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Action Item: RUS Broadband Program

Most policymakers agree that ensuring that all Americans have access to affordable, high-quality broadband connectivity should be a national goal. Access to broadband brings economic development and expanded access to health care and educational opportunities. These benefits are magnified in rural areas because of the geographical distance from key economic drivers and community anchor institutions. USDA's Rural Utilities Service (RUS) broadband loan program is one of the tools the government can use to advance the goal of high-quality, affordable broadband in rural America.

Rural local exchange carriers (LECs) face many challenges to broadband deployment that are different than those encountered by larger carriers. These challenges include sparse and dispersed populations, great distances between customers and the switch, rugged terrain, and a lack of economies of scale. Despite the challenges they face in deploying broadband, virtually all rural LECs offer broadband at affordable rates. On average, rural LECs are able to offer broadband to more than 90 percent of their customers. More than 40 percent can already deliver broadband to 100 percent of their customer base. In order to meet the needs and demands of their customers, rural LECs are continually upgrading their networks in order to make their broadband services more robust and widely available.

Access to credit is one of the reasons LECs are able to provide this level of service. Rural LECs are primarily either small, privately-owned companies or local cooperatives. They cannot obtain funding for networks in rural areas by selling stock or seeking investors. In addition, they cannot use profits from low-cost urban territories to finance networks in rural areas like large regional or national carriers can. Thus, the ability to borrow money is central to a rural LEC's ability to provide service. In tough economic times such as these when credit is even harder or more expensive to obtain, a low-interest loan program such as that provided by RUS is vital.

Congress should support an enhanced RUS Broadband Loan and Grant Program.

Policymakers throughout the government have called for affordable access to broadband capability for all Americans, and loan incentives should play a role in achieving that goal. Low-cost RUS loans and grants for rural LECs help facilitate broadband network upgrades and increased service deployment in high-cost rural areas. The availability of an advanced communications network attracts business enterprises to rural areas. Therefore, favorable loans pay for themselves in the form of rural economic development and because they are paid back with interest.

For FY 2009, Congress appropriated over \$400 million for broadband loans and grants at RUS. For FY 2010, taking cues from the American Recovery and Reinvestment Act (stimulus bill), Congress should demonstrate a continued commitment to building broadband in rural America and increase the funding beyond what was appropriated in FY 2009.

Since the program began in 2003, over \$1.8 billion has been loaned to expand broadband access in rural communities across the country. In 2008, RUS made over \$438 million in loans to broadband providers.

Congress should monitor the RUS review process to ensure broadband loan and grant applications are acted upon quickly.

Whether it is the traditional telephone program, the broadband loan program, community connect grants, or the newly enacted loan and grant programs contained in the American Reinvestment and Recovery Act, timely consideration of loan and grant applications benefits both potential borrowers and the customers they seek to serve. The sooner a grant or loan application is approved, the sooner broadband can be deployed in rural areas. Due to administrative burdens and long delays in processing applications at RUS, rural LECs often look elsewhere for financing despite possible higher interest rates. Underutilization of the RUS program may send a signal to policymakers that there is a lack of interest in broadband loans and grants. This is not the case. Congress should monitor the RUS process closely to ensure that potential borrowers are not subjected to costly and time-consuming delays.

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