U.S. Department of Agriculture
Rural Utilities Service
Broadband Initiatives Program Quarterly Report
As of 6/30/14

Introduction

The Department of Agriculture's broadband goal is to increase the number of rural Americans with access to robust broadband service and provide the speeds and bandwidth for health care, public safety, educational, business and social services. Rural Utilities Service (RUS) financing facilitates broadband service providers offering affordable, broadband service to residents and businesses, expanding access to education and health care, creating high-skilled, high-wage jobs, and increasing economic opportunities across rural America. This infrastructure investment creates jobs when projects are planned and built, adds jobs when these projects become operational and again as these services are used by communities to spur further economic expansion.

RUS provides financing for telecommunications infrastructure through direct loans and loan guarantee programs. The program priorities are to ensure that rural communities have access to advanced telecommunications services, such as high-speed Internet services and advanced communications services such as distance learning and telemedicine. The program makes new or improved services available to borrowers' subscribers, including rural residents and businesses. Performance measures directly measure the impact of the programs on rural communities. Program outreach efforts are focused on identifying rural areas that do not have access to these services, which are essential for economic development and improved health and education services.
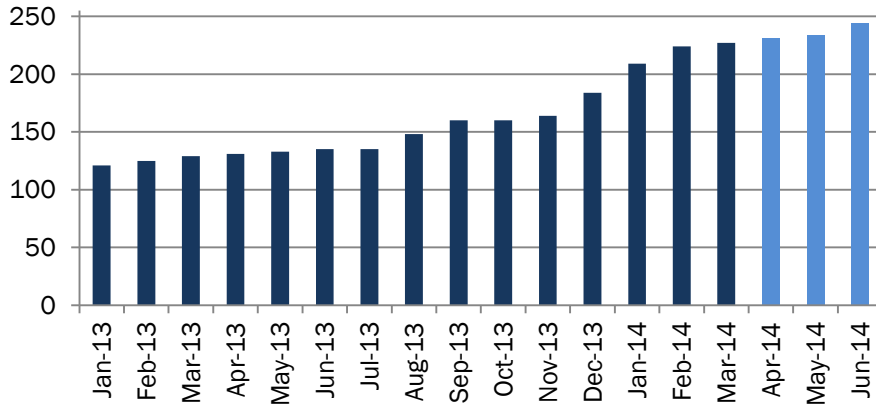
The Broadband Initiatives Program

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (Recovery Act) into law. The Recovery Act provided RUS with $2.5 billion to expand access to broadband services in rural America.   The Recovery Act expanded RUS' existing authority to make loans and provided new authority to make grants for the purpose of facilitating broadband deployment in rural communities. To maximize the level of funds available for broadband projects, the agency leveraged its budget authority appropriated by the Recovery Act to make grants, loans and loan/grant combination awards. In total for the broadband program, over $2.33 billion in grants and $1.19 billion in loans were made to 320 projects, totaling over $3.5 billion. Of those original 320 projects, 297 were for infrastructure, 4 for satellite broadband service support, and 19 for technical assistance, the majority of which went to tribal communities.

The Recovery Act funded projects designed to provide broadband service quickly, and large infrastructure projects—considered transformative—that may take as many as five years to build out. All RUS projects must comply with federal and state environmental, historic preservation and in some cases tribal or intergovernmental reviews that can require significant consultation with the public. RUS technical and financial oversight continues throughout the project's life and beyond. Rigorous project oversight has led to the rescission of 42 Recovery Act awards. As a result, nearly $325 million was returned to the Treasury.

Number of BIP Infrastructure Projects Partially Opertaional or Complete Over Time
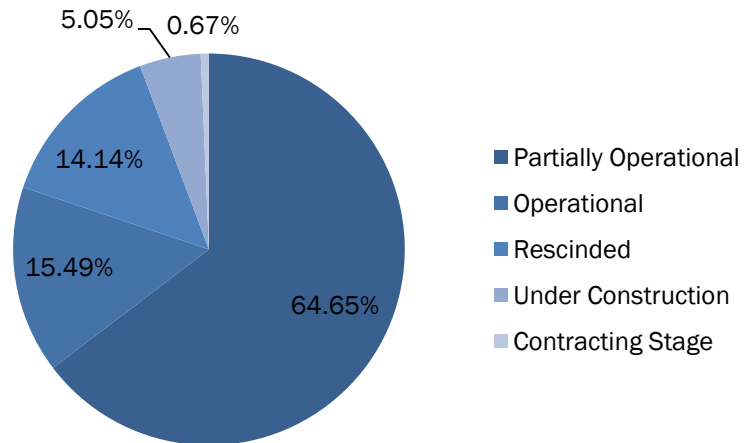

Under the Recovery Act, contracts signed by awardees require that all loan/grant funds must be advanced by September 30, 2015. Funds not advanced will be rescinded by RUS and returned to the U.S. Treasury. RUS and senior USDA officials have repeatedly encouraged awardees to complete Recovery Act projects as quickly as possible. RUS field employees continue to vigorously monitor the progress of construction and compliance of the BIP awardees, conducting on-site visits and reporting on the awardees' progress regularly.

