

**Broadband Initiatives Program (BIP)
Quarterly Program Status Report**

**Submitted to
The Committee on Appropriations
United States Senate**

**The Committee on Appropriations
United States House of Representatives**

November 17, 2009

**USDA Rural Development
Rural Utilities Service**

Executive Summary

The 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 authorizes RUS to issue grants and loan awards to fund the deployment and construction of new broadband systems under the Broadband Initiatives Program (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 Notice of Funds Availability (NOFA); public outreach to increase participation among all eligible entities; preparations to accept, evaluate, and advance applications; and improve organizational readiness to accommodate the level of demand among applicants for the first round of funds.

As requested by Congress and the White House, RUS is coordinating closely with other Federal agencies to enhance the current level of broadband access available nationwide. 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 America's rural residents will be the ultimate beneficiaries of these efforts.

Consistent with this coordinated effort, RUS and NTIA streamlined their respective program requirements and provided applicants with one joint application portal: www.broadbandusa.gov. This portal may be used by applicants and all interested parties to apply for funds and obtain information about both programs.

RUS and NTIA have allocated approximately \$4 billion of program level funding for the first round. Upon the completion of first round funding, the remaining funds will be made available under subsequent Notices of Funds Availability (NOFA). Up to \$2.4 billion in deliverable BIP program level funds of the estimated \$7 to \$9 billion total that will be available may be awarded in the first funding round.

The first NOFA established a window for BIP and Broadband Technology Opportunities Program (BTOP) applications from July 14, 2009, through August 14, 2009. As a consequence of unanticipated demand and latency issues associated with the intake system, both NTIA and RUS chose to extend the deadline until August 20 for those entities that had begun the application process by the original deadline of August 14, 2009.

RUS has employed a two step application process that is designed to determine the eligibility and feasibility of each project proposal under review. The information provided by the applicants in step one will be evaluated for completeness and eligibility. Applicant proposals will then be ranked based on the scoring criteria described in the NOFA. Those applicants with the highest scores are invited to participate in the second step. The two-step process is intended to reduce the cost and burden to applicants.

Data provided by applicants that move to step two are submitted to a due diligence process that require additional details on the application. On October 12, 2009, RUS moved 18 applications into step two and expects to move additional qualified applications on a rolling basis in the coming weeks. The goal is to reach our program potential and continue to make awards to meet the level of funding RUS has been authorized to obligate on or before September 30, 2010.

To date, RUS has initiated and completed numerous milestones in the execution of the BIP program, including the development of the program itself, implementation guidelines, publication of the NOFA, development of outreach and guidance, conclusion of the initial phase of the application process, evaluating applications, and moving them to step two for further evaluation and awards. As a consequence of unanticipated demand and subsequent review of the applications, RUS expects to issue awards in December.

In October, RUS and NTIA concluded, following extensive review of the process and results of the first NOFA, that only one additional NOFA rather than two is necessary to achieve the programmatic goals and funding objectives outlined by Congress and the Administration. Recently, 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. Our mutual goal is to allow applicants more time to develop and submit viable applications.

RUS and NTIA published a joint Request for Information (RFI) in the Federal Register on Nov. 16, 2009. The RFI solicits public comment on the results of the first NOFA, issues with the application and process, and suggestions for the next NOFA. The period for public comment concludes on Nov. 30, 2009, in order to allow us sufficient time to design, publish, and implement the second NOFA.

I. Introduction and Background

Section 6001 of the Recovery Act authorizes NTIA to establish the Broadband Technology Opportunities Program (BTOP) and RUS, under the Broadband Initiatives Program (BIP), to make grants and loans for the deployment and construction of broadband systems.

BIP establishes a loan, grant, and loan/grant combination program designed to increase broadband penetration and adoption primarily in rural areas to foster rural economic development. In addition to providing greater availability of broadband services, the \$2.5 billion in budget authority provided under the Act is also intended to create jobs and stimulate economic growth in the short and long term.

This status report reviews developments since RUS's second quarterly report. Informal briefings to Congress, as well as appearances at Congressional hearings, will complement these quarterly reports.

II. Summary

Since the passage of the Recovery Act, RUS has implemented a plan to ensure that BIP funds are distributed quickly, efficiently, and in accordance with the provisions of the Act. In the second quarterly report, RUS outlined the initial procedural and administrative steps taken to launch BIP.

