

Broadband Initiatives Program
Quarterly Program Status Report
Submitted to
The Committee on Appropriations
United States Senate
and
The Committee on Appropriations
United States House of Representatives

February 17, 2010

U.S. Department of Agriculture (USDA) Rural Development
Rural Utilities Service

Executive Summary

USDA's Rural Utilities Service (RUS) is pleased to provide a quarterly status report to Congress on the Broadband Initiatives Program (BIP), established under the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Recovery Act authorized RUS to provide grants and loan awards to fund the deployment and construction of new broadband infrastructure through BIP.

This report focuses on key steps RUS has taken to advance the directives established by Congress in the Recovery Act, including the release of the first and second Notice of Funds Availability (NOFA); public outreach to increase participation among all eligible entities; preparations to accept, evaluate, and advance applications; and efforts to improve organizational readiness to meet the level of demand among applicants for these funding opportunities.

To ensure prudent utilization of Recovery Act funds, RUS is coordinating closely with other Federal agencies to expand the current level of broadband access available in rural America. Since the enactment of the Recovery Act in February 2009, RUS has worked jointly with the National Telecommunications and Information Administration (NTIA) and the Federal Communications Commission (FCC) to leverage core competencies and program resources to achieve the Administration's objectives for economic recovery and job creation. RUS intends that all of America will be the ultimate beneficiaries of these efforts by bridging the digital divide faced by rural communities, which inhibits rural economic development. In particular, RUS and NTIA have coordinated their respective program requirements and provided applicants with one web portal: www.broadbandusa.gov. This portal is used by interested parties to access information on broadband Recovery Act initiatives, including our NOFAs, frequently asked questions, an on-line application portal, and pending applications and project awards.

The first NOFA for the BIP and NTIA's Broadband Technology Opportunities Program (BTOP) was announced by Vice President Biden on July 1, 2009. The joint NOFA provided for an application window from July 14, 2009, through August 14, 2009. As a consequence of unanticipated demand and technical shortcomings, both NTIA and RUS extended the application deadline until August 20, 2009, for those entities that had begun the application process by the original deadline of August 14, 2009.

In October, following extensive review of the process and results of the first NOFA, RUS and NTIA concluded that issuing only one additional NOFA would better achieve the goals and funding objectives outlined by Congress and the Administration. Concurrently, representatives of the Government Accountability Office testified before the Senate Committee on Commerce, Science, and Transportation and similarly recommended that both RUS and NTIA issue only one additional NOFA. The goal was to allow applicants more time to develop and submit viable applications.

Both RUS and NTIA then published a joint Request for Information (RFI) in the Federal Register on November 16, 2009. The RFI solicited public comment on ways to improve upon the first NOFA and sought suggestions on how the agencies could streamline and simplify the application process. The public comment concluded on November 30, 2009, to allow sufficient time to design, publish, and implement the second NOFA.

Subsequently, RUS and NTIA announced separate BIP and BTOP NOFAs on www.broadbandusa.gov on January 15, 2010. These were published in the Federal Register on January 22, 2010. RUS established an application window for most of its projects from February 16, 2010, through March 15, 2010. Requests for Proposal will be published by RUS at a later date to solicit applications for Technical Assistance, Rural Library, and Satellite grants.

Continuing Public Outreach

Outreach to the general public has involved distribution of information to national, regional, and local print and broadcast media. Additional information has been provided in testimony before various Federal committees. USDA staff have also participated as both panelists and keynote speakers for associations, State and regional governments, and at interagency functions.

RUS and NTIA have conducted nine workshops for the general public to help prospective applicants better understand the mission, scope, process, and requirements of the BIP and BTOP programs. The FCC was also invited to participate to provide information for prospective applicants regarding broadband technology and licensed spectrum. RUS and NTIA also jointly hosted six Pre-Workshop Outreach Events targeted at vulnerable populations, including minority groups and tribal entities who otherwise might not fully participate in the Recovery Act broadband programs. The workshop schedule was as follows:

