Rural Utilities Service
Status of Broadband Initiatives Program
As of 8/26/13

Introduction

The Department of Agriculture's broadband goal is to increase the number of rural Americans with access to robust broadband service and provide the speeds and bandwidth for health care, public safety, educational, business and social services. Rural Utilities Service (RUS) financing facilitates broadband service providers offering affordable, broadband service to residents and businesses, expanding access to education and health care, creating high-skilled, high-wage jobs, and increasing economic opportunities across rural America. This infrastructure investment creates jobs when projects are planned and built, adds jobs when these projects become operational and again as these services are used by communities to spur further economic expansion.

RUS provides financing for telecommunications infrastructure through direct loans and loan guarantee programs. The program priorities are to ensure that rural communities have access to advanced telecommunications services, such as high-speed Internet services and advanced communications services such as distance learning and telemedicine. The program makes new or improved services available to borrowers' subscribers, including rural residents and businesses. Performance measures directly measure the impact of the programs on rural communities. Program outreach efforts are focused on identifying rural areas that do not have access to these services, which are essential for economic development and improved health and education services.

The Broadband Initiatives Program

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (Recovery Act) into law. The Recovery Act provided RUS with $2.5 billion to expand access to broadband services in rural America.   The Recovery Act expanded RUS' existing authority to make loans and provided new authority to make grants for the purpose of facilitating broadband deployment in rural communities. To maximize the level of funds available for broadband projects, the agency leveraged its budget authority appropriated by the Recovery Act to make grants, loans and loan/grant combination awards. In total for the broadband program, over $2.33 billion in grants and $1.19 billion in loans were made to 320 projects, totaling over $3.5 billion. Of those original 320 projects, 297 were for infrastructure, 4 for satellite broadband service support and 19 for technical assistance, the majority of which went to tribal communities.

The Recovery Act funded projects designed to provide broadband service quickly, and large infrastructure projects—considered transformative—that may take as many as five years to build out. All RUS projects must comply with federal and state environmental, historic preservation and in some cases tribal or intergovernmental reviews that can require significant consultation with the public. RUS technical and financial oversight continues throughout the project's life and beyond. Rigorous project oversight has led to the rescission of 42 Recovery Act awards. As a result, nearly $325 million has been returned to the Treasury.

Under the Recovery Act, contracts signed by awardees require that all loan/grant funds must be advanced by September 30, 2015. Funds not advanced will be rescinded by RUS and returned to the U.S. Treasury. RUS and senior USDA officials have repeatedly encouraged awardees to complete Recovery Act projects as quickly as possible.   RUS field employees continue to vigorously monitor the progress of construction and compliance of the BIP awardees.

The vast majority of the BIP awards were obligated between March and September, 2010. Projects are progressing well and within expectations. The RUS has worked closely with Federal and state partners to complete required reviews and to address regulatory or processing issues. All environmental reviews have been completed. The agency is working closely with awardees to expedite project construction. All 19 Technical Assistance awards have been fully disbursed. The $100 million satellite broadband program has now disbursed 92.5 percent of its funds to date to the four satellite awardees.

Infrastructure projects, larger and more complex, continue to progress, offering more rural residential and business consumers access to broadband service. Of those, 135 projects, representing $1.64billion in funding are partially operational or have been completed. About $3.3billion of construction for projects has been completed or is actively being worked on. The pace of construction exceeds the pace of reimbursement.

Presently there are no projects that have not drawn any loan or grant funds.

Key Performance Metrics and Results

Metric	Result
1. Miles of fiber deployed	49,255
2. Number of wireless access points placed	684
3. Jobs created in most recent quarter (www.recovery.gov)	4,157
4. Broadband subscribers receiving new or improved broadband:	
• Households	97,966
• Businesses	5,858
• Educational Providers	168
• Libraries	79
• Healthcare Providers	206
• Public Safety Providers	194
• Total broadband subscribers receiving new or improved broadband	104,471
• Subscribers forecasted to receive new or improved broadband as a result of total funding (5 years after project award)	847,239

Operational Statistics

Description	Results
Number of original projects awarded	297
Amount of original awards (loans and grants)	$3.425 billion
Projects partially operational or complete	135
Percent of active projects partially operational or complete	53%
Number of projects with completed environmental reviews	255
Percent of projects with completed environmental reviews	100%
Number of projects actively drawing funds*	255
Percent of projects actively drawing funds*	100%
Number of projects fully advanced*	14
Percent of projects fully advanced*	5.5%
Number of rescinded projects	42
Percent of projects rescinded	14.1%
Number of projects not started	0

*Note: Awardees do not receive loan and grant funds at time of the award. Rather, awardees request "advances" under the loan, grant or loan/grant combination after completing an advance request and providing documentation and certifications that meet RUS requirements for approved purposes, budget, etc.

