

USDA RURAL DEVELOPMENT Telecommunications Programs

**Rob O'Hara
General Field Representative
USDA, Rural Utility Service
Northern Division, Telecommunications**



Committed to the future of rural communities.

Telecommunications Program History

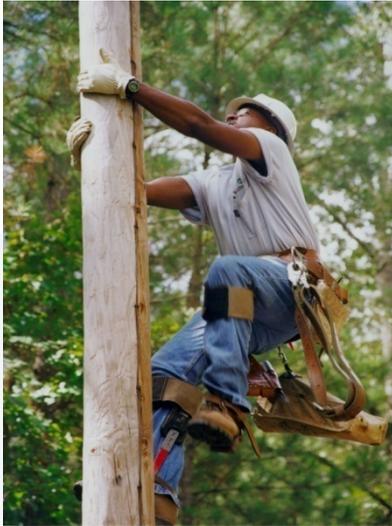
In the 1930's, the Rural Electrification Administration (REA) made financing available for electric cooperatives and other entities to bring electricity to rural communities that might otherwise not receive it

Funding was provided for basic telephone service to ensure that rural residents and businesses received the same type of services as urban areas

In 1949, the REA received authority to finance telephone service in recognition of its importance to rural communities

Starting in 1995, all telecommunications networks financed were required to be broadband-capable.

RD 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
- **Distance Learning/Telemedicine Loan and Grant Program:** Loans and grants for providing Distance Learning and Telemedicine services to rural residents and anchor institutions
- **Community Connect Grant Program:** Grants for broadband service providers and others who offer broadband services in rural and remote areas (<20,000 population)
- **Rural Broadband Loan Program (Farm Bill):** Loans to build and upgrade broadband services in rural high cost areas (<20,000 population)
- **Public TV Grants:** grants for rural public TV stations for the digital TV transition

The Distance Learning and Telemedicine (DLT) Grant Program Definitions and Purpose

- DLT Grants are not just a way to obtain educational technology or medical equipment. **The focus is on using the unique capabilities of telecommunications to connect rural areas to each other and to the world, thus overcoming the effects of remoteness and low population density.**

Distance learning means a curriculum delivered via telecommunications and stresses the connection of students and teachers at remote sites.

Telemedicine means the delivery of health care from medical professionals at one site to patients at other sites via telecommunications. Telemedicine shows benefit to rural residents either in reduced travel or improved access to services.

DLT Grant Program

Eligible Applicants

Corporation or a partnership; tribal nation or organization a state or local unit of government; a consortium; or other legal entity. For or not-for profit able to contract with the US Government. No individuals or sole-proprietorships.

Operate a rural community facility or deliver DLT services to entities that operate a rural community facility or to residents of rural areas at rates calculated to ensure that the benefit of the financial assistance passes through to such entities or to residents of rural areas.

The DLT Grant Program

Eligible Equipment

- This list is not exhaustive and does not convey automatic eligibility. To be eligible in full, items must be primarily for DLT eligible purposes.
 - Audio and video equipment
 - Computer hardware and software
 - Computer network components
 - Terminal equipment
 - Data terminal equipment
 - Interactive audio/video equipment
 - OEM or OEM-authorized warranties on eligible equipment up to the 3-year life of the grant
 - Inside wiring

The DLT Grant Program

Grant funds
cannot be used to
purchase:

- Salaries and benefits of awardee
- Administrative expenses (overhead)
- Telecommunications transmission equipment
- Recurring costs, including telecommunications
- Medical equipment
- Equipment owned by telecom provider (LECs, CLECs, etc.)
- Duplication of facilities
- Costs incurred before the application deadline

The DLT Grant Program

Typical Projects

- Distance Learning:
 - Video-conferencing is the most common for distance learning
Including bridges, servers, cameras, projectors, etc.
- Telemedicine:
 - Visiting nurse links from patient homes to health professionals elsewhere
 - Tele-radiology
 - Tele-dentistry
 - Tele-pharmacy
 - Virtual ICU

The DLT Grant Program Scoring

Scoring:
220 Points
possible in
8 scoring
categories:

- Rurality (population density) – 45 points
- National School Lunch Program (economic need) – 35 points
- Leveraging (matching funds) – 35 points
- USDA-designated Empowerment Zones – 10 points
- Additional National School Lunch Program – 10 points
- Need for Services and Project Benefits – 45 points
- Innovativeness – 15 points
- Cost Effectiveness – 35 points

The Community Connect Grant Program

A nationally competitive grant program to provide broadband service to the most rural and economically challenged communities

Since inception, the program has provided 229 grants and invested \$122 million

RUS published a proposed rule in the *Federal Register* on November 16, 2012, which proposed a number of changes to the current regulation.