<u>Date</u>	<u>State</u>	<u>Event</u>	<u>Attendees</u>
Jan. 25, 2010	Portland, OR	Pre-Workshop Event 1	74
Jan. 26, 2010	Portland, OR	Broadband Workshop 1	150
Jan. 27, 2010	Reno, NV	Broadband Workshop 2	121
Jan. 28, 2010	Denver, CO	Pre-Workshop Event 2	85
Jan. 29, 2010	Denver, CO	Broadband Workshop 3	176
Jan. 31, 2010	San Antonio, TX	Pre-Workshop Event 3	132
Feb. 1, 2010	San Antonio, TX	Broadband Workshop 4	194
Feb. 2, 2010	Eureka, MO	Broadband Workshop 5	177
Feb. 3, 2010	Sioux Falls, SD	Pre-Workshop Event 4	34
Feb. 4, 2010	Sioux Falls, SD	Broadband Workshop 6	75
Feb. 4, 2010	Detroit, MI	Pre-Workshop Event 5	105
Feb. 5, 2010	Detroit, MI	Broadband Workshop 7	135
Feb. 9, 2010	Blacksburg, VA	Broadband Workshop 8	Cancelled (Snow)
Feb. 11, 2010	Fayetteville, NC	Broadband Workshop 9	119
Feb. 11, 2010	Atlanta, GA	Pre-Workshop Event 6	284
Feb. 12, 2010	Atlanta, GA	Broadband Workshop 10	261

In addition to general public information, direct applicant communication through the helpdesk lines is available. This is a continuation of the plan implemented during the open application timeframe to ensure prompt response to questions posed for application completion. Since the application window for the first NOFA closed, the helpdesk has provided information regarding proposed projects and directed callers to the www.broadbandusa.gov Web site, where application details can be viewed. For incumbents interested in offering comment regarding proposed application coverage, a platform was established to facilitate the voluntary input for response, to express concerns, and/or to dispute the accuracy of proposed application coverage.

Applications Under NOFA 1

Over 2,200 applications with supporting documentation were received. These applications requested over \$28 billion in funding, nearly seven times the amount of funds available in the first round. Among this total, 401 were BIP-only applications that requested \$4.974 billion; another 833 applications were joint applications to BIP and BTOP totaling \$12.791 billion. The applications and associated proposed maps of coverage areas were posted on www.broadbandusa.gov where the public and incumbent providers were given the opportunity to review applicant submittals and make comments as they saw fit.

Awards Under NOFA 1

USDA has announced a number of awards for broadband projects under the first NOFA totaling \$640,985,104 to date. The first announcement was made on December 17, 2009, by Vice President Biden of the following Last Mile and Middle Mile awards under the BIP program:

- Alaska
 - Anchorage, Rivada Sea Lion, LLC, \$25.3 million grant with \$6.4 million of leveraged funds; 4G high speed broadband internet service availability to a rural population base that is primarily Alaska Native living in a 90,000 square mile area surrounding the “hub” cities of Dillingham and Bethel. Many of those to be served are living at subsistence level.

- Hawaii
 - Big Island Broadband/Aloha Broadband, Inc., \$106,503 loan with matching funds of \$87,405 to bring broadband services to an unserved area in the northern part of the islands where there are nearly 600 residents and businesses.

- Colorado/Nebraska
 - Peetz, Colorado, Peetz Cooperative Telephone Co., \$1.5 million grant; expansion of existing infrastructure utilizing a combination of technologies. This project will make broadband service available to as many as 550 locations in the service area.

- Michigan
 - The Chatham Telephone Company, \$8.6 million grant to bring high speed digital subscriber line (DSL) broadband service to remote, unserved businesses and households within its rural territory; service that is comparable to the DSL service provided in its more populated areas.

- New Hampshire
 - Bretton Woods, The Bretton Woods Telephone Company, \$985,000 grant for 20 Mbps two-way broadband service to all potential customers and stimulate tourism in the area and to substantially improve the local economy. This fiber to the premise (FTTP) service will be available to more than 400 locations.

- New York
 - Potsdam, Slic Network Solutions (Nicholville Telephone) a grant of \$4.3 million and loan of \$1.1 million for a 136-mile fiber optic network reaching into five towns in rural Franklin County. This all-fiber network will deliver broadband voice and Internet Protocol Television services to remote rural areas. The network will offer service to more than 6,500 locations.

- Ohio
 - North Central Ohio Rural Fiber Optic Network, Consolidated Electric Cooperative, \$1,034,413 grant and \$1,399,499 loan; and matching funds of \$1,225,000. The funding is integral to a smart grid initiative and broadband service based on an open-connectivity fiber optic backbone network.
- Oklahoma
 - Southeast Oklahoma, The Pine Telephone Company, \$9.5 million grant with an additional \$4.6 million in private funds to provide services to an entirely remote, rural, unserved, and severely economically disadvantaged community.

