

TESTIMONY SUBMITTED TO THE
HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, FOOD
AND DRUG ADMINISTRATION, AND RELATED AGENCIES

April 12, 2011

SUBMITTED BY
Randy Tyree
Vice President
Legislative Policy

THE ORGANIZATION FOR THE PROMOTION
AND ADVANCEMENT OF SMALL TELECOMMUNICATIONS COMPANIES
(OPASTCO)

Thank you for this opportunity to submit testimony regarding Fiscal Year 2012 appropriations for telecommunications and broadband programs administered by the Department of Agriculture's Rural Utilities Service (RUS). OPASTCO seeks the Subcommittee's support for FY 2012 loan levels for the telecommunications and broadband loan programs administered by RUS in the following amounts:

Telecommunications hardship loans:	\$145,000,000
Treasury telecommunications loans:	\$250,000,000
FFB telecommunications loans:	\$295,000,000
Broadband telecommunications loans:	\$400,000,000

In addition, OPASTCO requests that distance learning and telemedicine programs be funded at sufficient levels.

OPASTCO members, rural incumbent local exchange carriers, face many challenges in deploying broadband that are different than those encountered by larger carriers. These challenges include sparse and dispersed populations, great distances between customers and switching

facilities, rugged terrain, and a lack of economies of scale. Access to credit is one of the reasons rural carriers are able to provide the level of broadband service that is available in rural areas today. Rural carriers are primarily either small, privately-owned companies or local cooperatives. They cannot obtain funding for networks in rural areas by selling stock or seeking investors. In addition, they cannot use profits from low-cost urban areas to finance networks in rural areas like large regional or national carriers. Access to debt financing is central to a rural carrier's ability to provide service to its customers.

At present, the Federal Communications Commission is considering reforms to the Universal Service Fund and intercarrier compensation that may limit rural carriers' ability to upgrade the broadband speeds provided to rural customers and to extend service to additional rural customers. If rural carriers' revenue streams are not stable during a transition to a new regulatory regime or once that new regime is in place, it will be very difficult for them to obtain financing from either private or public sources. Reduced access to financing will lead to reduced investment in rural networks. Thus, access to the RUS loans is more critical than ever to rural carriers' ability to continue investing in rural communications infrastructure.

Please contact me if you need further information:

Randy Tyree
Vice President
Legislative Policy

OPASTCO
2020 K Street, NW
Washington, DC 20006
202-659-0254 rxt@opastco.org