

*U.S. Department of Agriculture
Rural Utilities Service
Broadband Initiatives Program Quarterly Report
As of 6/30/15*

Introduction

The Department of Agriculture's broadband goal is to increase the number of rural Americans with access to robust broadband service that provides the bandwidth necessary for health care, public safety, educational, business, and social services. Rural Utilities Service (RUS) financing supports service providers that offer affordable broadband service to residents and businesses, expand access to education and health care, create high-skilled, high-wage jobs, and increase economic opportunities across rural America. This infrastructure investment creates jobs throughout and beyond the project life cycle—from the planning and construction to the daily operations and community services—in order to spur further economic expansion.

RUS provides financing for telecommunications infrastructure through direct loans and loan guarantee programs. The program priority is 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 (BIP)

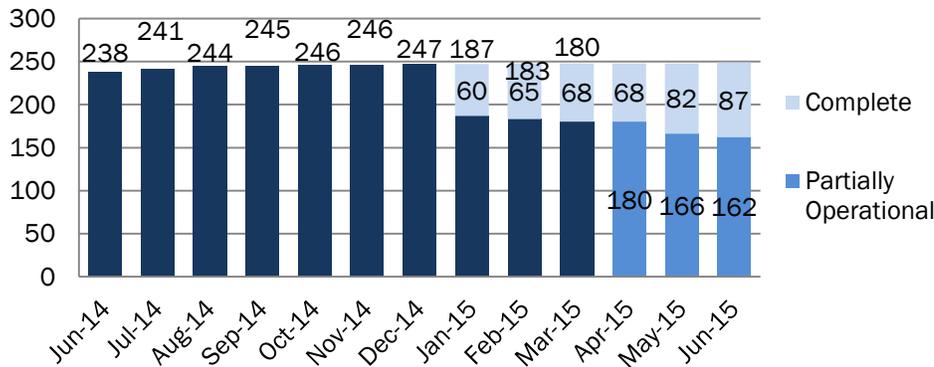
On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (Recovery Act) into law. The Recovery Act provided RUS with \$2.5 billion to expand access to broadband services in rural America. The Recovery Act expanded RUS' existing authority to make loans and provided new authority to make grants that specifically facilitate 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 are designed to provide broadband service quickly, particularly for 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, which can require significant consultation with the public. RUS technical and financial oversight continues throughout the project's life and beyond.

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

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 Operational or Complete Over Time

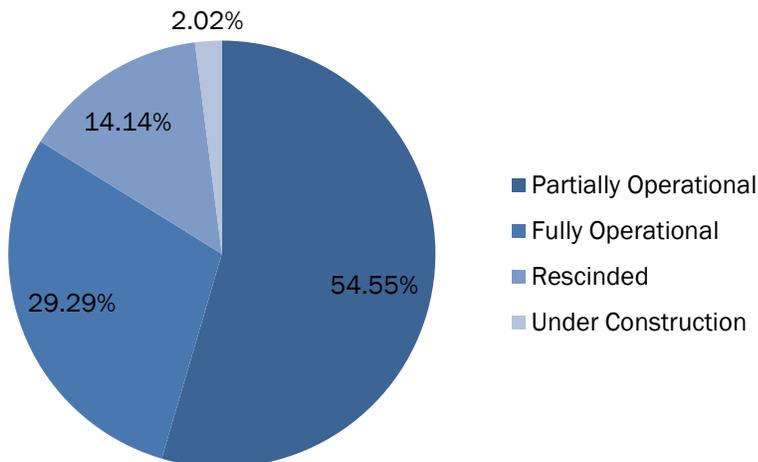


Under the Recovery Act, contracts signed by awardees require that all loan/grant funds must be advanced by September 30, 2015. Funds not advanced will be rescinded by RUS and returned to the U.S. Treasury. RUS and senior USDA officials have repeatedly encouraged awardees to complete Recovery Act projects as quickly as possible. RUS

field employees continue to vigorously monitor the BIP awardees' progress in construction and compliance by 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 6/30/15



Larger and more complex infrastructure projects continue to progress, offering more rural residential and business consumers access to broadband service. Of those, 162 projects, representing \$2.113 billion in funding, are partially operational (meaning the awardee is providing service to some of its proposed service territory), and an additional 87 projects, representing \$830.813 million in funding, are fully operational or complete (meaning the awardee is providing service throughout its proposed service territory). The pace of construction exceeds the pace of reimbursement. \$2.742 billion in Infrastructure project funding was advanced as of 6/30/15.

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Key Performance Metrics and Results

Metric	Result
Miles of fiber deployed	64,794*
Number of wireless access points placed	1,998*
Broadband subscribers receiving new or improved broadband:	
• Households	260,456*
• Businesses	17,575*
• Educational Providers	574*
• Libraries	193*
• Healthcare Providers	497*
• Public Safety Providers	625*
• Total broadband subscribers receiving new or improved broadband	279,920*

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

Operational Statistics for Infrastructure Projects

Number of original projects awarded	297
Number of active projects	255
Amount of original awards (loans and grants)	\$3.425 billion
Projects partially operational or complete	249
Percent of active projects partially operational or complete	97.6%
Number of projects with completed environmental reviews	255
Percent of projects with completed environmental reviews	100%
Number of projects actively drawing funds**	157**
Percent of projects actively drawing funds**	61.6**
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 or completed and therefore are no longer actively drawing funds. This number will continue to decrease over time.

Success Story

2,700 Miles of Fiber Find Fast Home on the Plateau—Kentucky and Tennessee

In the communities dotting the Upper Cumberland Plateau, folks searched for new ways to connect. The tent supplying Outdoor Venture Corporation (OVC) of McCreary County (KY) dreamed of securing global contracts, while the Big South Fork Scenic Railway strived to share its locomotive history with tourists. Half an hour south, Scott Gilbert of Scott County (TN) struggled to equip his clinics with the technology to improve patient care. In neighboring Morgan County, the long drive to the nearest college stymied Megan Farmer's plan to graduate. Due to the region's remote and rocky terrain, broadband service providers lacked the financial flexibility to build the network needed to reach these areas.

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When the Highland Telephone Cooperative (HTC) from Sunbright, Tennessee received a 2010 Broadband Initiatives Program award of \$66.5 million, the 60-year old company embarked on a network build-out that in earlier decades would have taken half a century to complete.

Now Ms. Farmer, representing one of the 21,000 households benefitting from high-speed access, is earning her degree online through Roane State Community College. The Scott County clinics, which are among the 770 anchor institutions and businesses with state-of-the-art broadband, are scheduling online appointments and digitizing health records. For the McCreary County Heritage Foundation, the Internet is speeding up the historic restoration process by sourcing new funding and cheaper replacement parts.

In 2010, Scott County languished at a 21 percent unemployment rate, an issue characteristic of disconnected rural areas. By early 2015, that rate had halved. With the help of HTC's vision, and Rural Utilities Service funding, these rural counties now have access to high-speed broadband service and are becoming a model of technological enfranchisement.

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