On January 25, 2010, USDA Secretary Vilsack announced the selection of 14 additional BIP awards totaling almost \$310 million. Broadband award recipients by State:

- Alaska
 - Southwestern Alaska, United Utilities, \$43,982,240 grant and \$44,158,522 loan. The funding will provide middle mile connectivity to 65 communities.
- Alabama
 - Butler, Butler Telephone Co., Inc., \$3,892,920 grant. The funding will provide high speed DSL broadband service to remote, unserved households within its rural service territory. The system is being built so that it can be easily upgraded to accommodate future services.
- California
 - San Joaquin, Tranquillity, and Fresno, Audeamus, \$2,741,505 grant and \$2,741,505 loan. The project is a fiber-based broadband infrastructure for the unserved and underserved communities in this service area. A Last Mile project, it will provide access to approximately 1,500 households, local businesses, and anchor institutions in the communities.
- Iowa
 - Meriden and Archer, C-M-L Telephone Cooperative Association, \$1,519,225 grant and \$1,519,225 loan, \$1,525,315 in matching funds. Funding will provide services via a fiber optic network to rural communities with high speed internet exceeding 20 Mbps.
 - Bennett, Delmar, and Lowden, F & B Communications, Inc., \$1,609,162 grant and \$1,628,588 loan. Funding will provide services via high speed fiber optic

network with speeds exceeding 20 Mbps. System will allow for expansion at a future date.

- Springbrook, LaMotte Telephone Company, \$187,815 grant, and \$187,815 loan. The funding will provide services from a 300-foot tower and Wi-Max installation for wireless broadband service in the surrounding area.
- Kansas (1 percent of the network is to be built in Nebraska)
 - Western Kansas, Rural Telephone Service Co., Inc., \$49,588,807 grant and \$51,612,842 loan. Funding will provide service in an area 99.5 percent unserved/underserved and provide a rural infrastructure required for economic stability, education and healthcare. The company is a cooperative and RUS partner on 32 other projects. It leads a team of seven companies with this shovel-ready project.
- Tennessee (1 percent of the network is to be built in Kentucky)
 - Northern Tennessee, North Central Telephone Cooperative, Inc., \$24,715,709 grant and \$24,964,000 loan. The funding will provide the necessary infrastructure to provide advanced voice, video, and data services that exceed 20 Mbps to remote and rural communities in the service area.
- Louisiana
 - Morehouse Parish, Northeast Louisiana Telephone Company, Inc., \$4,359,000 grant and \$8,124,600 loan. Funding will provide an active Ethernet system with symmetrical speeds of 20 Mbps. The system will be using buried FTTP.
- Missouri
 - Ralls County, Ralls County Electric Cooperative, \$9,548,908 grant and \$9,548,909 loan. Funding for this project will provide a fiber optic network to residential and commercial members and the underserved safety and anchor agencies in the service area. This is a State of Missouri demonstration project and nonproprietary data will be shared.
- North Dakota
 - Burleigh County, BEK Communications Cooperative, \$1,986,473 grant and \$2,016,571 loan; \$2,016,572 in leveraged funds. The funding will provide FTTP broadband service to underserved homes and anchor institutions. This will aid business growth and support public safety in rural areas highly dependent on the Internet business income.

- Traill County, Halstad Telephone Company, \$2,027,600 grant and \$2,027,600 loan; \$10,000 in leveraged funds. The funding will provide FTTP broadband service to unserved homes and businesses in Traill County.
- Oregon
 - Marion County, Gervais Telephone Company, \$314,430 grant and \$314,430 loan. This project extends Gervais Telephone Company's existing fiber network by building out from the nearest fiber splice point through the funded service area. This project will provide broadband connectivity to residential and business end users, as well as to four anchor institutions.
- Virginia
 - Alleghany County, NTELOS Telephone Inc., \$8,062,088 grant and \$8,062,088 loan. The funds will provide broadband infrastructure to unserved and underserved homes, businesses, and critical community institutions in this rural county. A fiber-based project, it will enable work-from-home jobs and foster economic development, and improve health, education, and public safety services to the county citizens.

