AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 RURAL UTILITIES SERVICE BROADBAND INITIATIVES PROGRAM

Estimated $9 Billion in Loans and Grants

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA). The legislation provides funding to the Department of Agriculture and Department of Commerce to expand broadband access to rural and unserved parts of the country.

> "The Department of Agriculture's Broadband Initiatives Program will bring high-speed internet service to communities across the country, create thousands of jobs, and improve economic, health care, and educational opportunities available in rural communities. This funding is a down payment on the President's commitment to bring the educational and economic benefits of the internet to all communities."
>
> *-Secretary of Agriculture Tom Vilsack*

This document provides information on how Rural Development's Rural Utilities Service (RUS) will implement the broadband provisions of the ARRA.

Funding

The Recovery Act authorized USDA budget authority of $2.5 billion that will be used flexibly to provide loans, grants and loan/grant combinations to expand access to broadband in rural America. USDA will use approximately $2 billion to provide grants, while the remaining funds will be used to provide up to $7 billion in loans, for potential total investment in rural broadband of $9 billion. However, because the actual demand for these grants versus loans is unknown at this time, it may be that USDA eventually ends up investing more or less than $9 billion.

Vision

USDA will support the expansion of broadband service in rural areas through financing and grants to projects that provide access to high speed service and facilitate economic development in locations without sufficient access to such service. In order to provide economic stimulus during the current recession, ARRA requires that funds be obligated by September 30, 2010. RUS will offer grants, direct loans and loan/grant combo. These funds will be awarded on a competitive basis with unprecedented transparency and accountability.

Objectives

- Fund projects that will support rural economic development and job creation beyond the immediate construction and operations of the broadband facilities.
- Ensure that at least 75% of the investment serves rural areas.
- Implement in concert with National Telecommunications Information Administration (NTIA) and consultation with the Federal Communications Commission (FCC).
- Establish appropriate monitoring and servicing of the investments to ensure the objectives are achieved.

The Broadband Initiatives Program (BIP)
The Recovery Act expands RUS's existing authority to make loans and provides new authority to make grants for the purpose of facilitating broadband deployment in rural communities. The Recovery Act requires that 75 percent of a funded area be in a rural area that lacks sufficient access to high speed broadband service to facilitate economic development. Because of the short time frames imposed by the Recovery Act, the requirements outlined in this Notice of Funding Availability (NOFA) will be used to govern program implementation.

Under BIP, RUS will award grants, loans, and loan/grant combinations for broadband infrastructure. Grants under BIP are to be used to fund applications proposing to exclusively serve remote, unserved, rural areas. BIP loan and loan/grant combination funds are to be used to provide funding to applications proposing to serve non-remote and underserved rural areas. Projects which include non-remote and remote areas will be funded by loans or loan/grant combinations. The size of the grant portion of any loan/grant combination award is determined by the applicant, but cannot exceed the amount of the loan portion of the award. RUS will favor applications that propose a higher percentage of loan funds. Applicants may request 100 percent loan funding. RUS will seek to make the extension of broadband infrastructure into difficult-to-serve areas affordable—a key objective of BIP funding—through substantial grant funds and attractive loan terms with reasonable security requirements.

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

BIP Priorities
The Recovery Act requires that 75 percent of a BIP-funded area be in a rural area that "lacks sufficient access to high speed broadband service to facilitate rural economic development." Additionally, the Recovery Act mandates that priority be given to projects which: (1) give end users a choice of providers;
(2) serve the highest proportion of rural residents that lack access to broadband service; (3) are projects of current or former RUS borrowers (Title II borrowers); and (4) are fully funded and ready to start once Recovery Act funding is received. BIP application scoring criteria awards projects that implement these priorities.

Timeline
On July 1, 2009, RUS and NTIA announced a joint Notice of Funding Availability (NOFA) to be published in the Federal Register seeking applications for assistance. We anticipate three NOFAs. Timing on the subsequent NOFAs will be dependent upon results from previous NOFAs and our coordination with NTIA and consultation with the FCC as we deploy funds. This implementation plan is subject to change.

USDA and the Department of Commerce are hosting a series of workshops from July 7– 24 to inform prospective applicants about available funding and the application process. Workshop locations are: Boston; Charleston, W.Va.; Minneapolis; Memphis; Lonoke, Ark.; Birmingham, Ala.; Billings, Mont.; Albuquerque, N.M.; and Los Angeles. Applications will be accepted from July 31, 2009 through 5:00 p.m. EDT August 14, 2009.