USDA

United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

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The Honorable Robert Aderholt
Chairman
Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies
Committee on Appropriations
U.S. House of Representatives
2362-A Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

On June 21, 2018, the Office of Management and Budget released "Delivering Government Solutions in the 21st Century–Reform Plan and Reorganization Recommendations," proposing several forward-thinking ideas about reorganizing the government to refocus structures around mission and customers, enhance management accountability, prioritize limited resources, eliminate unnecessary activities, and improve communications and coordination. As part of these efforts, the U.S. Department of Agriculture (USDA) continues to focus on our customers and improvements in the delivery of our programs. This letter is intended to inform you of plans within USDA's Rural Development (RD) to ensure that programs are delivered efficiently, effectively, and with integrity to its stakeholders and customers.

First, to increase focus on grid security and disaster recovery, RD's Rural Utilities Service will reorganize the Electric Program by creating and staffing the Innovative Partnership and Grid Security Division (IPGS). IPGS will be responsible for increasing coordination and collaboration with other USDA and Federal Agencies, as well as industry and lending organizations. IPGS will also be responsible for the management of the High Energy Cost Grant Program (HECG), the Energy Efficiency Conservation Loan Program (EECLP), the Rural Energy Savings Program (RESP), cybersecurity, grid security and resilience, disaster recovery and emergency management, and other duties as may be necessary.

The Electric Program has, for the past several years, an annual guaranteed loan budget of $5.5 billion to provide financing for electric infrastructure for rural electric cooperatives and other eligible entities. EECLP, HECG, and RESP are smaller programs, in the millions of dollars annually. By creating a new IPGS, the existing seven staff will be assigned to specifically focus on these programs, which will lead to increased efficiencies. No employees will be required to relocate because of the establishment of the IPGS Division.

Second, RD will integrate the Single-Family Housing Guaranteed Loan Program (SFHGLP), currently delivered from staff in the 47 State Offices, into a single centrally managed unit that provides nationwide program delivery and coverage. This effort will be in tandem with ongoing efforts to implement the recent authority provided by Congress to allow lenders to provide guaranteed loans on USDA's behalf, which will require regulation and IT changes to achieve. The SFHGLP guarantees affordable, no-money down, 30-year loans to eligible rural households through agency-approved, private sector lenders. As of July 2018, SFHGLP is RD's largest credit program, with more than one million underlying loans that have over $120 billion in outstanding principal. Over 100,000 new guaranteed loans are made annually.

In February 2018, 10 staff were dedicated from 10 State Offices to eliminate the backlog of SFHGLP applications, which was as high as 16 days in certain states. By August, all backlogs in State Offices had been eliminated through the actions of 23 dedicated employees in 31 states. The inclusion of the additional 21 states was at the request of State Rural Development Offices, and no staff were physically relocated. As a result of this backlog reduction strategy, RD has identified that centralizing the SFHGLP will standardize operations across states and enable more efficient loan processing with improved risk management.

In fiscal year 2018, the SFHGLP obligated $16.8 billion in loans using the resources of more than 300 full-time employees across 47 State Offices. The proposed centralized managed unit is designed to obligate $16.8 billion in loans with a maximum of 275 full-time employees, which will free up at least 50 or so full-time employees for other RD program activities in the State Offices. Moreover, the proposed centralized unit can deliver the total $24 billion of allocated loan funds with 275 full-time employees if market demand is present. The integrated model improves the program delivery process in several important ways, including:

- Streamlining redundant resources, personnel, and processes;
- Aligning to customer need, allowing SFHGLP to adapt to changes in the mortgage lending environment, and continue to provide access to capital in rural America;
- Promoting more consistent programmatic decisions and improved customer experience;
- Distributing evenly the workload across staff nationwide—decreasing average turnaround times; and
- Improving quality of risk management and compliance processes.

The changed program delivery structure does not require staff to relocate from field offices, as all staff will remain in their current location.

Third, I intend to reorganize the structure of the direct and guaranteed Community Facilities (CF) Program, in the Rural Housing Service National Office from divisions based on the loan programs into divisions aligned with core business functions. The CF National Office would reorganize from its current structure of the Direct Loan and Grant Processing and Servicing Division and the Guaranteed Loan Processing and Servicing Division to the Program Delivery Division and the Portfolio Management Division. At the same time, CF plans to centralize loan underwriting for transactions $1 million or greater from the State Offices to the National Office. Those performing these activities will be current RD employees located in the state/field offices who work remotely under the direction of a National Office manager. State Office employees would retain approval authority for applications less than $1 million and would service those loans and grants. The State Office would also continue to perform outreach, determination of eligibility, application intake, and loan closings for those applications underwritten at the National Office level. The National Office employees would determine feasibility, perform underwriting, and approve the loans, and also would provide monitoring and servicing for loans $1 million and greater.

