



Broadband USA

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

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (Recovery Act). 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. This document provides information on how Rural Development's Rural Utilities Service (RUS) will implement the broadband provisions of the Recovery Act.

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 expects to use approximately \$2 billion to provide grants, while the remaining funds will be used to provide loans, for potential total investment in rural broadband of \$3-\$4 billion. However, because the actual demand for grants versus loans is unknown at this time, it may be that USDA eventually ends up investing more or less than that amount.

The Broadband Initiatives Program (BIP)

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 rewards projects that implement these priorities.

First Round of Funding

On July 9, 2009, RUS and NTIA published a joint Notice of Funds Availability (NOFA) in the Federal Register seeking applications. Approximately \$2.4 billion in program level funding was set aside for funding opportunities from RUS under the first NOFA, for last mile and middle mile projects. All funds will be awarded no later than September 30, 2010.

RUS and NTIA hosted a series of workshops from July 7– 24, 2009 to inform prospective applicants about available funding and the application process. Workshop locations were: Washington, DC area; Boston, MA; Charleston, WV; Minneapolis, MN; Memphis, TN; Lonoke, AR.; Birmingham, AL.; Billings, MT.; Albuquerque, NM; and Los Angeles, CA. Numerous other outreach activities were conducted.

The application window for the first round of funding closed on August 24, 2009. More than 2,200 applications were received for the RUS and NTIA programs, requesting \$28 billion in funding. On December 17, 2009, Vice President Joseph Biden announced eight BIP awards for broadband projects in AK, CO/NE, HI, MI, NH, NY, OH, and OK totaling \$53.4 million. More awards under the first NOFA will be announced on a rolling basis in the next few months.

Second Round of Funding

NTIA and RUS published a joint Request for Information on November 16, 2009, in the Federal Register, seeking comments on the requirements, definitions and application process for the first NOFA. After review of the comments, and with consideration of the two agencies' experiences under the first NOFA, changes to the programs were incorporated into the NTIA and RUS NOFAs, which were announced on January 15, 2010, and are available at www.broadbandusa.gov. Together, the two NOFAs make \$4.8 billion in grants and loans available to expand broadband access and adoption in America. The RUS NOFA allocates approximately \$2.2 billion in this funding round for broadband infrastructure projects. A second funding window will open later which will provide grants for satellite service for premises that remain unserved after all other Recovery Act broadband funding is awarded, make Technical Assistance grants for developing plans using broadband for rural regional economic development, and grants to provide broadband service to rural libraries funded by USDA under the Recovery Act.

RUS will focus this round on last mile projects, which are generally the stronger need in rural communities, and directly reach homes and businesses (including anchor institutions). RUS will also fund middle mile projects involving current RUS program participants. The first NOFA had two funding options – grants up to 100 percent in remote rural areas, and 50/50 loan/grant combinations in non-remote rural areas. In the second NOFA, RUS has eliminated this distinction and adopted a base 75/25 grant/loan combination for all projects. The new approach provides RUS applicants with the flexibility to seek a waiver if additional grant resources are needed for areas that are difficult to serve and a priority for those who seek lower grant levels. The RUS 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, or that support persistent poverty counties or chronically underserved areas. BIP offers a financing package that can cover 100% of the cost of the facilities required to provide broadband service or any other service such as voice or video services. RUS believes this simplified and flexible funding strategy will promote rural economic development.

Separate NOFAs will allow applicants to apply directly to either program. RUS also eliminates the two-step process for BIP applicants to improve program efficiency. These changes will also add valuable time for applicants to focus on one specific program in preparing a more solid application. Incorporated into the RUS NOFA is an opportunity for the reconsideration of BIP requests to provide viable applications with every chance for funding. There is also a second application review process during which RUS would allow an applicant to adjust its application to better meet program objectives and for the RUS Administrator to provide discretionary points or to increase a grant component to meet rural economic objectives.

The agencies plan to accept applications online at www.broadbandusa.gov from February 16, 2010, to March 15, 2010, and announce all awards by September 30, 2010.

Public Workshops

NTIA and RUS will hold a series of public workshops to review the application process and answer questions from prospective applicants. The workshops will be held in Portland, OR.; Reno, NV; Denver, CO; San Antonio, TX; Eureka, MO; Sioux Falls, SD; Detroit, MI; Blacksburg, VA; Fayetteville, NC; and Atlanta, GA. Registration information for the workshops is at www.broadbandusa.gov. The Portland and Denver workshops will be webcast live. The recorded webcasts will be available online. Information is available on the website.

Effective Jan. 15, 2010

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