

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

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U.S. Department of Agriculture Rural Development

Rural Utilities Service (RUS)

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 announcement of awards. 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 of economic recovery, job creation and broadband deployment. 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. Consequently, 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 funding notices, frequently asked questions, an on-line application portal, pending applications, and project awards.

Under the first round of funding, NTIA and RUS received over 2,200 applications requesting over \$28 billion in funding. Among this total, 401 were BIP-only applications that requested \$4.974 billion; another 833 applications were joint applications to BIP and Broadband Technologies Opportunities Program (BTOP) totaling \$12.791 billion.

Between December 2009 and March 2010, RUS announced a total of 68 awards under the first NOFA totaling \$1.068 billion for broadband projects in 31 States and 1 territory.

On January 15, 2010, RUS and NTIA announced separate but coordinated BIP and BTOP NOFAs for round two funding on www.broadbandusa.gov. The two NOFAs were published in the Federal Register on January 22, 2010. The BIP application window initially was to close on March 15, 2010, and was extended to March 29, 2010, to provide customers with an extended application window. RUS received 776 applications for BIP under the second funding notice totaling almost \$11.2 billion in loan and grant requests. Currently, all 776 applications are under review with the goal of announcing awards later this summer. All BIP funds will be obligated by September 30, 2010.

Similar to the applicant workshops held for the first NOFA, in January and February 2010, RUS and NTIA conducted nine joint workshops to help prospective applicants better understand the mission, scope, process, and requirements of the BIP and BTOP programs. RUS is in the process of evaluating applications received and all BIP funds will be obligated by September 30, 2010.

Summary of Activities Reported in Previous Quarterly Reports

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 (GAO) 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.

A joint Request for Information (RFI) by RUS and NTIA was published 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 period concluded on November 30, 2009, thereby allowing sufficient time to design, publish, and implement the second NOFA.

Under the first funding round, NTIA and RUS received over 2,200 applications requesting over \$28 billion in funding. 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 application summaries and associated proposed service area maps were posted on www.broadbandusa.gov where incumbent service providers were given the opportunity to

review applicant maps and comment on the status of broadband availability in the proposed service areas.

Changes in NOFA II

- The first NOFA was published jointly by RUS and NTIA. The NOFA required that all “rural” applications had to be filed with RUS or jointly with RUS and NTIA. Both RUS and NTIA received comments from the public and Congress over the “joint” application process. Comments also indicated concern that NTIA offered an 80 percent grant product and RUS offered either a 100 percent grant product for “remote” rural areas or 50/50 loan/grant product for non-remote areas.
- In the second round, RUS and NTIA published separate but coordinated NOFAs. Applicants could only apply to one program (BTOP or BIP). In addition, RUS offered only one BIP product, which is a 75/25 grant/loan combination with incentives for higher loan components.
- For the second NOFA, RUS eliminated the separate funding bucket for “remote” projects. Instead, RUS offered higher points for projects in the most rural areas and has the flexibility to increase the standard 75 percent grant to a 100 percent grant for the most rural areas and those areas with lower density, low median income, and high unemployment.
- Under the second NOFA, RUS focused on Last Mile projects, which are urgently needed in many rural communities and which directly connect homes, business and key community anchor institutions. RUS will only finance Middle Mile projects for current RUS borrowers and grantees.
- The second NOFA also provides for a “second review” process to allow RUS additional flexibility and the ability to conduct reviews of meritorious applications which meet Recovery Act objectives. For example, should there be an insufficient number of high-scoring applications in the initial review process, RUS can elect a “second review” of worthy applications.
- RUS may also accept an application from NTIA which it cannot fund but appears meritorious under RUS’s BIP program.
- The RUS Administrator is authorized to add points to scores for projects that provide significant assistance to essential community facilities, promote rural economic development, and support persistent poverty counties or chronically underserved areas.
- RUS received many comments on how to improve the application process. Decisions to streamline the process included abandoning the joint application process and to increase efficiency by eliminating the two-step application. In addition, applicants previously had to list all Census blocks in their application. RUS’s mapping tool now does this for them.

- In the second NOFA, RUS changed the definition of eligible service areas. As a result, any rural area where at least 50 percent of the premises lack access to broadband service at the rate of 5 Mbps (upstream and downstream combined) will qualify for funding. RUS 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 which are at least 75 percent rural as required by the Recovery Act.
- To effectively leverage Recovery Act broadband funds for Last Mile projects under NOFA II, RUS will limit Federal assistance to no more than \$10,000 per premise passed, unless a waiver is granted. In review of waiver requests, RUS will consider 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, or supports persistent poverty counties or substantially unserved areas, including tribal areas. 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 then the applicant may have an opportunity to revise its proposal.

