

Show Me the Rural Money

Regulations for spending the \$600 million appropriated in March for rural broadband will be slow in coming. Here's why.

By Steven S. Ross / *Broadband Communities*

As I reported in detail in the March/April issue of *Broadband Communities*, the \$1.3 trillion omnibus budget bill passed in late March appropriated \$600 million for rural broadband. However, it looks as though deployers will not be able to apply for the money until late summer at the earliest, and even that is a stretch. Money is unlikely to flow until next year. The program is caught in the confusion of a USDA reorganization, hindered by skeleton staffing and being sniped at by the FCC, especially Commissioner Michael O'Rielly, a Republican.

On the plus side, the key USDA appointments for rural broadband look solid. Kenneth Johnson, the new administrator of the Rural Utilities Service (RUS), was CEO of Co-Mo Electric Cooperative and president of Co-Mo Connect in Tipton, Missouri. Co-Mo is one of about 60 of the 900-plus electric co-ops deploying fiber broadband networks. It provides gigabit service to 16,000 subscribers.

In the reorganization, pending at press time, RUS, along with the Rural Housing Service and the Rural Business-Cooperative Service, will report to the secretary of agriculture through Jannine Miller, senior adviser to the secretary for rural infrastructure. She's not a broadband expert, but she is a no-nonsense technocrat who led the Georgia Center of Innovation for Logistics under USDA Secretary Sonny Perdue when he was Georgia's governor.

Perdue calls this an upgrade for the rural development agencies, which currently report to an undersecretary, who reports to a deputy secretary, who reports to Perdue. But the state, local and private entities dependent on these agencies have expressed nervousness. The three rural agencies have a loan portfolio of \$200 billion. Until the reorganization is resolved, staffing is difficult.

All these issues are magnified by the sorry state of the National Broadband Map, which, despite an upgrade this winter, systematically shows broadband service where there is little or none.

"I looked up my house and can tell you with good authority [the National Broadband Map] lists service that is not available at my location," FCC Commissioner Jessica Rosenworcel, a

Democrat, wrote. She invited people to email error reports to broadbandfail@fcc.gov.

RUS can spend the \$600 million flexibly. There's up to \$18 million for planning. Awards can combine grants and loans rather than provide only one or the other. The appropriation does not have to be spent before this fiscal year ends September 30, but the omnibus bill urges quick fund disbursement and limits spending on overhead to just 4 percent of the total.

O'Rielly was quick to note that the new law specifies that "at least 90 percent of the households to be served by a project receiving a loan or grant under the pilot program shall be in a rural area without access to broadband, defined for this pilot program as 10 Mbps downstream and 1 Mbps upstream."

In addition, money cannot be spent to overbuild existing RUS-funded systems. This addresses complaints of existing carriers. Instances of overbuilding are rare and generally involve obsolete systems that carriers could not or chose not to upgrade. Sloppy map data leaves a lot open to interpretation, especially in rural counties near major urban centers.

O'Rielly wants the FCC to coordinate with RUS to avoid spending on overbuilds rather than on providing service across truly unserved areas. He also flagged potential conflicts between RUS and the \$4.5 billion Universal Service Fund. USF recipients must meet deployment milestones, but they have some flexibility to decide when areas get broadband, within an overall construction timeline that can stretch to seven years. Thus, O'Rielly says, parts of a USF-funded service territory that appear to be unserved should not be considered unserved if they are required to be built out within a specified time frame.

O'Rielly also wants RUS to refrain from awarding funding in small rural communities and leaving the USF to pick up the sparsely populated surrounding areas.

There is certainly room for agreement on such issues. Electric co-ops, for instance, generally commit to using profits from in-town deployments to pay for outlying areas already served by their electric grids, and Ken Johnson knows how to get that done. But first, the USDA must hire staff and write some regulations. ❖

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