This report focuses on additional key steps RUS has taken to effectively advance the directives established by Congress in the Recovery Act, including: 1) accept and perform preliminary application screening for eligibility; 2) post all applications for public review and incumbent comment; 3) post all proposed coverage area maps for public review and comment; 4) determine that 18 applications qualify to move to step two, the verification phase; 5) inform Step two applicants selected to respond within the 30-day mandatory response period; and 6) develop a RFI to assist in writing the second Notice of Funds Availability (NOFA).

III. Notice of Funds Availability

On July 1, 2009, Vice President Joseph Biden, Secretary of Agriculture Thomas Vilsack, and Secretary of Commerce Gary Locke announced the release of the first NOFA describing the availability of funds and application requirements for BIP and the NTIA's BTOP programs. The NOFA, published in the Federal Register on July 9, 2009, provides detailed information regarding eligibility, definitions, award terms, application submission, evaluation and selection, and award administration that will guide the disbursement of BIP funding in the first round. RUS and NTIA also unveiled a shared Web site—www.broadbandusa.gov—to provide all of the relevant information regarding BIP and BTOP funds to the public and to accept applications.

Approximately \$4 billion of program level funding was allocated to the initial round of funding by RUS and NTIA. The requirements for a subsequent NOFA may differ from the current notice to address public and industry comments received as part of the Recovery Act assessment process and to focus the funding opportunities in areas where the needs are the greatest. Up to \$2.4 billion of the estimated \$7 to \$9 billion that will be available in BIP program level funds will be awarded through the first funding round.

The size of the grant portion of any loan/grant combination award is determined by review of information provided by the applicant but cannot exceed the amount of the loan portion, except for awards that fund remote unserved areas. In general, RUS favors applications that request a higher percentage of loan-to-grant funds in order to expand service to the largest number of rural communities; however, RUS also believes that in some cases to reach the most unserved areas, grant-only awards are necessary. Throughout the implementation of BIP, RUS will strive to balance these two compelling challenges.

The Recovery Act establishes the rapid disbursement of the funds as a priority for BIP. However, the program also must be properly administered to ensure responsible use of public funds. To balance these objectives, RUS staff will favor the funding of projects that can start promptly and demonstrate technical and financial feasibility, organizational capacity, and alignment with other Administration priorities. A commitment to transparency in the award process and rigorous reporting requirements will help ensure accountability.

Of the approximately \$2.4 billion in RUS program level funding made available for the first round, the July NOFA subdivided the funding as follows:

- (a) Up to \$1.2 billion was available for Last Mile projects, of which up to \$400 million was made available for grants for remote area projects and up to \$800 million was made available for loans or loan and grant combinations for non-remote projects.
- (b) Up to \$800 million was available for loans or loan and grant combinations for Middle Mile projects.
- (c) Up to \$325 million was allocated to a national reserve which could be applied to any other category of funding if, after evaluating the applications, RUS believes appropriate and consistent with the intent of the Recovery Act.

Any funds not used in the first round will be rolled into the next NOFA. RUS and NTIA published a joint Request for Information (RFI) in the Federal Register on Nov. 16, 2009, in which we solicit public comments before the next NOFA. Some of the most significant areas RUS requested comments are: 1) the definition of “remote” rural areas; 2) further streamlining the application and mapping processes; 3) ways to encourage applications from Indian Country and other unserved applicants; 4) non-discrimination and interconnect requirements; and 5) the definitions of “underserved” and “unserved” areas.

IV. Collaboration

As requested by Congress and the White House, RUS, NTIA, and the FCC are working together to leverage authorities and resources to develop and implement a coordinated Federal government approach to address the challenge of expanding the access and quality of broadband services across the country. The development of coordinated grant and loan programs that make up the Federal broadband initiatives reflects a unique and significant level of coordination between these agencies. RUS intends that rural Americans no longer suffer from the digital divide.

Consistent with this coordinated approach, RUS and NTIA have streamlined the programs to the maximum extent possible by sharing definitions, minimizing redundancy, and providing applicants with one portal through which they can apply for funds and access information about the programs.

Pursuant to the July NOFA, applications to fund broadband infrastructure projects in areas that are at least 75 percent rural were required to be submitted to RUS. If an applicant intended to serve an area that meets this test and chose also to have an application considered for BTOP grant funding, the applicant had to complete the additional elements required of BTOP infrastructure applicants. NTIA may determine such applications to be meritorious and make grant awards if RUS has decided not to fund them.

All other Broadband Infrastructure applications—i.e., those projects with proposed service areas that are less than 75 percent rural—were to be submitted directly to NTIA for consideration under BTOP. This approach reflects Congress' intent that RUS focus its activities on rural areas and that NTIA funding could not be applied in the same area funded by RUS under the Recovery Act. It will also help leverage Federal funds in the effort to expand broadband service to a greater number of unserved and underserved areas.