NOFA II Additional Funding Opportunities

Additional funding opportunities will be offered to ensure the long term benefits of the BIP in rural America. The second NOFA allows satellite providers to compete for approximately \$100 million to provide broadband services to rural customers that remain unserved after all Recovery Act broadband awards are made.

BIP award recipients under the first NOFA, and applicants under the second NOFA, can apply for Technical Assistance grants for the development of a USDA-approved regional economic development plan focusing on broadband. This will further broadband deployment and rural economic development beyond projects funded by the Recovery Act. Indian Tribes, whether or not they are awardees under either the first NOFA or applicants under the second NOFA, are also eligible to apply for the Technical Assistance grants.

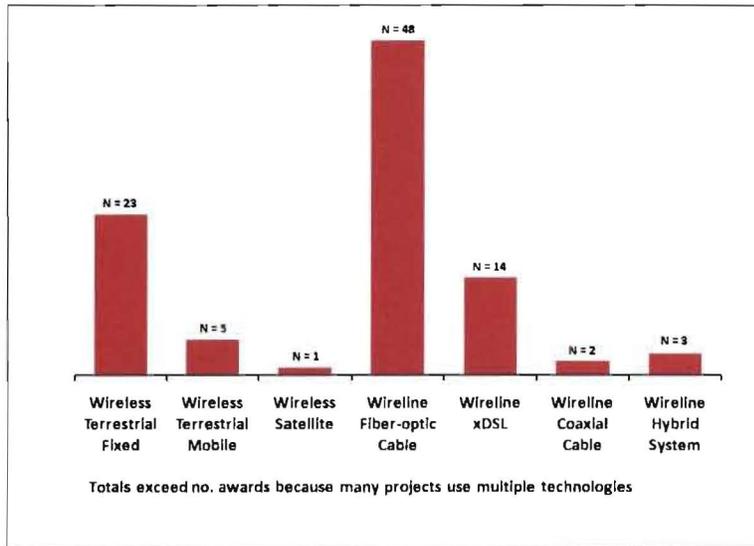
Awardees under either NOFA are also eligible for grant funds to provide broadband connectivity to rural libraries funded by Rural Development's Community Facilities program.

Awards Under the First Round of Funding

RUS announced a total of 68 awards for broadband projects in 31 States and 1 territory totaling almost \$1.068 billion.

Project Type	Number of Awards	Total Grant Awarded(\$Millions)	Total Loan Awarded (\$Millions)	Total Amount Awarded (\$Millions)
Last Mile Remote	13	149.9	11.2	161.1
Last Mile Non-Remote	49	345.3	393.7	739.0
Middle Mile	6	86.3	81.2	167.5
Total	68	581.5	486.1	1,067.6

NOFA I Awardees: Technology



Awards by State

State or Territory	No. Awards	Total Dollars Awarded (\$Millions)	State or Territory	No. Awards	Total Dollars Awarded (\$Millions)
Alaska	4	\$117.1	Minnesota	4	\$63.9
Alabama	1	\$3.9	Missouri	2	\$29.4
American Samoa	1	\$91.0	Mississippi	1	\$8.4
Arizona	1	\$7.1	Montana	1	\$4.4
California	2	\$9.3	North Dakota	1	\$28.3
Colorado	2	\$5.1	Nebraska	5	\$0.8
Georgia	1	\$8.2	New Hampshire	1	\$1.0
Hawaii	1	\$0.1	New Mexico	4	\$25.6
Iowa	4	\$9.0	New York	1	\$5.3
Idaho	1	\$12.3	Ohio	4	\$12.2
Illinois	1	\$22.8	Oklahoma	4	\$30.8
Indiana	2	\$49.1	Oregon	3	\$2.1
Kansas	5	\$124.3	Tennessee	1	\$49.7
Kentucky	1	\$78.1	Texas	5	\$179.1
Louisiana	3	\$53.0	Virginia	1	\$16.1
Michigan	2	\$16.9	West Virginia	1	\$2.9

* No. Awards totals 71 because three awards have a service area within two adjacent states

Status of Other NOFA 1 Applications

By February 26, 2010, RUS sent over 1,100 letters to non-selected first NOFA applicants providing them with an opportunity to reapply under the second NOFA. These notifications provided applicants with information as to why their applications were not successful under the first NOFA. RUS' goal was to notify the first NOFA applicants of the status of their requests concurrently with the application window under the second NOFA.