The proposed realignment enhances the CF programs' capacity to be responsive, relevant, and effective to its rural customers, while allowing the agency to improve oversight to prevent delinquencies and reduce losses to the Government. The program will be able to allocate resources more efficiently; eliminate duplication and inconsistency in administering the program; and position staff to better serve our customers and meet our mission and objectives.

Fourth, RD will realign its appraisers, architects, construction analysts, technically qualified program support directors, engineers, and environmental positions to two new divisions within the Rural Development Business Center. Those divisions—the Appraisal and Architectural Services Division, and the Engineering and Environmental Services Division—would be located within the Business Center's Enterprise Office.

The reorganization of these specialized positions will allow these services to be performed more efficiently across RD. This strategy leverages lessons learned over the past 3 years from the successful appraiser regionalization model, while addressing weaknesses and improving on best practices. This proposal would address portfolio risk mitigation and would further increase portfolio quality control and oversight by separating risk assessment activities from program production areas. In many cases, these positions currently report to Supervisory Loan Specialists in the states that can create a conflict of interest in the loan approval process. All 159 existing staff in the affected positions will remain in their current locations; there will be no need for relocation.

Finally, I intend to reorganize RD's Rural Business-Cooperative Service (RBS) from a three-tiered structure (i.e., Business Programs, Energy Programs, and Cooperative Programs) to a two-tiered structure (i.e. Loan Programs and Grant Programs). This change will streamline the approval process by reducing the layers of review that exist within the approval process.

In addition to that realignment, RBS will also be reorganized by the acquisition of the BioPreferred Program from USDA's Departmental Administration. The program resides under Title IX of the Farm Bill where RD and RBS have a strong presence and extensive experience and capacity. The transfer of the BioPreferred Program to RBS will complement existing RBS programs that include the Rural Energy for America Program; Value Added Producer Grant; the Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program; and the technical assistance provided by the recently signed Memorandum of Understanding with the U.S. Small Business Administration. The RD field structure will support increased program outreach, communication, and visibility.

RD will also eliminate the Cooperative Magazine that ceased publication in February 2018 and reassign associated RBS staff. This magazine was published by the Education and Research Branch within RBS. Without the publication, there is no function for this branch. The staff consists of one Public Affairs Specialist, three Agricultural Economists, one Rural Sociologist, one Secretary, one Office Automation Assistant, and one Agricultural Cooperative Policy Analyst. We propose to relocate the Public Affairs Specialist to the RD Office of External Affairs, and the Agricultural Economists and Rural Sociologist to the USDA Agricultural Marketing Service. The remaining positions referenced will stay within RBS.

The actions identified in this letter—like our October 10, 2018, notification on the Section 538 Guaranteed Rural Rental Housing Program and the Section 515 Rural Rental Housing Program—will further improve the efficiency, effectiveness, and accountability of RD. We will continue to work with Congress, our stakeholders, and our employees to make the Department even more responsive to the needs of our customers. My goal is for USDA to be the best managed, most customer-responsive agency in the U.S. Government. I look forward to working with you as we move forward.

One of the accompanying enclosures reflects the realignment of staff identified above, and includes the organizational structure changes being proposed. The other enclosure is a copy of the October 10, 2018, communication on our proposed changes to the Section 538 and 515 programs.

If you have any questions, please have a member of your staff contact the Office of Congressional Relations at (202) 720–7095. A similar letter is being sent to Ranking Member Sanford Bishop, Jr.

Sincerely,

Sonny Perdue
Secretary

Enclosures

United States Department of Agriculture
Rural Development
Rural Development Reorganizations
(Dollars in Thousands)

Agency	Program/Office	Current		Proposed	
		Staff Salaries	Staff Years	Staff Salaries	Staff Years
Rural Utilities Service (RUS)	RUS National Office	$24,931	233	$23,433	219
	RUS State Offices	33,170	310	32,635	305
	Total, RUS	**58,101**	**543**	**56,068**	**524**
RHS Housing Service (RHS)	RHS National Office	16,157	151	49,434	462
	RHS State Offices	185,217	1731	143,166	1338
	Total, RHS	**201,374**	**1,882**	**192,600**	**1,800**
Rural Business Service (RBS)	RBS National Office	8,132	76	8,132	76
	RBS State Offices	31,030	290	30,709	287
	Total, RBS	**39,162**	**366**	**38,841**	**363**
State Director Staff - Program Support Only	State Program Support	5,885	55	0	0
	Total, State	**5,885**	**55**	**0**	**0**
Rural Development Business Center (BC)	BC Program Support	63,344	592	80,357	751
	Total, BC	**63,344**	**592**	**80,357**	**751**
	Totals	**367,866**	**3,438**	**367,866**	**3,438**