Lawmakers May Refocus Rural Internet Financing

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Members of a House committee charged yesterday that a five-year, $1.2 billion program to expand broadband Internet services to rural communities has missed many unserved areas while channeling hundreds of millions of dollars in subsidized loans to companies in places where service already exists.

"If you don't fix this, I guarantee you this committee will," House Agriculture Committee Chairman Collin C. Peterson (D-Minn.) told James M. Andrew, administrator of the Rural Utilities Service at the U.S. Department of Agriculture. "I don't know why it should be this hard."

Peterson said he was "not happy" with the information in a recent Washington Post article about the USDA's overall rural development program. The program provides grants, loans and loan guarantees to expand housing, small business, water and sewer, electricity and telecommunications services in rural areas.

The Post reported that since 2001 more than half the money has gone to metropolitan regions or communities within easy commutes of a mid-size city. An Internet provider in Houston got $23 million in loans to wire affluent subdivisions, including one that boasts million-dollar houses and an equestrian center.

Congress created the rural broadband program in 2002. To date, according to Andrew, 69 loans for $1.2 billion have been approved to finance infrastructure in 40 states. Only 40 percent of the communities benefiting were unserved at the time of the loan, Andrew said.

In September 2005, USDA's inspector general reported that the broadband program "has not maintained its focus on rural communities" that are without service.

The USDA has been drafting new regulations to address the
problem since late 2005. Rep. Mike McIntyre (D-N.C.), who
chairs the subcommittee overseeing rural development issues,
yesterday directed Andrews to send the proposal to Congress
within 10 days. "I'm disappointed these regulations are still under
wraps," McIntyre said.

A spokesman for the USDA's Rural Development division told a
reporter the agency could not comment until they are published.

Several industry witnesses charged that the program has undercut
privately financed telecommunications companies.

"Taxpayer funds are being misspent on projects that are not
extending broadband service to unserved rural communities," said
Tom Simmons, senior vice president of Midcontinent
Communications of Sioux Falls, S.D.

Last week, Rep. Stephanie Herseth Sandlin (D-S.D.) introduced
legislation to close loopholes that allow areas that "are neither
rural nor suffer a lack of service" to collect the loans and loan
guarantees.