good start or are deepening where they already existed. Our observations show us that most states are now having regular meetings with the counterparts to discuss collaboration, training, and outreach.

Work at both the National Office and at the field level will continue as we strive to meet the goals and objectives of Secretary Perdue and Administrator McMahon to create rural prosperity across America.

**Congress of the United States**  
**Washington, DC 20515**

July 17, 2019

Hon. Chris Pilkerton  
 Acting SBA Administrator  
 Small Business Administration  
 409 3rd St, SW  
 Washington, D.C. 20416

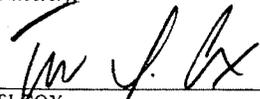
Dear Acting Administrator Pilkerton,

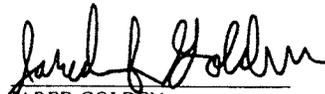
We are writing to seek information about the statutorily authorized, but not yet established, Office of Rural Affairs within the Small Business Administration (SBA). Section 26 of the Small Business Act (15 U.S.C. § 653) established an Office of Rural Affairs within the Small Business Administration. To the best of our understanding, the creation of the Office of Rural Affairs was briefly being initiated in the early 1990s, but was never fully established. For more than twenty-five years, despite clear legislative intent, the SBA has not implemented the law, leaving rural communities without the assistance and advocacy that Congress intended. We therefore request responses to the following questions relating to the Office of Rural Affairs:

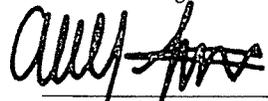
1. When did the SBA begin implementing the law initially and when did it subsequently abandon such efforts?
2. What rationale did the SBA have to justify abandoning the establishment of the Office?
3. In which years were funds appropriated for the Office of Rural Affairs? What did the SBA do with those funds?
4. What costs and benefits do you believe might be realized by establishing an Associate Administrator for a successor office to the Office of Rural Affairs?

We appreciate your consideration of this request. Please do not hesitate to reach out to us or have your staff contact Nandini Narayan, [nandini.narayan@mail.house.gov](mailto:nandini.narayan@mail.house.gov) (Cox); Will Woodworth, [Will.Woodworth@mail.house.gov](mailto:Will.Woodworth@mail.house.gov) (Golden); Michael Stein, [Michael.Stein@mail.house.gov](mailto:Michael.Stein@mail.house.gov) (Small Business Committee) regarding the Office of Rural Affairs.

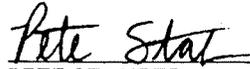
Sincerely,

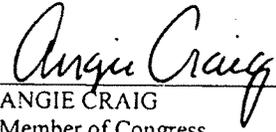
  
 \_\_\_\_\_  
 TJ COX  
 Member of Congress

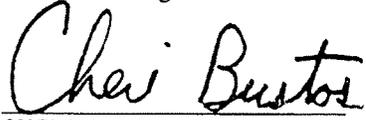
  
 \_\_\_\_\_  
 JARED GOLDEN  
 Member of Congress

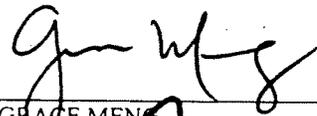
  
 \_\_\_\_\_  
 ABBY FINKBEINER  
 Member of Congress

  
 \_\_\_\_\_  
 AUMUA AMATA COLEMAN RADEWAGEN  
 Member of Congress

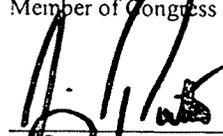
  
PETE STAUBER  
Member of Congress

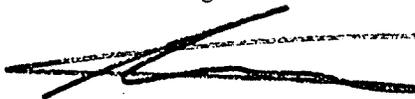
  
ANGIE CRAIG  
Member of Congress

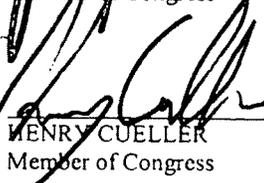
  
CHERI BUSTOS  
Member of Congress

  
GRACE MENG  
Member of Congress

  
CHRIS PAPPAS  
Member of Congress

  
JIMMY PANETTA  
Member of Congress

  
ADRIANO ESPAILLAT  
Member of Congress

  
HENRY CUELLER  
Member of Congress

  
JOHN GARAMENDI  
Member of Congress

  
KENDRA S. HORN  
Member of Congress

  
CYNTHIA AXNE  
Member of Congress

  
JIM COSTA  
Member of Congress



November 13, 2019

The Honorable Abby Finkenauer  
 Chair  
 House Small Business Subcommittee on  
 Rural Development, Agriculture, Trade,  
 and Entrepreneurship  
 2361 Rayburn House Office Building  
 Washington, DC 20515

