

Remarks As Prepared for Delivery by Jonathan Adelstein
NARUC Annual Meeting
Atlanta, GA

Good morning. And thanks, President Coen, for that introduction!

It is great to back with all of you at NARUC's Annual Meeting! It is great to see a lot of old friends and make some new ones. I want to thank David for inviting me and for his fine leadership of NARUC.

I consider myself very fortunate to be part of the NARUC family both as a former Commissioner and now as the Administrator of the RUS. As many of you know, RUS is a policy, planning and financing agency for rural electric, telecommunications, broadband and water systems.

This is a big year for RUS. We are celebrating the 75th anniversary of our creation as the Rural Electrification Administration. And in terms of funding, including the Recovery Act, it was our biggest year ever, with a program level of over \$15 billion.

While our agency and its mission were born in the New Deal, RUS is as vital today in the 21st Century as it was in the last century. Over the last 75 years, the REA/RUS model of public/private partnership has brought modern utility services to some of the nation's most remote and hard to serve rural areas.

That same model is working today to bring to rural America 21st Century investments in broadband, telemedicine, distance learning, smart grid, renewable energy, and safe, clean water.

Our mission is to use our loan and grant programs and to support investment in utility infrastructure that would not otherwise be possible. These investments create jobs. These investments create economic opportunity. These investments can once again transform rural life by making small town America part of our information age and part of our cleaner green future.

75 years ago, FDR created the REA to create jobs, improve the quality of rural life, transform the rural economy and lead the nation out of economic hardship. Today, RUS is proud once again to play a key role in spurring economic recovery.

Under our Recovery Act broadband program, along with our partners at NTIA, we've supported the largest expansion of broadband infrastructure in rural America ever attempted.

I am proud that, as of September 30th, we successfully completed all of the awards for the Broadband Initiative Program. That represents over \$3.5 billion in loans and grants committed to 320 separate projects.

In our water and environmental program, the Recovery Act invested \$3.26 billion in 884 projects located in all 50 states and Puerto Rico. That is in addition to the regular funding for \$1.65

billion in loan and grant commitments to more than 1,000 water, waste and technical assistance projects.

Even though the RUS electric loan program did not have specific Recovery Act funding, it obligated a record \$7.1 billion in loans to 160 distribution projects and 13 power supply projects. These loans included 5 renewable energy loans totaling \$313 million. We funded significant investments in smart grid. And we are now reviewing a record number of applications for our high energy cost grant program. It uses new technologies to provide sustainable, affordable power to some of the communities with the highest energy costs.

Despite the record funding in the last two years, the demand from good projects outstripped the available funding. In the broadband program we were only able to fund one out of ten projects. We had to make heart breaking decisions. Some very good projects could simply not get funded.

Our basic programs all saw amazing demand. That is not surprising. Although we are not a lender of last resort, we all see sources of private credit extremely tight. An important private sector rural telecommunications lender recently told the FCC that it was cutting back lending to rural telcos by 40 percent.

Because our programs are built on a foundation of prudent lending, RUS programs remains extremely affordable and effective. Millions of dollars of budget authority create billions of dollars of treasury rate of interest loans. And each investment leverages meaningful private investment.

It is great to be part of the Obama Administration, which puts broadband expansion at the top of its agenda.

Together with our partners at Commerce, RUS worked overtime to carry out the Recovery Broadband program signed into law by President Obama. At USDA, I have seen that commitment first hand, from Secretary Vilsack on down. In fact, access to broadband is the first pillar of the Secretary's plan to revitalize rural America.

And as you all know, there is intense interest in how we are carrying out the Broadband program at the highest levels of the White House – from the President, the Vice President to White House officials at the very top. It is a signature program in the Recovery Act for the President. Early on, as it took time to set up the new program, we learned in a visit with VP Biden that President Obama was asking him every week or two about progress on the broadband program – encouraging him to get the money out quicker.

As of today, along with all of you, we helped cement that pillar firmly into the soil of rural America. By leveraging our funding to provide loans as well as grants, we have been able to stretch our \$2.5 billion appropriation from Congress to over \$3.5 billion dollars.