On February 17, 2010, USDA Secretary Vilsack announced the selection of nine additional BIP awards totaling over \$277 million. Broadband award recipients by State:

- Indiana
 - Smithville Telephone Company, Inc., \$37,729,143 loan. The funding will provide 3,815 households, 209 businesses, and 12 community anchor institutions with access to broadband service.
- Iowa
 - Southeast Iowa Rural Wireless Broadband, \$3,836,926 loan. The funding will provide Internet services to 80 rural communities using proven wireless technology.
- Kentucky
 - Mountain Rural Telephone Cooperative Corporation ILEC Broadband, \$39,843,535 loan and \$38,281,044 grant. The funding will provide fiber to Morgan, Menifee, Wolfe, and Elliott counties that will result in 20 Mbps bandwidth to end users.

- Louisiana
 - Allen's Cable - FTTP Broadband Network Extension, \$3,584,680 loan and \$3,513,697 grant. The funding will extend fiber into rural areas of three South Louisiana Parishes.
 - LBH, LLC, - Rural Broadband Powered by Fiber, \$16,693,439 loan and \$16,691,939 grant. The funding will expand existing broadband into rural areas around Moss Bluff, Oakdale, and Vinton.

- Minnesota
 - Southwest Minnesota Broadband Group, \$6,350,000 loan and \$6,350,250 grant. The funding will provide service to eight rural communities throughout Southwest Minnesota.

- Missouri
 - Unionville, Missouri FTTP Project:, \$5,140,458 loan and \$5,140,458 grant. The funding will provide broadband services to households, businesses, and key community organizations that are currently underserved in the Unionville area.

- New Mexico
 - Western New Mexico Telephone Company, Broadband Infrastructure Project, \$11,516,679 grant. The funding will provide Last Mile broadband services to remote and unserved locations and critical community facilities throughout Western New Mexico.
 - Baca Valley Telephone Company, Inc., \$1,651,000 loan and \$1,586,000 grant. The funding will expand fiber optics to DSL nodes in rural Northeastern New Mexico, replacing outdated deteriorating copper wire and low bandwidth microwave transport systems in some areas, while providing new connectivity in others, and enabling advanced, high speed DSL service throughout the area.

- Oregon
 - Sandy Broadband Infrastructure Project, \$374,548 loan and \$374,537 grant. The funding will provide broadband service to the underserved rural area of Sandy by improving and expanding wireless Internet service.

- Texas
 - Southern Texas Broadband Infrastructure Development and Adoption Project, \$40,093,153 loan and \$38,520,868 grant. The funding will develop a broadband infrastructure in eleven unserved and underserved rural communities of the South Texas Plains.

Status of Other NOFA 1 Applications

As of February 2, 2010, RUS has sent over 1,100 letters to nonselected NOFA 1 applicants providing them with an opportunity to reapply under NOFA 2. These notifications provided applicants with information as to why their applications were not successful under NOFA 1. RUS' goal is to notify NOFA 1 applicants of the status of their requests concurrently with the application window opening under NOFA 2. RUS expects to have the large majority of awards under NOFA 1 announced prior to the end of February 2010.

Second Round of Funding

On January, 15, 2009, RUS and NTIA announced their second NOFAs for the BIP and BTOP programs. Below is a summary of the significant changes for the BIP program from NOFA 1:

1. Separate NOFAs – The first NOFA was published jointly by USDA and the Department of Commerce (Commerce). The NOFA required that all “rural” applications had to be filed with USDA or jointly with USDA and Commerce to maximize USDA’s ability to offer loans.

Both USDA and Commerce received comments from the public and Congress over the “joint” application process. Comments also indicated concern that Commerce offered an 80 percent grant product and USDA offered either a 100 percent grant product for “remote” rural areas or 50/50 loan/grant product for nonremote areas.

As a result, in the second round, USDA and Commerce published separate, but coordinated, NOFAs. Applicants must choose between BTOP and BIP. Other key changes include:

- A. USDA now offers one product – a 75/25 grant/loan combination with incentives for higher loan components. RUS can also raise the grant level up to 100 percent.
- B. For NOFA 2, USDA eliminates the separate funding bucket for “remote” projects. Instead, USDA offers higher points for projects in the most rural areas and has flexibility to offer higher than a 75 percent grant to the most

rural areas and those areas with density issues, low median income, and high unemployment.

