# *U.S. Department of Agriculture*
# *Rural Utilities Service*
# *Broadband Initiatives Program Quarterly Report*
# *As of 3/31/14*

## *Introduction*

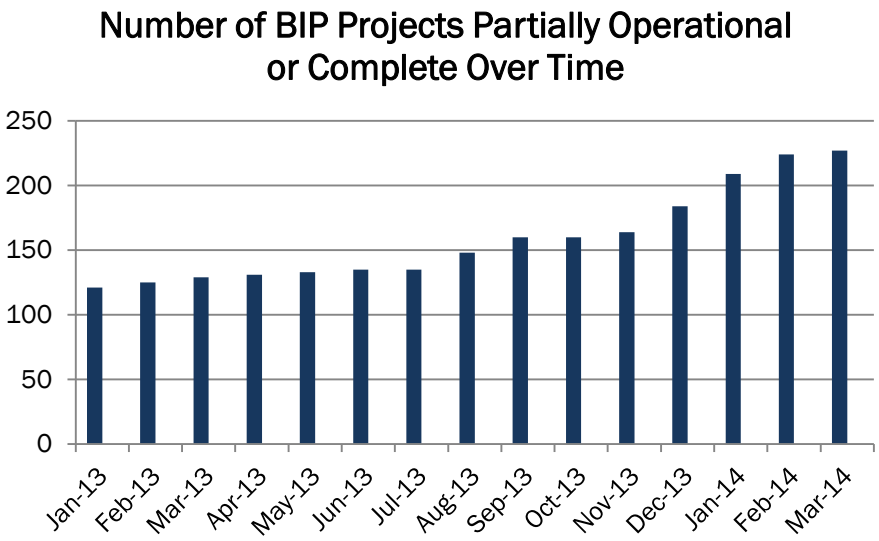
The Department of Agriculture's broadband goal is to increase the number of rural Americans with access to robust broadband service and provide the speeds and bandwidth for health care, public safety, educational, business and social services. Rural Utilities Service (RUS) financing facilitates broadband 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*

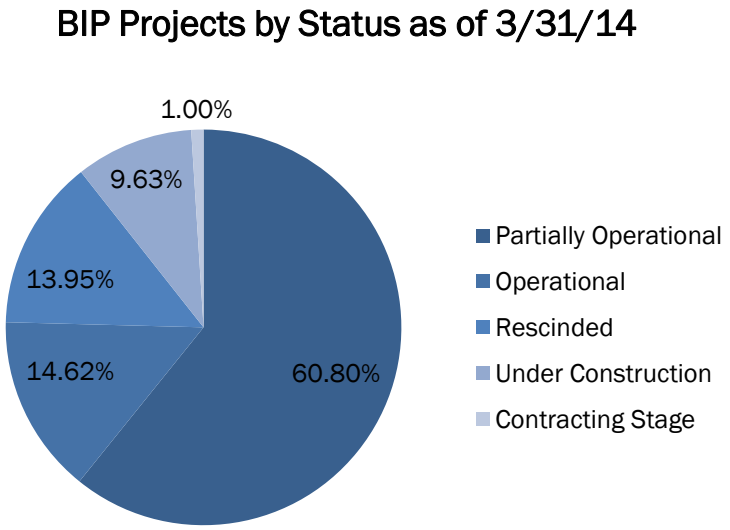
On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (Recovery Act) into law. The Recovery Act provided RUS with $2.5 billion to expand access to broadband services in rural America. The Recovery Act expanded RUS' existing authority to make loans and provided 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, conducting on-site visits and reporting on the awardees' progress regularly.

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 disbursed 94.7 percent of its funds to the four satellite awardees, and the remaining funds were rescinded to the Treasury. Satellite awardees could only request funds through September 30, 2013.




Infrastructure projects, larger and more complex, continue to progress, offering more rural residential and business consumers access to broadband service. Of those, 183 projects, representing $1.8 billion in funding, are partially operational (meaning the awardee is providing service to some of its proposed service territory), and an additional 44 projects, representing $286.7 million in funding, are operational (meaning the awardee is providing service throughout its proposed service territory). The pace of construction exceeds the pace of reimbursement. $2.145 billion in Infrastructure project funding has been advanced to date.