To put that in perspective, the largest foundation in America, the Gates Foundation, gave away less than that last year - \$3 billion. And they did it with over 700 staff – while we used less than 100. To be exact, RUS made 320 awards for \$3.53 billion. The bulk of that – 286 awards for \$3.26 billion – were for last-mile infrastructure awards.

And it's a reflection of the expertise RUS has developed over the past 60 years of directly connecting rural homes, businesses and community facilities to telecommunications networks.

But we also have a substantial Middle Mile component, making 12 awards for \$172 million. On top of that, we made four satellite awards for \$100 million, and 19 technical assistance awards to develop regional broadband plans for over \$3 million.

All told, we expect these Recovery broadband projects will connect well over 6 million people to state-of-the-art broadband in 46 states and territories. And they will serve over 360,000 businesses, along with over 30,000 community anchor institutions.

They will provide badly needed educational and health benefits for these rural residents. More than one million K-12 students attend school within the areas served by these awards. More than 100 colleges and technical schools will be served by them. And nearly 600 health care facilities will be served by them.

In terms of technology, these awards represent the array of options available – from fiber to cable coax, even broadband over power line -- to wireless, from WiMax to LTE - and a wide variety of players. About half of awardees will deploy fiber-based systems. And nearly a third of these projects include a wireless component.

We have targeted these projects to the most rural areas in the country. And we have targeted low-income areas. In fact, we are reaching 125 counties with persistent poverty – nearly a third of all persistent poverty counties in the US! And the projects overlap with 31 tribal lands.

All told, these BIP projects will create over 25,000 immediate and direct jobs building these networks. These high-paying jobs are in the equipment supply, design and construction sectors.

Best of all, once they are built, they will provide the platform for future sustainable job creation and economic development for years to come.

While some of our awardees are in areas that are more remote than others, nobody understands better than you –that existing service does not follow neat lines.

Sometimes, existing service in a small part of an area is a jump-off point to get to the unserved parts. That can be controversial. But understand, we at RUS have worked hard to minimize it.

We sent our field staff out to determine what was happening on the ground in each area before we funded it. And by and large, we have targeted the program to the most rural areas we could find that had good applications.

We made these Recovery Act investments on top of our regular program level loans and grants. RUS awarded more than \$690 million in funding for 33 traditional telecommunications infrastructure projects over the past year. Now, compared with \$3.5 billion -- \$690 million may not sound as big. But for rural America, it's huge.

These funds will assist with upgrades, expansion, maintenance and replacement of rural networks.

This Telecommunications Infrastructure funding, as well as the dramatic Recovery Act investments made by RUS and NTIA, will move us forward in our mission to achieve universal access to broadband. But they won't take us all the way there. As you all know, we still have a long road ahead. While the number gaps in coverage remain daunting, I'm heartened by the unprecedented collaboration among federal and state governments, local and tribal governments, and telecom providers, big and small, shrinking the gaps day in and day out.

We are now building out – and building on – the Recovery Act program. We're now looking to transition those who didn't win awards, and other new applicants, back to our regular broadband loan program – as well as and our Distance Learning and Telemedicine and Community Connect programs. We will continue to use our existing telecommunications and broadband loan programs – over \$1 billion a year in loans and grants– to finance more broadband projects.

And for us at USDA, it is not enough to just build out these networks – we want to help build businesses on top of them. Our Rural Development mission area is committed to working with communities to finance new internet-based businesses in the communities we've supported.

And even after networks are built out to every rural corner of America, we still face the challenge of adoption – which, as you know, is especially difficult in rural communities. The challenge is similar to that faced by our electric borrowers in the early days of rural electrification – they had to convince rural residents to sign up for electricity. So as we celebrate the 75th anniversary of the REA, we need to look forward as to how we promote broadband adoption.

In particular, it's become clear that the solution to adoption requires active collaboration and partnership among federal government agencies; state, local and tribal governments; nonprofit and for profit entities; and telecommunications providers.