Outreach Efforts

RUS has publicized the BIP program through national, regional, and local media. RUS staff have also participated as both panelists and keynote speakers for associations, state, and regional governments, and at inter-agency functions. Similar to the applicant workshops held for the first NOFA, RUS, and NTIA conducted nine joint workshops in January and February 2010. These workshops helped prospective applicants better understand the mission, scope, process, and requirements of the BIP and BTOP programs. The FCC also participated to provide information for prospective applicants regarding broadband technology and licensed spectrum. More than 1,400 prospective applicants attended. RUS and NTIA also jointly hosted six pre-workshop outreach events targeted toward vulnerable populations, including minority groups and tribal entities who otherwise might not fully participate in the Recovery Act broadband programs. Two of the applicant workshops were web cast live, recorded, and posted on the Web site for later viewing. Additionally, two applicant webinars were held on March 10, and 11, 2010, with more than 150 participants. One workshop was dedicated to answering questions related specifically to applications involving the Tribal Nations and a second was conducted for the general public.

NOFA II Applications

On January 15, 2010, RUS and NTIA jointly announced separate BIP and BTOP NOFAs on www.broadbandusa.gov. The two NOFAs were published in the Federal Register on January 22, 2010. RUS established an application window for BIP from February 16, 2010, through March 15, 2010. The closing date was subsequently extended until March 29, 2010, to allow applicants additional time as all applicants were not notified of their status until February 26, 2010, and, maps of proposed service areas were not available until February 25, 2010. The extension met the original RUS objective to allow applicants four weeks to complete applications from the date of availability of information on the first NOFA awards.

On May 7, 2010, RUS issued a request for proposals (RFP) for grants of \$105 million in American Recovery and Reinvestment Act (ARRA) funds for Satellite, Rural Library Broadband, and Technical Assistance Grants, as described in the second NOFA. The \$105 million in grants was set aside as follows: \$100 million for Satellite Projects; \$3 million for Technical Assistance Projects; and \$2 million for Rural Library Broadband Projects. RUS will accept applications nationwide for projects that cover at least six of the eight USDA regions established for this RFP, and Regional Applications that cover projects in one or more USDA Satellite Regions. Rural Library Broadband grants are available to awardees under the first and second funding rounds of the Broadband Initiatives Program. The grants provide broadband connection to any rural library in the applicant's proposed funded service areas that was constructed or will be constructed with funding from USDA RD's Community Facilities Program. Technical Assistance grants for regional economic development broadband plans are also available to awardees under the first and second round funding. Applications are due June 7, 2010.

Currently, verification of application information is underway. Approximately 4 percent of the applications were submitted by public entities and nearly 76 percent of the applications were submitted by for-profit corporations. While more than one-half of the second NOFA applicants did not apply in the first NOFA, approximately 25 percent of first NOFA awardees submitted a second NOFA application. Over 40 percent of first NOFA applicants who were not awarded funds submitted a second NOFA application. Sixty-one applicants submitted multiple BIP applications.

Application summaries and associated proposed funding service area maps are posted on www.broadbandusa.gov. The following chart shows the number of applications received and the amounts requested (unverified, based on applications):

Application Type and Loan/Grant Request

Project Type	Number of Applications	Total Grant Requested (\$Millions)	Total Loan Requested (\$Millions)	Total Amount Requested (\$Millions)
Last Mile	746	6,548.5	3,804.6	10,353.0
Middle Mile	30	591.5	252.9	844.3
Total	776	7,140.0	4,057.5	11,197.3

Program Milestones

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

BIP PROGRAM PHASES AND ANTICIPATED MILESTONES

Activity	Dates	Status
Phase 1: Program Design	February – June 2009	Completed
Phase 2: Program Implementation	June 2009 – September 2010	
NOFA One Published	July 9, 2009	Completed
Outreach Workshops	July – August 2009	Completed
Submission of Applications	July 31 – August 20, 2009	Completed
NOFA One Funding Awards Announced	December 2009 – March 2010	Completed
RFI Published and Comment Period	November 16 – November 30, 2009	Completed
NOFATwo Published	January 22, 2010	Completed
Outreach Workshops	January – February 2010	Completed
Submission of Applications	February 16 – March 29, 2010	Completed
Publish RFP for Satellite, Technical Assistance and Rural Libraries programs	May 7, 2010	Completed
NOFA Two Funding Awards Announced	Before September 30, 2010	
Phase 3: Final Program Audits and Shut-down	September 30, 2014	

Next Report

The next quarterly report will be submitted by August 17, 2010