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**Developing Broadband Access in Rural  
and Remote Areas**

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# Rural Development Utilities Programs

*Working with Rural America for over 3 Generations*



➤ Electric Program - 75 years  
(1935)

➤ Water and Environmental  
Programs - 73 years (1937)

➤ Telecommunications  
Program - 61 years (1949)

# Rural Development Telecommunications Program Loan and Grant Programs



More than \$22 billion invested in rural America since 1949

- **Telecommunications Infrastructure Loan Program:** Loans to improve and build telecommunications service in rural communities (<5,000 population)
  - Newly expanded funding for E911 Service
- **Rural Broadband Loan Program (Farm Bill):** Loans to build and upgrade broadband services in rural areas (<20,000 population)
- **Community Connect Grant Program:** Grants for broadband service providers and others who offer broadband services in rural and remote areas (<20,000 population)
- **Distance Learning/Telemedicine Loan and Grant Program:** Loans and grants for providing Distance Learning and Telemedicine services to rural residents and anchor institutions
- **Public TV Grants:** grants for rural public TV stations for the digital TV transition
- **Weather Radio Grants:** grants for weather radio systems in rural communities

# Rural Development Telecommunications Program

## FY 2011 Results and FY 2012 Budget

	2011 Available Funding	2011 Obligations	2012 President's Budget Request
Infrastructure Loans	\$690 million	\$690 million	\$690 million
Broadband Loans	\$325 million	\$37.4 million	\$0 due to carryover funds
Distance Learning and Telemedicine Grants	\$25 million	\$29 million	\$30 million
Community Connect Grants	\$13.4 million	\$13.5 million	\$17.9 million

**\*\*The Federal Government is operating under a Continuing Resolution\*\***

# Investment for Broadband in Rural Areas

- Current RD Telecom Program Loan Portfolio: **\$4.5 billion**
  - Approximately \$3.8 billion is principal outstanding for Telecom Infrastructure Loan Program borrowers (traditional program) with 487 borrowers
  - \$513 million is principal outstanding for Farm Bill Broadband Loan Program borrowers with approximately 73 borrowers
  - The remainder is principal outstanding for broadband funding under the American Recovery and Reinvestment Act of 2009

# Investment for Broadband in Rural Areas

- The Telecom Program helps ensure that rural communities have access to the same or better quality telecom infrastructure as urban communities
- RD Telecom engineering standards require all plant to be comparable with those in urban areas consistent with section 254 of the RE Act.
- Since the early 1990's, all Telecom Infrastructure Loan Program-financed networks have been required to have a minimum broadband speed of 1 MB/sec
- Newly expanded funding for E911 services was recently announced
  - Funding is available for financing the construction of interoperable, integrated public safety communications networks in rural areas

# The Infrastructure Loan Program

## **WHO IS ELIGIBLE:**

Incumbent telephone companies serving rural areas

## **HOW MAY FUNDS BE USED:**

Loan funds may be used to finance telecommunications services in rural areas for:

- New Construction
- Improvements
- Expansion
- Acquisitions (with restrictions)
- Refinancing (with restrictions)

# The Broadband Loan Program

- This program is designed to provide loans for funding, on a **technology neutral basis**, for the costs of construction, improvement and acquisition of facilities and equipment to provide broadband service to eligible rural communities.
- The program's goal is to ensure that **rural consumers benefit** from the same quality and range of telecommunications services that are available in urban and suburban communities.
- Created under the 2002 Farm Bill and **reauthorized under the 2008 Farm Bill.**



# The Broadband Loan Program

## Eligible Applicants:

- Corporations
- Limited Liability Companies
- Cooperative or Mutual Organizations
- Indian Tribes
- Public Body

# The Broadband Loan Program

## Program Requirements:

- Serving rural communities of 20,000 or less not in urbanized areas
- 25% of proposed service area is underserved (max. one provider)
- Service area cannot overlap an existing borrower
- Operating expenses are not fundable expenses
- Last mile projects with middle mile components
- \$100 million maximum loan
- 10% minimum matching equity investment from borrower required
- Minimum funded speed of 5 Mbps (up+down)

# The Broadband Loan Program

## How Funds May Be Used:

Loan funds may be used to finance telecommunications services in rural areas for:

- New Construction
- Improvements
- Expansion
- Acquisitions (with restrictions)
- Refinancing (with restrictions)

# The Broadband Loan Program

## Financing Details:

- Cost-of-Money loans, at current Treasury rates, based on maturity at time of drawdown
  - *Loan maturity is based on the life span of the equipment being financed.*
- One year principal deferment
- First lien position on all assets and revenue of the applicant (we will share first lien)

Interest Rates as of September 16, 2011:

	20-yr rate	10-yr rate	7-yr rate
Treasury Rate	2.96%	2.08%	1.50%

# The Broadband Loan Program

## Definitions in the Revised Regulation

### Eligibility

#### *Broadband Service*

- The amount of bandwidth being delivered to the household that will be used to determine service area eligibility
- 3 Mbps (up+down)

### Construction

#### *Broadband Lending Speed*

- The amount of bandwidth that the funded facilities must be capable of delivering to every household
- 5 Mbps (up+down)

# The Broadband Loan Program

## Definitions in the Revised Regulation

*Incumbent Service Provider (per service area):*

1. Offers terrestrial broadband service
2. 5% of the households subscribe to broadband service
3. Files a public notice response

# The Broadband Loan Program

## Definitions in the Revised Regulation

### *Underserved area or household:*

An area or household that is not offered broadband service or is offered broadband service by only one incumbent service provider

# The Broadband Loan Program

## Eligible Service Area:

- Service area is completely rural
- 25% of household are underserved households
- Less than 3 incumbent service providers
- Does not overlap current RUS borrowers or grantees
- Does not overlap a pending RUS application



# The Community Connect Grant Program

## Program Requirements:

- Can serve only one community, must be recognized by US census or Rand McNally, must be **currently unserved by broadband**
- 20,000 population or less
- Minimum grant of \$50,000, maximum grant of \$1,500,000
- 15% minimum required matching contribution
- Project must include a Community Center with 10 computers for public use (at no charge for two years)
- Free service to Critical Facilities (such as fire station, city hall, police station, etc.) must be provided for two years
- Must offer basic broadband service to residential and business customers within the proposed service area
- Annual competitive grant application process announced through a Notice of Funds Availability published in the *Federal Register*

# Distance Learning/Telemedicine Grants

## Eligible Applicants:

- Applicant must deliver distance learning or telemedicine services to rural Americans
- Applicant must be one of the following:
  - An incorporated organization or partnership
  - An Indian tribe or tribal organization
  - A state or local unit of government
  - A consortium of the above
  - Another legal entity such as a private corporation, either profit or non-profit

# Distance Learning/Telemedicine Grants

## Program Requirements:

- Serving rural communities of 20,000 or less
- Minimum grant of \$50,000, maximum grant of \$500,000
- 15% minimum required matching contribution
- Annual competitive grant application process, announced through a Notice of Funds Availability in the *Federal Register*

# Developing Broadband Access in Rural and Remote Areas

## Conclusions

- Deployment of broadband is essential to the continued economic development of rural areas
- Federal programs are available for financing broadband deployment
- Proposed projects must be financially feasible and technically feasible/sustainable to be considered
- Next steps for interested applicants:
  - Visit the Telecom Program's website at <http://www.rurdev.usda.gov/RUSTelecomPrograms.html>
  - Contact Pat Carey, the General Field Rep, for more information and to determine if these programs are right for you

# Contact Information

## *Telecommunications Program*

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Committed to the future of rural communities.