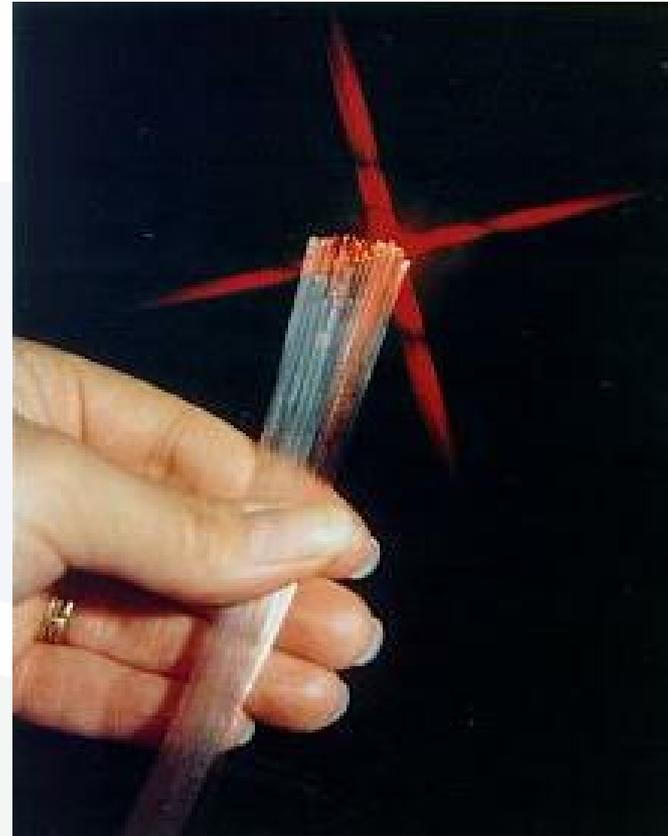


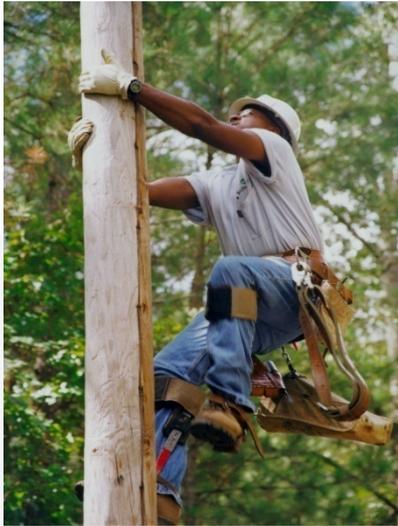
# The Telecommunications Program



# 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
- In 1949, the REA received authority to finance telephone service in recognition of its importance to rural communities
- Funding was provided for basic telephone service to ensure that rural residents and businesses received the same type of services as urban areas
- 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
- **Rural Broadband Loan Program (Farm Bill):** Loans to build and upgrade broadband services in rural high cost areas (<20,000 population)
- **Community Connect Grant Program:** Grants for broadband service providers and others who offer broadband services in rural and remote areas (<20,000 population)
- **Distance Learning/Telemedicine Loan and Grant Program:** Loans and grants for providing Distance Learning and Telemedicine services to rural residents and anchor institutions
- **Public TV Grants:** grants for rural public TV stations for the digital TV transition
- **Weather Radio Grants:** grants for weather radio systems in rural communities

# Telecommunications Program Organization

- Telecommunications Program Staff:
  - National Office staff:
    - Leadership
    - Loan and business specialists
    - Electronics engineers
  - Field staff - General Field Representatives (GFRs)
- Rural Development State Office Staff:
  - Broadband Coordinators in RD state offices

# RUS Telecommunications Program

## Budget and FY 2012 Results

Program Level Funding			
	2012 Budget	2012 Available Funding*	2012 Obligations
Infrastructure Loans	\$690 million	\$690 million	\$79.7 million
Broadband Loans	\$169 million	\$736 million	\$68.9 million
Distance Learning and Telemedicine Grants	\$15 million	\$16.1 million	\$15.6 million
Community Connect Grants	\$10.4 million	\$14.2 million	\$5.5 million

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

NOTE: The Federal Government is under a Continuing Resolution for FY 2013 funding.

# Investment for Broadband in Rural Areas

- Current RD Telecom Program – Loan Portfolio: **\$5.2 billion**
  - Approximately \$4.7 billion principal outstanding for Telecom Infrastructure Loan and Farm Bill Broadband Loan Program borrowers
  - Approximately \$.5 billion principal outstanding for loans under the Broadband Initiatives Program (American Recovery and Reinvestment Act of 2009)
- RD Telecom also manages **\$2.5 billion** in grant funds

# RUS Telecom Program FY 2013 Program Status

- **Loan Programs: Telecom Infrastructure Program:**
  - RUS accepts applications for the Telecom Infrastructure Loan Program on a continual basis.
  - **All infrastructure financed must be broadband capable.**
  - Applications are accepted year-round; there is no application deadline
- **Broadband Initiatives Program (BIP) Under the Recovery Act:**
  - \$3.5 billion in loans and grants was awarded in FY 2010 ( a one-time program; no funds are available today).
  - Broadband projects funded under this program are now being built, in 45 states and one US territory.