IV. Public Outreach

Throughout the first NOFA round open lines of communication were maintained on two levels: one for applicants and a second for the public-at-large. The objective for each was immediate response to inquiries and maintaining transparency throughout the process.

Applicant communication through the helpdesk lines 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 closed, the help desk has provided information regarding proposed projects and directed callers to the www.broadbandusa.gov Web site, where application and map detail 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.

Outreach to the general public includes media contacts with key RUS staff to verify information, collect background, or through interviews. Since filing the August report, there have been articles in major national and regional print and broadcast media. Additional information for the public has been provided in testimony before various Federal committees that has been broadcast and commented on in blogs as well as other traditional media. Beyond the formal hearings and presentations, members of the staff have participated as both panelists and keynote speakers for associations, State and regional governments, and at inter-agency functions.

Concurrent with the second NOFA the agencies will announce the cities and dates for application workshops and how to register for participation. In addition to the workshops, some cities will include a pre-workshop event to facilitate networking of potential application partners.

For applicants unable to attend a workshop or requiring additional support a series of webinar workshops are planned.

VI. Application Intake and Evaluation

As of August 24, 2009, over 2,200 applications with supporting documentation were received requesting more than \$28 billion in funding, which represent nearly seven times the amount of funds available in the first round. Among this total, 401 were BIP-only applications requesting \$4.974 billion, and 833 applications for combined BIP and BTOP funding that totaled \$12.791 billion. The applications and associated proposed maps of coverage areas are posted on www.broadband.usa.gov where the public and incumbent providers may review applicant submittals and as desired make comment.

Applications for last mile remote infrastructure projects from 18 companies in 17 states have advanced to step two. The total requested is \$201,055,806 for projects in the following states:

Alaska	Maine	New Mexico
Alabama	Michigan	New York
Arizona	Minnesota	North Dakota
Colorado	Montana	Oklahoma
Hawaii	Nebraska	Oregon
Kansas	New Hampshire	

RUS has adopted a two-phase application process to review, score, and issue award funding. Step one requires the submission of the information described in the NOFA. This information will be evaluated for completeness and eligibility. Eligible complete applications will be evaluated and ranked based on the applicable scoring criteria described in the NOFA. Those applications with the highest scores based on our objective scoring criteria will be invited to participate in step two of the application process by submitting the additional documentation, which must further support representations made in step one of the application process. If the additional documentation does not adequately verify information provided in the first submission, the application will be not be processed further.

Evaluation of applications began immediately. After the completed preliminary review, 18 BIP-only applications were moved to step two, the due diligence phase. The 18 applicants have been notified to submit the requested additional information within the mandatory time period to remain under consideration for an award. It should be noted that advancement to step two does not guarantee a proposal will be funded.

VII. Environmental Compliance

RUS has taken a number of steps to ensure that BIP complies with relevant environmental and historic preservation requirements. The Agency is working with NTIA and the Advisory Council on Historic Preservation to ensure that projects comply with the National Historic Preservation Act (NHPA). We are working to streamline and expedite the NHPA Section 106 consultation process with State and Tribal Historic Preservation Officers as it relates to tower construction and fiber-optic cable installation. RUS also is working in close collaboration with NTIA and the Council of Environmental Quality to create a uniform, efficient, and streamlined environmental review process for BIP and BTOP applicants.

VIII. Organizational Readiness

RUS is authorized to spend up to \$75 million for BIP administrative expenses through September 30, 2010. The Agency will continue to hire temporary Federal staff required to administer and review awards granted under the program. On July 31, 2009, RUS issued a contract to ICF International (ICF) for program development and administrative services. The contractor will continue to assist RUS staff in awarding Recovery Act funds in the most effective, efficient, equitable, and accountable manner possible. ICF will continue to assist RUS with tasks including program administration, application processing, communications and outreach, loan and grants administration and post-award monitoring, technical assistance, and management support. All loan and grant award decisions will continue to be made exclusively by permanent RUS staff.

IX. Program Milestones

Below is a chart depicting past and upcoming tentative milestones for the 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 2012

Notice of Funds Availability Published July 9, 2009

Outreach and Funding Guidance Workshops Conducted July 2009

Submission of Funding Applications July 31 – August 20, 2009

Initial Funding Awards December 2009

Completion of Funding Awards September 30, 2010

Phase 3:

Final Program Audits and Shut-down September 30, 2014

NEXT REPORT

The next quarterly report will be submitted by February 16, 2010