2. Playing to our strengths – In the first joint NOFA, both USDA and Commerce provided funding for Middle Mile and Last Mile projects. “Rural” projects needed to be submitted to USDA or jointly to USDA/Commerce. With separate NOFAs and no joint applications, USDA and Commerce have agreed to concentrate on specific project types. As a result, Commerce will be focusing on Middle Mile projects under its Comprehensive Community Initiative (CCI). Last Mile components may be part of a CCI Middle Mile project. USDA will focus on Last Mile projects which are urgently needed in many rural communities and directly reach homes, businesses, and anchor institutions. USDA will also finance Middle Mile projects for current RUS borrowers and grantees.
3. Administrator’s Flexibility –The second NOFA provides RUS with enhanced flexibility as follows:
 - A. Second Review Option – In the unexpected event that an insufficient number of high scoring applications is received, the Administrator can provide for a “second review” of other meritorious applications that meet Recovery Act objectives.
 - B. Transferability – USDA may accept an application from Commerce that it cannot fund but appears meritorious under USDA’s BIP program.
 - C. Administrator Priority Points – The Administrator can grant up to 10 points (based on a 100 point scale) for projects that provide significant assistance to essential community facilities, promote rural economic development, and support persistent poverty counties or chronically underserved areas.
 - D. Administrator’s Waiver Authority to Increase Grants to 100 percent - As noted, the Administrator can increase the standard 75 percent grant award where most needed.
4. Streamlining the application process – USDA received many comments on how to improve the application process. As a result, the following changes were made:
 - A. No joint applications – Applicants may apply to either BIP or BTOP. NTIA and RUS have written their respective NOFAs in such a way as to facilitate clarification of the appropriate program to which an applicant should apply.
 - B. Elimination of the two-step process – There is now a one-step consolidated application process.
 - C. Elimination of Census block reporting – Applicants previously had to list all Census blocks in their application. USDA’s mapping tool now does this for them.

5. Additional Funding Opportunities – To ensure that all Recovery Act BIP funds are judiciously utilized, additional funding opportunities will be offered to ensure the long term benefits of the program in rural America. The following new programs were announced in NOFA 2:
 - A. Satellite service: Allows satellite providers to compete for approximately \$100 million to provide customer premise equipment and installation to rural premises that remain unserved after all other Recovery Act funds are obligated. The United States is broken down into eight regions, including separate regions for Alaska and Hawaii.
 - B. Technical Assistance for Regional Planning: Allows successful awardees under either NOFA to receive Technical Assistance grants for the development of a USDA-approved regional broadband plan. This will further broadband deployment and rural economic development beyond projects funded by the Recovery Act.
 - C. Rural Library Grants: Allows successful Awardees under either NOFA to receive grant funds to provide broadband connectivity to rural libraries funded by USDA's Community Facilities program.
6. Modification of Eligible Service Areas: In this Second NOFA, RUS has refocused its efforts on rural economic development in addition to continuing to reach unserved rural areas. RUS has qualified for funding any rural area in which at least 50 percent of the premises in the area do not have access to broadband service at the rate of 5 Mbps (upstream and downstream combined). USDA has determined that these areas lack high speed broadband service sufficient to facilitate rural economic development as required by the Recovery Act. Service offerings must still be within proposed funded service areas that are at least 75 percent rural as required by the Recovery Act.
7. Cost Effectiveness: To effectively leverage Recovery Act broadband funds for Last Mile projects, RUS will limit Federal assistance to no more than \$10,000 per premise passed, unless a waiver is requested from, and granted by, the Administrator. The Administrator will consider such requests based on whether the application provides assistance to a significant number of critical community facilities, supports a recognized rural regional development plan, supports public safety projects, enhances broadband service to rural libraries, supports persistent poverty counties or substantially unserved areas, including Indian country. If the waiver request is denied, any award may be made contingent on improving cost effectiveness, or the application may be placed in the second review process and the applicant will have an opportunity to revise its proposal.

Program Milestones

Below is a chart depicting past and upcoming tentative milestones for BIP. Dates and activities may change based upon future developments or circumstances.

LOAN/GRANT PROGRAM PHASES AND ANTICIPATED MILESTONES	
Phase 1:	
Program Design [COMPLETE]	February – June 2009
Phase 2:	
Program Implementation	June 2009 – September 2010
Notice of Funds Availability Published (NOFA 1)	July 9, 2009
Outreach and Funding Guidance Workshops Conducted	July 2009
Submission of Funding Applications	July 31 – August 20, 2009
RFI	November 16 – November 30, 2009
Funding Awards Announced	December 2009-ongoing
Notice of Funds Availability Announced (NOFA 2)	January 15, 2010
Outreach and Funding Guidance Workshops	January-February 2010
Submission of Funding Applications	February 16 – March 15, 2010
Completion of Funding Awards	September 30, 2010
Phase 3:	
Final Program Audits and Shut-down	September 30, 2014