



United States Department of Agriculture  
Rural Development

Kansas Corporation Commission  
Telecommunications on the Cusp Roundtable  
March 11, 2011

Chairman Wright, Commissioner Loyd, Members of the KCC and Attendees:

Thank you for the opportunity to address the Kansas Corporation Commission as it prepares its response to the FCC's 2010 National Broadband Plan and the 2011 NPRM. I am Patty Clark and I currently serve as the State Director in Kansas for USDA Rural Development.

As Mr. Loube and Mr. Bluhm outlined last week, there is a seven-century legacy of the courts applying tort duties to "public callings". Woven into that long history were priorities that included reasonable care of persons (or customers); liability of the provider to deliver the goods; no unreasonable discrimination; and expectations of service. Their presentation provided an interesting history and backdrop for my remarks this morning.

The Rural Utility Service, which is a branch of USDA Rural Development, has a 75 year history of financing "public callings" in rural areas across America. RUS is the oldest and most successful infrastructure lender throughout rural, high cost markets. We finance infrastructure, not operations, and we focus on the 50 million Americans who live in rural areas. Our current active portfolio is \$56 Billion in loan and grant financing for electric, water, telecom and broadband projects. We are good stewards of public funds and the public trust. RUS has less than a 1% default rate on our loans.

USDA Rural Development, through Rural Housing Service, also finances rural health care facilities, emergency equipment, fire stations, libraries and other public benefit projects that enhance the quality of life for our rural residents. In addition, we have a robust homeownership lending program that provides direct and guaranteed loans to low-income families and individuals in communities of less than 20,000.

RUS began investing in rural telephone service in 1949. We are an incentive lender for those who seek to serve eligible rural communities with modern telecommunications infrastructure. Currently we have 2337 active loans nationwide with \$4.2 Billion in outstanding principal.

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***Committed to the future of rural communities***

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RUS borrowers build advanced networks in the most prudent and cost effective manner. The RUS engineering ethic means that borrowers build and trench once. In most cases, our borrowers deploy fiber because it is less expensive to maintain and delivers a higher through-put than copper and because RUS wants to avoid investment in infrastructure that too quickly becomes obsolete. RUS borrowers are also required to provide at least one MBPS of broadband service.

Most recently, RUS has provided 320 loan and grant Broadband Investment Program (BIP) awards in 46 states nearing \$3.53 Billion in infrastructure investments. Of that total, 286 awards in the amount of \$2.36 Billion were for last mile construction. This means service to 2.8 million households and 6 million customers including 360,000 businesses and 30,000 anchor institutions.

In Kansas, RUS has provided nearly \$64 Million in BIP Loans to eight entities and nearly \$70 Million in BIP Grants to ten entities during 2009-2010 through Recovery Act Funding.

Today, RUS borrowers are building facilities that are comparable to those deployed in urbanized areas to keep pace with metropolitan network infrastructure developments, which was a goal of the English Amendment to the Rural Electric Loan Restructuring Act of 1993.

In telecommunications, RUS financing is dependent on sufficient, specific and predictable revenues. USF support and ICC revenues are among the factors evaluated in virtually every RUS loan. Only 4 out of the 480 active borrowers in our nationwide portfolio did not receive rural high cost USF support.

We hope the Kansas Corporation Commission's comments regarding the 2011 NPRM include recognition of the importance of RUS's current and historical investment in broadband. Stranding that investment imperils the seven-century legacy of public callings that Mr. Loube and Mr. Bluhm spoke of early in their presentation on March 4, 2011. Broadband is this generations' infrastructure investment just as electrification and water were the investment of previous generations. RUS finances these fundamental infrastructure systems that are vital to the economic growth and sustainability of rural communities. We take that "public calling" very seriously as we believe rural areas should not be competitively disadvantaged to their metropolitan counterparts.