Information is available on the website at:
http://www.rurdev.usda.gov/utp_commconnect.html



Committed to the future of rural communities.

The Community Connect Grant Program

Eligible Applicants

An incorporated organization,

An Indian Tribe or tribal organization, as defined in 25 U.S.C. 450b(b) and (c),

A state or local unit of government,

A cooperative, private corporation or limited liability,

A company organized on a for-profit or not-for-profit basis.

Individuals and Partnerships are not Eligible

Applicants must have the legal capacity and authority to apply for funding and enter into a contract with RUS.

The Community Connect Grant Program

Eligible Grant Purposes

Grant funds may be used to finance:

- The **construction, acquisition, or leasing of facilities, including spectrum**, to deploy Broadband Transmission Service to all participating Critical Community Facilities and to offer such services to residential and business customers in the community.
- The improvement, expansion, construction, or acquisition of a **Community Center** that furnishes free access to broadband Internet service. These costs cannot exceed the greater of 5% of the grant amount or \$100,000.
- End-User Equipment needed to carry out the Project
- **Operating expenses incurred in providing Broadband Services to Critical Community Facilities for 2 years** of operation and in providing training and instruction. These costs cannot exceed \$250,000.
- The **purchase of land, buildings, or building construction** needed to carry out the Project

The Community Connect Grant Program

Program Requirements

- Can serve only one community that is **currently unserved by broadband**
 - *New rule would revise this to allow an applicant defined proposed funded service area. All premises within the area would have to be offered service.*
- 20,000 population or less
- Minimum grant of \$50,000, maximum grant of \$1,500,000
- 15% minimum required matching contribution
 - *New rule would require match to be cash and allow it to be used for operational costs.*
- 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

The Community Connect Grant Program Scoring

Up to 100 points are available. These points are broken into 3 Scoring Components:

- Rurality (up to 40 points are available)
- Economic Need (up to 30 points are available)
- Community Benefits (up to 30 points are available)

New rule would score applications on their connectivity benefit to the proposed funded service area.

The Community Connect Grant Program Project Timeframe

Grant funding is
available for 3 years

Applications should
propose to use all grant
funding and provide all
matching contributions
within 3 years.

The Farm Bill 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 RUS borrower
- \$100 million maximum loan
- Term of loan is based on life of facilities financed
- One year principal deferment
- 10% minimum matching equity investment from borrower required
- All construction must be completed within 3 years from the date when funds are made available
- **Minimum funded speed of 5 Mbps (up+down)**

The Broadband Loan Program

Eligible Purposes

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 Eligible Service Area

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

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



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

Contact Information

Telecommunications Program

1400 Independence Ave.

Washington, DC 20250

<http://www.rurdev.usda.gov/RUSTelecomPrograms.html>

Telecommunications Program Staff:

Peter Aimable

peter.aimable@wdc.usda.gov

Director, Northern Division, 202-720-0806

Ken Kuchno

kenneth.kuchno@wdc.usda.gov

Director, Broadband Division, 202-690-4673

General Field Representative:

Rob O'Hara

rob.ohara@wdc.usda.gov

Office: 413-253-4333

Cell: 919-896-2636



Committed to the future of rural communities.