The Honorable John Joyce  
 Ranking Member  
 House Small Business Subcommittee on  
 Rural Development, Agriculture, Trade,  
 and Entrepreneurship  
 2361 Rayburn House Office Building  
 Washington, DC 20515

Dear Chair Finkenauer and Ranking Member Joyce:

On behalf of the Small Business Investor Alliance (SBIA), I write in advance of the Rural Development, Agriculture, Trade, and Entrepreneurship Subcommittee hearing entitled, "Assessing the Government's Role in Serving Rural American Small Businesses," to thank you for addressing this issue. Small businesses face numerous challenges that are significantly more acute in rural areas, including: access to capital, access to workforce, access to broadband, and access to growth markets.

Government can and should have policies that help to overcome these rural challenges. We encourage the Subcommittee to consider the significant achievements and yet untapped opportunities in rural investing by Small Business Investment Companies (SBICs) and Rural Business Investment Companies (RBICs). These two programs provide the proven models for appropriate partnership between the federal government and the private sector to fund growth in rural areas.

Rural America needs access to capital to grow local and regional economies, and the RBIC and SBIC programs are critical tools in the economic toolkit. Attachment One provides several success stories from both programs.

In April 2018, U.S. Secretary of Agriculture Sonny Perdue and SBA Administrator Linda McMahon signed a Memorandum of Understanding between SBA and USDA designed to further coordination between the agencies on rural initiatives. Some of the stated goals of the memorandum were to "improve investment opportunities in rural areas, identify ways to increase the benefits of the Tax Cuts and Jobs Act of 2017, improve innovation for rural technical assistance providers, and aid rural businesses in providing tools to export products around the world." SBIA supports this coordination and believes that strengthening the SBIC and RBIC programs is an appropriate way for government policy to further economic growth and opportunity in America's rural areas.

The 61-year-old SBIC program is a market-driven platform that serves an important public purpose of facilitating private investment into domestic small businesses. SBICs are highly regulated private funds that invest exclusively in domestic small businesses, with at least 25% of their investments in even smaller enterprises. Many SBICs are investing well in excess of 50-75% of their investments in these smaller enterprises. After raising private capital and successfully navigating a rigorous licensing process, a licensed SBIC is permitted to access a line of credit (leverage) to increase the amount of capital to be invested in domestic small businesses. Generally, the ratio of leverage to private capital is a little less than 2:1 with some strategies utilizing an even lower leverage ratio. With the private capital in a first loss position, a modest leverage ratio, and the benefits of the portfolio effect, the program operates by law at zero subsidy, further exhibiting effective protection for the American taxpayer. As a testament to the underlying structure of the SBIC program, it is one of the few SBA programs that was able to continue to operate at zero subsidy through the Great Recession.



The RBIC program, operated by the U.S. Department of Agriculture, complements the SBA's SBIC program. This venture capital program helps promote economic development and the creation job opportunities in non-metropolitan areas and among residents living in those areas. Like the SBA, the USDA selects and licenses RBIC applicants that will agree to address the unmet equity capital needs of small enterprises primarily located in rural areas. RBICs have the following requirements:

- At least 75 percent of their investments must be in rural areas with a population of 50,000 or less.
- At least 50 percent of investments must be in smaller enterprises.
- No more than 10 percent of investments may be made in urban areas.