The vast majority of the BIP awards were obligated between March and September 2010. Projects are progressing well and within expectations. The RUS has worked closely with Federal and state partners to complete required reviews and to address regulatory or processing issues. All environmental reviews have been completed. The agency is working closely with awardees to expedite project construction. All 19 Technical Assistance awards have been fully disbursed. The $100 million satellite broadband program disbursed 94.7 percent of its funds to the four satellite awardees, and the remaining funds were rescinded to the Treasury. Satellite awardees could only request funds through September 30, 2013.

BIP Infrastructure Projects by Status as of 6/30/14

Infrastructure projects, larger and more complex, continue to progress, offering more rural residential and business consumers access to broadband service. Of those, 192 projects, representing $2.668 billion in funding, are partially operational (meaning the awardee is providing service to some of its proposed service territory), and an additional 46 projects, representing $399.9 million in funding, are fully operational (meaning the awardee is providing service throughout its proposed service territory). The pace of construction exceeds the pace of reimbursement. $2.345 billion in Infrastructure project funding has been advanced to date.

Numbers and text that have been updated from the previous report appear in blue font.

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Key Performance Metrics and Results

Metric	Result
Miles of fiber deployed	**59,566**
Number of wireless access points placed	**1,281**
Broadband subscribers receiving new or improved broadband:	
• Households	**168,703***
• Businesses	**12,539***
• Educational Providers	**795***
• Libraries	**142***
• Healthcare Providers	**403***
• Public Safety Providers	**446***
• Total broadband subscribers receiving new or improved broadband	**183,028***
• Subscribers forecasted to receive new or improved broadband as a result of total funding (5 years after project award)	**728,733**

*Note: These numbers are according to reports provided by the awardees.

Operational Statistics for Infrastructure Projects

Number of original projects awarded	297
Amount of original awards (loans and grants)	$3.425 billion
Number of active projects	255
Projects partially operational or complete	238
Percent of active projects partially operational or complete	93.3%
Number of projects with completed environmental reviews	255
Percent of projects with completed environmental reviews	100%
Number of projects actively drawing funds**	218**
Percent of projects actively drawing funds**	85.5%**
Number of rescinded projects	42
Percent of projects rescinded	14.1%
Number of projects not started	0

**Note: This number has decreased from the previous quarterly report because some projects are now fully advanced and therefore are no longer actively drawing funds. This number will continue to decrease over time.

Success Story

Southwest Minnesota Broadband Services (SMBS)

Need:

The City of Round Lake has offered Internet service for over ten years but was only able to obtain Internet backhaul services at a high monthly fee. Prior to the building of this network there was insufficient broadband service in Round Lake to meet the needs of the town, government, and local businesses. Rural customers in Jackson, Cottonwood and Nobles Counties in rural Minnesota had limited access to next-generation broadband services; many customers were restricted to dial-up or satellite.

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How Rural Development Helped:
The Southwest Minnesota Broadband Services (SMBS) project is deploying fiber-optic infrastructure to eight rural communities throughout southwestern Minnesota, with a loan of $6,350,000 and a grant for $6,350,250 through the USDA Rural Utilities Service (RUS) Broadband Initiatives Program (BIP). The network will consist of 125-mile fiber ring that will connect the 8 communities and fiber-to-the-premise (FTTP) infrastructure within communities that will support 3,649 households. The network will make services available to 292 businesses and 50 anchor institutions.

The SMBS Board welcome dignitaries to the ground breaking of their BIP project.

Results:
Several local businesses have benefited greatly from SMBS's broadband network. Toro is an international company providing residential and commercial lawn care and snow removal equipment. Toro has a large plant located in Windom MN where its Network Operations Center is located. Due to growth Toro has acquired two large warehouse facilities in the SMBS territory. Toro utilizes a just in time inventory management system and all materials are tracked from vendor to time of use. SMBS provided an Ethernet connection to both locations and networked this back to the factory in the Windomnet service territory via the partnership, helping Toro conduct business more efficiently. Firefox X-ray is another company that benefits from SMBS's broadband service. Firefox X-ray provides a unique service where an employee travels to local jails and performs x-rays on inmates to avoid transporting the prisoner to the hospital, which may be up to 30 miles away. When the x-ray is completed, the technician travels to one of the SMBS remote access point and upload the x-ray to a radiologist in a regional hospital who can provide the diagnosis. This is a tremendous savings for the jail eliminating transporting a prisoner to a medical facility and providing improved healthcare to inmates.

The SMBS network has also improved governmental services in the region. Currently the network is supporting delivering services from the State of Minnesota Office of Enterprise Technology to state facilities in the area and is supporting interconnecting Jackson and Cottonwood counties allowing them to share resources across the two counties.

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