Telecommunications Program Organization

Telecommunications Program Staff:

- National Office staff:
 - Leadership
 - Loan and business specialists
 - Engineering review staff
- Field staff - General Field Representatives (GFRs)

Rural Development State Office Staff:

- Broadband Coordinators in RD state offices

Investment for Telecommunications and Broadband in Rural Areas

Current RD Telecom Program – Loan Portfolio: **\$4.6 billion**

- Approximately \$4.1 billion principal outstanding for Telecom Infrastructure Loan and Farm Bill Broadband Loan Program borrowers
- Approximately \$0.5 billion principal outstanding for loans under the Broadband Initiatives Program (American Recovery and Reinvestment Act of 2009)
- Combining current portfolio with the still to be spent BIP loan funds, our portfolio under management approaches \$6 billion

RD Telecom also manages **\$2.5 billion** in grant funds

RUS Telecommunications Program

FY 2012 Results and FY 2013 Funding

Program Level Funding (\$ millions)			
	2012 Funding Available	2012 Obligations	2013 Funding Available
Infrastructure Loans	\$ 690.0	\$ 79.7	\$ 690.0
Broadband Loans	\$ 169.0	\$ 68.9	\$ 42.0
Distance Learning and Telemedicine Grants	\$ 15.6	\$ 15.6	\$ 18.0
Community Connect Grants	\$ 10.4	\$ 5.5	\$ 10.4

*Available funding includes authorized budget and amounts carried over from previous fiscal year



Committed to the future of rural communities.

The Telecommunications Infrastructure Loan Program

Since 1949, the Telecommunications Infrastructure Loan Program has provided financing for new and improved telecommunications infrastructure in rural communities of 5,000 or less.

Applications are accepted year-round.

Interest rates are set at current U.S. Treasury rates, depending on loan maturity at the time of each advance.

Term of loan is based on life of facilities financed.

Guaranteed loans from the Federal Financing Bank (FFB) and Hardship loans at a fixed 5% rate of interest may also be available.

All infrastructure financed must be broadband capable.



Committed to the future of rural communities.

The Telecommunications Infrastructure Loan Program Eligible Applicants

- Rural utilities
- Municipalities
- Commercial corporations
- Limited Liability Companies
- Public Utility Districts
- Indian tribes
- Cooperative, nonprofit, limited-dividend or mutual associations



Committed to the future of rural communities.

The Telecommunications Infrastructure Loan Program

Eligible Loan Purposes

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

- new construction;
- improvements;
- expansions;
- acquisitions (with restrictions); and
- refinancing (with restrictions)

Loan funds may not duplicate services

The Telecommunications Infrastructure Loan Program E911Access

Eligible Purposes:

The Rural Utilities Service (RUS) makes loans to:

- (1) Furnish and improve telephone service in rural areas; and
- (2) To finance facilities and equipment which expand, improve or provide:
 - (i) 911 access;
 - (ii) Integrated interoperable emergency communications, including multiuse networks that provide commercial or transportation information services in addition to emergency communications services;
 - (iii) Homeland security communications;
 - (iv) Transportation safety communications; or
 - (v) Location technologies used outside an urbanized area.

The Telecommunications Infrastructure Loan Program E911 Access

Eligibility:

- Any entity eligible to borrow from the RUS;
- State or local governments;
- Indian Tribes (as defined in Section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)); or
- An emergency communications equipment provider that in the sole discretion of RUS offers adequate security for a loan where the State or local government that has jurisdiction over the proposed project is prohibited by law from acquiring debt.

The Telecommunications Infrastructure Loan Program E911 Access

Rural definition:

- Any area, as confirmed by the latest decennial census of the Bureau of the Census, which is not located within:
 - A city, town, or incorporated area that has a population of greater than 20,000 inhabitants; or
 - An urbanized area contiguous and adjacent to a city or town that has a population of greater than 50,000 inhabitants.

Contact Information

Telecommunications Program

1400 Independence Ave.

Washington, DC 20250

<http://www.rurdev.usda.gov/RUSTelecomPrograms.html>

Telecommunications Program Staff:

Peter Aimable

peter.aimable@wdc.usda.gov

Director, Northern Division, 202-720-0806

Ken Kuchno

kenneth.kuchno@wdc.usda.gov

Director, Broadband Division, 202-690-4673

General Field Representative:

Rob O'Hara

Rob.ohara@wdc.usda.gov

Office: 413-253-4333

Cell: 919-896-2636



Committed to the future of rural communities.