*Numbers and text that have been updated from the previous report appear in blue font.*

## Key Performance Metrics and Results

| Metric | Result |
|---|---|
| Miles of fiber deployed | 56,988 |
| Number of wireless access points placed | 1,128 |
| Broadband subscribers receiving new or improved broadband: | |
| • Households | 142,564* |
| • Businesses | 13,413* |
| • Educational Providers | 357* |
| • Libraries | 138* |
| • Healthcare Providers | 521* |
| • Public Safety Providers | 372* |
| • Total broadband subscribers receiving new or improved broadband | 157,365* |
| • Subscribers forecasted to receive new or improved broadband as a result of total funding (5 years after project award) | 728,733 |

*Note: These numbers are as of December 31, 2013 and are according to reports provided by the awardees.

## Operational Statistics

| | |
|---|---|
| Number of original projects awarded | 297 |
| Amount of original awards (loans and grants) | $3.425 billion |
| Projects partially operational or complete | 227 |
| Percent of active projects partially operational or complete | 89.0% |
| Number of projects with completed environmental reviews | 255 |
| Percent of projects with completed environmental reviews | 100% |
| Number of projects actively drawing funds** | 224*** |
| Percent of projects actively drawing funds** | 87.8%*** |
| Number of projects fully advanced** | 44 |
| Percent of projects fully advanced** | 17.3% |
| 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.
***Note: This number has decreased from the previous quarterly report because 44 projects are now fully advanced and therefore are no longer actively drawing funds. This number will continue to decrease over time.

## Success Story

### *Gervais Telephone Company—OR*

**Need:**

Gervais Telephone Company is a member-owned telecommunications cooperative serving the town of Gervais, Oregon and rural portions of Marion County. The company needed assistance providing underserved businesses and residents outlying the town along River and Butteville Roads with reliable broadband internet. Additionally, an elementary school and two fire stations in this service area were without much-needed broadband.

**How Rural Development Helped:**
In 2010, Gervais Telephone received a Broadband Initiatives Program (BIP) award under the American Recovery and Reinvestment Act of 2009. They obtained a loan/grant combination totaling $628,860. The company planned to use this funding to extend broadband services in portions of its service area that previously could not receive access. This included 121 households and 24 businesses as well as buildings used by the school district and emergency services.

***Above: Matt Jones of Jones Farm Produce stands by his sign showing the specials he can now publish online through social media***

**Results:**
Gervais Telephone was able to connect these customers in under four months. This was one of the fastest completion times for any of the program's award recipients. Community members say the project also provided the local workforce with much needed business during the economic downturn.

Woodburn Fire District, the community's local fire company, has only four stations scattered throughout the region to serve the vast rural area. Prior to Gervais Telephone's service extension, two of the four did not have broadband connections. Now, first responders based at these stations can directly access the fire district's server. This means they can file and send reports immediately when they return from emergency calls rather than driving to the main station. The BIP award in conjunction with other funding also allowed these stations to connect to a dispatch tower using fiber optic cables. This allows for a much more reliable connection when the fire company needs to respond to emergencies and helps keep the Gervais community safe.

The Gervais School District's five school buildings are spread out throughout the district, making communication between them difficult. One of these schools, Eldridge Elementary, did not have a broadband internet connection prior to the service extension. Now, its 118 elementary students are able to effectively use online educational programs and the school district is spending less on its long distance costs. The broadband infrastructure affords these students the same technological opportunities as others throughout the nation and allows the school district to focus more funding on education.

Jones Produce of Marion County grows and sells fruits and vegetables throughout the region. When broadband internet was finally offered at its location, it quickly connected. Retail employees now have better access to advertising and can connect to customers through social media; growers routinely research fertilizers and other chemicals to make educated decisions about their fields; and faster connection speeds allow them to view videos on new agricultural methods. Jones Produce is also utilizing online banking features to help with the business's finances.

One local lawn care company, Valley Green, Inc., has also benefited tremendously from the new service. Now that Gervais Telephone offers broadband to the business, Valley Green has been able to switch from its old T1 system resulting in dramatic reductions in cost. This new, reliable connection allows the company to better communicate with its clientele about appointments through e-mail and provide better overall customer service.

The new fiber optic cables now stretching throughout the Gervais area are providing tremendous benefits for the community. The expanded broadband infrastructure is helping keep people safe, providing educational opportunities, and encouraging growth in the local small businesses.

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