# RUS Telecom Program FY 2013 Program Status

- **Broadband Loan Program:**
  - RUS accepts applications for the Broadband Loan Program on a continual basis.
  - **All infrastructure financed must be broadband capable.**
  - Applications are accepted year-round; there is no application deadline
- **Grant Programs (Distance Learning and Telemedicine; Community Connect)**
  - Application windows for FY2013 have not yet been announced
  - Funding availability is usually announced in March/April, with a 60-day application window

# Substantially Underserved Trust Areas (SUTA) Provision in the 2008 Farm Bill

- The 2008 Farm Bill contained the SUTA provision that applies to the Rural Development Utilities Programs' water, electric and telecommunications infrastructure programs. The Final Rule was published in the *Federal Register* on June 13, 2012.
- In Telecom, the SUTA provision applies to the Telecom Infrastructure Loan Program, the Distance Learning and Telemedicine Program and the Farm Bill Broadband Loan Program.
- **The provision enables the Secretary of Agriculture to make loans as low as 2% and extended repayment terms; grant waivers of non-duplication restrictions; matching fund or credit support requirements; and highest funding priority.**

# The Community Connect Grant Program



# 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
- Communities of 20,000 population or less
- Information is available on the website at:  
[http://www.rurdev.usda.gov/utp\\_commconnect.html](http://www.rurdev.usda.gov/utp_commconnect.html)
- RUS published a proposed rule in the *Federal Register* on November 16, 2012, which proposed a number of changes to the current regulation.
- Comments closed on January 15, 2013, and staff is currently reviewing comments and preparing the Final Rule

# The Community Connect Grant Program

- The Proposed Rule addresses several areas to streamline and improve the program for applicants and RUS, with the goal of bringing broadband service to unserved rural communities.
- Major areas of change:
  - Proposed Funded Service Territory
  - Matching Fund Simplification
  - Scoring Simplification
- Proposed Funded Service Territory
  - Old rule: serve one community recognized in the latest decennial Census or in the Rand McNally Commercial Atlas and Marketing Guide
  - New proposed rule: Applicant-defined proposed funded service area (boundaries of service area to be drawn using RUS web-based mapping tool)

# The Community Connect Grant Program

- Matching Fund Simplification
  - Old rule: provide matching funds equal to at least 15% of the grant amount requested, to be used for eligible grant purposes
  - New proposed rule: provide matching funds equal to at least 15% of the grant amount requested, which must be in the form of cash, to be used to fund operations of the project
- Scoring Simplification
  - Old rule: applications scored and ranked based on three criteria (1) rurality, (2) economic need, and (3) benefits
  - New proposed rule: applications scored based on the community connectivity benefits of the project to the proposed service area

# 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, or
- 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**
- 20,000 population or less
- Minimum grant of \$50,000, maximum grant of \$1,500,000 (these amounts are set in the Notice of Funding Availability that announces the application window each year)
- 15% minimum required matching contribution
- 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
- Annual competitive grant application process announced through a Notice of Funds Availability published in the *Federal Register*

# 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 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 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
  - 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

## Scoring (Current Program)

- Scoring: 220 Points possible in 8 scoring categories:
  1. Rurality (population density) – 45 points
  2. National School Lunch Program (economic need) – 35 points
  3. Leveraging (matching funds) – 35 points
  4. USDA-designated Empowerment Zones – 10 points
  5. Additional National School Lunch Program – 10 points
  6. Need for Services and Project Benefits – 45 points
  7. Innovativeness – 15 points
  8. Cost Effectiveness – 35 points

# The DLT Grant Program

## Typical Projects

- Video-conferencing is the most common for distance learning
- Telemedicine:
  - Visiting nurse links from patient homes to health professionals elsewhere
  - Tele-radiology
  - Tele-dentistry
  - Tele-pharmacy
  - Virtual ICU
  - Tele-psychiatry

# The DLT Grant Program

## • Changes to the Program:

- RUS will be proposing changes to the DLT Grant Program regulation
- Proposed regulation will be posted in the *Federal Register* along with requests for comment
- Goal is to modernize the program and streamline and improve the application process
- Soliciting input on improvements to the program – please give us your comments!
- At the Telecom Program website, you can sign up for email updates and be notified when the regulation is posted as well as notifications of funding availability
  - <http://www.rurdev.usda.gov/RUSTelecomPrograms.html>

# 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.

# 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

# 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)

# 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 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

## 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)