

*U.S. Department of Agriculture
Rural Utilities Service
Broadband Initiatives Program Quarterly Report
As of 9/30/14*

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.

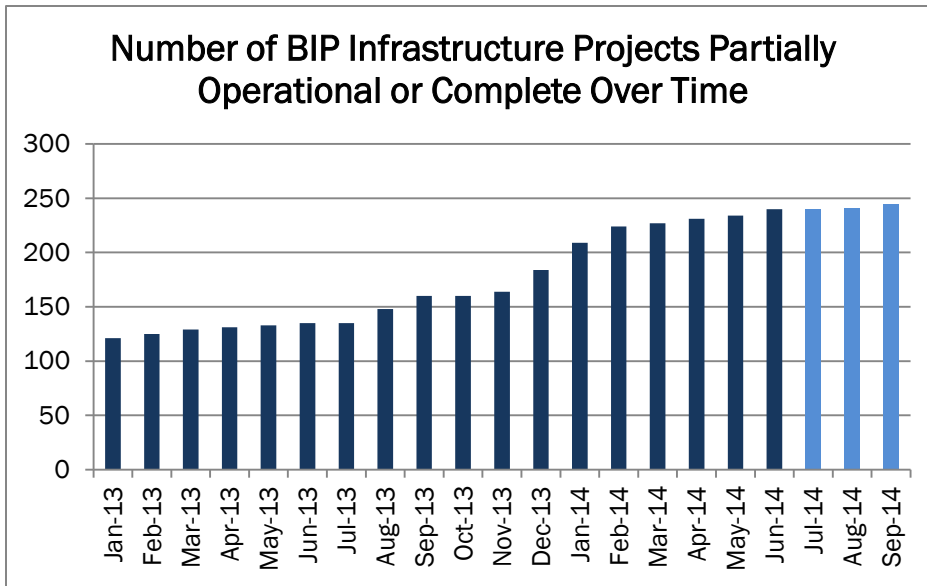
The Broadband Initiatives Program

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

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

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.

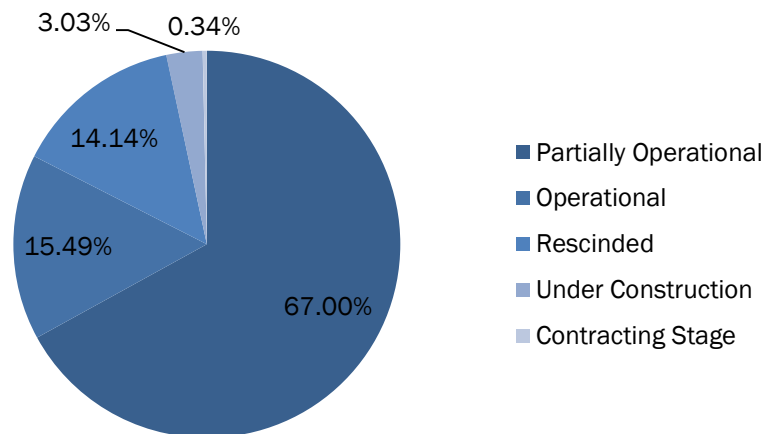


Under the Recovery Act, contracts signed by awardees require that all loan/grant funds must be advanced by September 30, 2015. Funds not advanced will be rescinded by RUS and returned to the U.S. Treasury. RUS and senior USDA officials have repeatedly encouraged awardees to complete Recovery Act projects 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 9/30/14



Infrastructure projects, larger and more complex, continue to progress, offering more rural residential and business consumers access to broadband service. Of those, **199** projects, representing **\$2.585 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 **\$259.9 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. **2.351 billion** in Infrastructure project funding has been advanced to date.

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Key Performance Metrics and Results

| Metric | Result |
|--|----------|
| Miles of fiber deployed | 62,307* |
| Number of wireless access points placed | 1,447* |
| Broadband subscribers receiving new or improved broadband: | |
| • Households | 179,967* |
| • Businesses | 13,078* |
| • Educational Providers | 639* |
| • Libraries | 132* |
| • Healthcare Providers | 393* |
| • Public Safety Providers | 455* |
| • Total broadband subscribers receiving new or improved broadband | 198,655* |
| • 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 |
| Number of active projects | 255 |
| Amount of original awards (loans and grants) | \$3.425 billion |
| Projects partially operational or complete | 245 |
| Percent of active projects partially operational or complete | 96.1% |
| Number of projects with completed environmental reviews | 255 |
| Percent of projects with completed environmental reviews | 100% |
| Number of projects actively drawing funds** | 210** |
| Percent of projects actively drawing funds** | 82.4%** |
| 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

Baca Valley Telephone Company—New Mexico

Need:

This Broadband Initiatives Program (BIP) project represents a significant step in extending the fiber optic network in the rural northeastern part of New Mexico. The proposed fiber build-out will replace an old and deteriorating copper plant and low bandwidth microwave transport in some areas and provide new connectivity in others. With an expected life of 30 years, this fiber will provide a solid framework for providing the bandwidth needs of the future.

How Rural Development Helped:

Incorporated in 1974, Baca Valley Telephone Company received its first REA loan in 1979. With the REA loan in hand, the company proceeded with the building of a new headquarters facility,

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burying hundreds of miles of cable and installing two new switches in Des Moines and Maxwell. BVT has received several more Infrastructure Loans from RUS in the past, totaling over \$4.5 million.

In 2010, BVT received a Broadband Initiatives Program (BIP) loan/grant combination from Rural Utilities Services (RUS). The grant was for \$1,586,000 and the loan was for \$1,651,000. This award package was provided so BVT could provide fiber optic connectivity to a number of new cabinets and existing buildings.

Results:

Today, Baca Valley Telephone Company has a service area covering more than 2,600 square miles. In addition to residential service in the Des Moines and Maxwell exchanges, they provide cellular service, local Internet access, business telephone systems, security systems, and network cabling throughout northeastern New Mexico and southeastern Colorado. All construction on the project funded through BIP has been completed and their new broadband service is in place.

The Des Moines and Maxwell Schools are already enjoying the improved broadband service, as are the two Rural Health Care Facilities, located at the schools. One of the goals of this project was to improve overall service to the most remote ranches and farms. These new services also allow for more children to return home from school to work at the family farms, ranches, and businesses. The addition of new Central Office broadband equipment is giving BVT the ability to expand services beyond the initial installation. This summer, they plan to install new fiber optic cable and broadband equipment at a Federal Wildlife Refuge near Maxwell, New Mexico. The expanded fiber facilities are also able to greatly improve bandwidth to many of BVT's existing remote cabinets and in fact replaced several of them with newer, more modern equipment.