

RURAL UTILITIES SERVICE ISSUE BRIEF

SUMMARY

The U.S. Department of Agriculture's Rural Utilities Service (RUS) provides loans and grants for broadband and electric networks in rural areas. These loans and grants should be expanded and made more available for access by utilities deploying broadband networks. Utilities are already borrowers from USDA RUS and are making investments in rural America using funding from the RUS. Awarding funding to utilities for broadband will advance the goals and objectives of the RUS, while protecting public interest in making sound investments.

UTC POSITION

UTC supports expanding the ability of utilities to access the RUS electric and broadband programs to support the deployment of broadband and smart grid infrastructure. More funding should be budgeted to the broadband program, and eligibility should be expanded so that more rural areas can apply for funding. UTC supports policies that would enable utilities to leverage the funds in the electric program for smart grid and broadband infrastructure.

BACKGROUND

There are two funding programs under RUS: electric and telecommunications. The telecommunications program includes grants for broadband deployment, as well as Farm Bill Broadband Loans and Loan Guarantees.

RUS's proposed FY19 budget for broadband is \$23 million for direct loans and \$30 million for broadband grants to support new or improved access across rural America. Eligible applicants for broadband grants include for-profit and non-profit entities, tribes, municipalities and

cooperatives. USDA particularly encourages investments in tribal and economically disadvantaged areas.

The grants are limited to rural areas, which include towns with a population of less than 20,000 or urbanized areas with a population of less than 50,000. The area must be completely unserved by 4/1 mbps, and proposed projects must provide a minimum of 10/1 mbps. There is also a 50% matching requirement for the grant program, which must be from private funds and the upfront payment from the grantee must be at least 15% of the total amount being requested.

There are separate requirements for the cost of money loans that are available under the Broadband Program as well as restrictions in terms of eligible areas.

The electric program has a \$5.5 billion annual loan budget for financing electrical infrastructure in rural areas, including smart grid initiatives. The electric program can aid in the support and deployment of broadband through the use of facilities, such as fiber, that are implemented for smart grid purposes. Other assets and facilities, related directly to and used solely in the provision of non-smart grid related broadband services, must be funded by other sources, including the RUS Broadband Program.

Utilities, particularly rural electric cooperatives, are uniquely positioned to apply for grants and loans to provide broadband in areas that are eligible for funding. Many utilities are already RUS borrowers, and the opportunity to leverage the electric program to support smart grid infrastructure such as fiber also enables

utilities access to additional sources of funding. Therefore, the USDA RUS represents an attractive opportunity for utilities to access funding in support of rural smart grid and broadband deployment.

SITUATIONAL AWARENESS

Currently, a quarter of rural America lacks access to broadband services; and utilities are uniquely positioned to provide broadband to rural areas. They have the resources and the expertise to deploy broadband networks and offer broadband services.

These utilities have been economically successful, even in low-population areas. Expanding the budget for RUS broadband grants and loans makes it easier for utilities to access available funding in broadband and electric programs and enables utilities to deploy broadband and offer services throughout unserved areas in rural America.

ABOUT UTC

The Utilities Technology Council (UTC) is a global trade association dedicated to serv-

ing critical infrastructure providers. Through advocacy, education and collaboration, UTC creates a favorable business, regulatory and technological environment for companies that own, manage or provide critical telecommunications systems in support of their core business.

UTC was founded in 1948, to advocate for the allocation of additional radio spectrum for power utilities. Over the last 68 years, UTC has evolved into a dynamic organization that represents electric, gas and water utilities, as well as natural gas pipelines, critical infrastructure companies and other industry stakeholders.

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