Success Story

Valley Telephone Cooperative, Inc. (VTCI)
Raymondville, Texas

Need:

Valley Telephone Cooperative, Inc. (VTCI) is located in South Texas where it provides telecommunications services to a rural, culturally diverse population. VTCI has provided its customer with broadband connectivity since 1999, but the neighboring communities outside their service area were without any access to broadband services. Of the eleven communities to

Computer users at the Reber Memorial Library in Raymondsville, TX take advantage of the new high speed Internet offered

be served by funds from VTCI's latest project under the American Recovery and Reinvestment Act (ARRA), almost all are weighted down by high unemployment and persistent poverty. In the rural town of Raymondville, Texas, more than one-third of its residents live below the poverty line, and the

majority of Raymondville residents have not completed high school. Just south of Raymondville lies the rural town of Sebastian, where more than one-quarter of individuals live below the poverty line.

How Rural Development Helped:

In 2010, RUS awarded VTCI a $40,093,153 loan and a $38,520,868 grant through the Broadband Initiatives Program (BIP) under ARRA in 2009. The loan and grant funds were for the construction of the last-mile broadband infrastructure in unserved and underserved rural areas of southern Texas. The money from the awards will bring broadband services to those in the underserved communities by means of fiber-based and fixed wireless infrastructure, while areas outside city limits will be served using wireless broadband technology. It will provide advanced broadband services to eleven underserved communities, offering access to over 19,000 homes.

Results:

Several businesses and anchor institutions in the communities served by Valley Telephone have already benefitted tremendously from the arrival of high speed Internet. One such entity is the Reber Memorial Library in Raymonsville, TX. According to Ms. Micaela Wright, Director of Library Services, the three main uses of Internet from the public computers are students' research projects, applying online for employment and other services, and filing the residents' Federal income taxes. Before broadband was available, the January through April tax filing period meant there was a waiting list for computers because the Internet connection was so slow. Most major employers in the area, such as the large retail chains, the correctional institutions, the telephone company, the independent school system, and even the pizza eateries, handle new employee applications using e-mail, so fast, reliable internet was critical to job growth.

With the funding provided by the BIP award, Internet speeds have increased dramatically. Ms. Wright said computer users can now take advantage of educational webinars that were not possible under the previous system, and now computer research involving lengthy documents or detailed graphics and pictures is downloaded quickly and efficiently. This is especially important in this area of Texas because, as mentioned above, poverty and unemployment are high and educational opportunities are low. In a town where many residents don't complete high school, it is even more vital for people to have access to the educational resources provided by the Internet.

The library is also transitioning into having E-Books available for downloading to library visitors with mobile reading devices, as well as partnering with the University of Texas Pan American in Edinburg to provide an Introduction to Computers & Internet class to residents, all thanks to the new broadband connection.

Another company benefitting from VTCI's high speed network is Economy Awards Company in the tiny town of Delmita, TX (approximately 215 residents). In the late 1990s, Valley Telephone installed digital subscriber line service (DSL) in the area, and Economy Awards made the switch to e-mail. Communications between the supplier and the customer went from days to minutes. However, as technology continued to evolve, the increased message size due to graphics and high resolution pictures caused customer orders to lag and communications began to slow down on the original DSL service.

Using available USDA funds, Valley Telephone returned to upgrade the Internet service to a fiber optics system in the early 2000s. Mr. Hilario Alvarado, co-owner of the company, attributes his company's

growth from the $100,000 level in the 1990s to the current level of more than $500,000 to their use of broadband services from Valley Telephone Cooperative. Mr. Alvarado indicated that fiber optic broadband separates his business operations from those of his competitors. This growth would not have been possible without the high speed broadband offered by Valley Telephone and the underlying support of RUS.