Looking ahead, some of you have asked me about the FCC's National Broadband Plan. We're working with the White House, NTIA as the President's advisor on telecommunications policy, and the FCC on our shared goal of promoting rural broadband deployment.

In fact, last week I sent a letter to my friend and colleague, FCC Chairman Julius Genachowski, offering to lend our expertise and data to their effort to reform universal service and intercarrier compensation. Already, the FCC has shown great interest in collaborating with us on this data effort.

We at RUS are meeting with our colleagues at the FCC. We are establishing channels to collaborate and share data. And we have better data than anyone else. The FCC wants a data-driven process. And they are following through.

We at USDA, including Secretary Vilsack, who is deeply involved, are strongly committed to working with the FCC on this.

The RUS is happy to share with the FCC the insight we have gained into the economics of providing rural telecommunications services. We currently have over \$4.2 billion in loans in our telecom portfolio, which will increase substantially with awards this year under the Recovery Act.

We've repeatedly lent our expertise, data, and cooperation to agencies managing fundamental change in utilities regulation. We are doing so again with respect to the National Broadband Plan. RUS fully shares the Commission's goal of expanding BB deployment and adoption in rural America.

Reforming existing federal Universal Service Fund support mechanisms as well as the intercarrier compensation system for the broadband era can advance that goal. These revenue streams, often combined with affordable lending from RUS and private lenders, have kept rural rates affordable and comparable to urban rates.

The historic success of the RUS in financing rural broadband networks could prove useful as we offer our assistance in these deliberations. Since the inception of our telephone program in 1949, our financing has served as one of the federal government's principal tools to incentivize providers to deploy advanced communications networks in rural high-cost areas. The other principal tool is Universal Service. These programs work together.

Rural access to telecom services is often dependent on RUS financing and USF. The cycle of investment generated by the RUS Infrastructure and Broadband loan programs spurs additional private risk capital to flow into rural communities. This leads to new business development and better employment opportunities. RUS investment also unlocks local economic and entrepreneurial activity. It is against this backdrop of expertise that the RUS will offer its experience.

We will encourage investment in the networks which attract economic development, high-tech, high-wage jobs and enhance educational, healthcare, and cultural opportunities for the over 50 million Americans who call rural America home.

And those of you who know him will be pleased to know that I have brought on a friend and my predecessor, Chris McLean, to serve as my Senior Advisor at RUS. He will help with the process of data sharing with the FCC.

And while our Broadband program has garnered a lot of attention over the last couple years, I want to remind everyone that we remain true to our roots in rural electrification. As I mentioned, even amidst the Recovery Act efforts, our Electric program had a record year, investing another \$7 billion for improved rural electric infrastructure, including over \$300 million for renewable energy generation.

As you heard from RUS Deputy Administrator Jessica Zufolo over the last couple days here at NARUC, RUS will continue to focus on renewable energy. We are funding the integration of smart grid equipment into existing utility plants, which will help providers better manage peak loads help rural consumers lower their energy bills.

And I have been telling telecom and electric coops alike that we want to see more collaboration to bring broadband and smart grid solutions to rural America.

I would like to encourage all of you to learn more about USDA Rural Development's more than forty programs that are available to local and tribal governments, non-profit and for-profit entities, and co-operatives.

Under the Recovery Act alone, Rural Development administered more than \$21.2 billion in assistance to rural communities, creating approximately 300,000 direct jobs in the process.

With programs offering low-interest financing for affordable housing, renewable energy, rural business creation, and the construction or rehabilitation of community facilities and utility infrastructure, we truly are your one-stop shop to renew and rebuild rural communities.

We want to give young people in rural America an opportunity to stay and contribute to the communities they grew up in. Our objective is to turn rural areas into employment zones and centers for innovation.

We cannot do it without you. We look forward to working with the great leaders of NARUC to have states help guide the RUS and all federal agencies strike the right balance between prudent utility investment and consumer protection.

We at RUS, see our friends at NARUC as key partners in this effort. We appreciate NARUC's leadership, and we want to work with you to build a foundation for future economic development in rural America.

Thank you again for inviting to join you today!