In addition, SBICs and RBICs both invest in regions of the country that are often flown over or passed by other investment vehicles. A Library of Congress report released in 2019 found that SBICs invest in companies, industry sectors, and geographic regions that are often overlooked by traditional investors. In particular, underserved states like Kansas, Minnesota, North Dakota, South Dakota, Alabama, Kentucky, Mississippi, and Tennessee receive funding at a much higher rate from SBICs than from other investment vehicles. While traditional venture capital funding is primarily confined to the coastal regions of Silicon Valley and the New York-to-Boston corridor, SBICs and RBICs make a much greater portion of their investments in rural areas across the country.

Both RBICs and SBICs are underutilized to the detriment of America's small businesses and communities. RBICs are relatively new, so building awareness and enabling access to fund-level leverage would be helpful. As a result of a failure of leadership in the SBA's Office of Investment and Innovation, for which this Committee held oversight hearings in September, the SBIC program left over two billion dollars of leverage unused in FY 2019 – one of the worst underutilizations of SBA leverage in a decade and representing capital that will not be accessed by small businesses.

Rural America continues to have needs, and the RBIC and SBIC programs have a proven track record of providing growth capital to businesses in need. We ask that you continue to strengthen these programs that provide much needed economic growth and job creation to rural America.

Sincerely,

A handwritten signature in black ink, appearing to read "Brett Palmer", is written over a light blue horizontal line.

Brett Palmer  
President  
Small Business Investor Alliance



## ATTACHMENT ONE

### RBIC Success Stories

#### AgCertain (Boone, IA)

Midwest Growth Partners, an Iowa based Rural Business Investment Company, recently partnered with management to invest in the assets of a Boone, Iowa-based specialty food refinery, now called AgCertain. The previous owners of the facility were financially distressed, and without a capital infusion, likely would have faced the total loss of the 20+ jobs at the facility. Since the capital infusion, AgCertain has retained all jobs, has invested millions of dollars in upgrading the facility, and has hired several new scientists. AgCertain intends to become a global leader in highly traceable non-GMO, organic, and kosher certified food and pharmaceutical inputs.

#### Green Dot Bioplastics (Emporia, KS)

A \$2.5 million RBIC investment has helped Green Dot Bioplastics, a company headquartered and operating in Emporia, KS (population: 24,724), double employment and scale up to the point of planning for a 24/7 operation sometime in the next few years.

### SBIC Rural Success Stories

#### Med City Mobility (Rochester, MN, with operations in Faribault, MN and Austin, MN)

Med City provides highly sophisticated Durable Medical Equipment (DME) such as wheelchairs, lift chairs, scooters, hospital beds, and complex rehab equipment to people in need. Since Med City received SBIC investment, it has grown organically, made acquisitions of other businesses, and invested in its people. Had the SBIC investment not been made, Med City likely would have been swallowed up by a larger firm. Instead, they have been able to serve their patients in need in this rural area.

#### Henderson Products, Inc. (Manchester, IA)

Henderson was founded in 1946 in Cedar Rapids, IA as a manufacturer of agricultural attachments and spreading equipment that was later moved to Manchester, IA in 1958. When Henderson received SBIC investment, it was a leading manufacturer and up-fitter of heavy-duty truck equipment used by municipalities for snow removal and ice control. At the time of the SBIC investment, Henderson had full year revenue of approximately \$55.4 million and employed 225 people. Around the time of the SBIC fund's exit, Henderson had full year revenue of approximately \$66.8 million and employed 320 people.

#### Hayfield Windows & Doors (Hayfield, MN)

Hayfield is a residential window and door manufacturer based in a small farming community with 1,333 residents and provides a meaningful positive community impact in the area. Hayfield is the #1 employer in the community, with 150 full-time employees. The Company is recognized as a leading employer in the region based on its size, high average pay rate (\$15+ / hr.) and health & dental benefits. The average length of production employee tenure at the Company is 11 years. The Company has a long history of successful operations since 1951. Revenue has grown consistently since 2012, averaging 9.5% annual growth over the last 5 years. The Company also provides significant opportunities to young people: there is a seasonal pick-up in the summer offering local



high school and college students opportunities to gain hands-on skills in manufacturing and exposure to the building products / residential housing industry.