

Why GAO Did This Study

Access to affordable broadband telecommunications is increasingly viewed as vital to economic growth and improved quality of life. Broadband is particularly critical in rural areas, where advanced communications can reduce the isolation of remote communities and individuals. To extend access to broadband and therefore increase economic opportunity in rural America, RUS finances the construction of broadband through a loan program.

GAO was asked to assess issues related to the loan program. This report addresses the (1) geographic distribution and financial performance of loans and (2) relationship between loans and broadband deployment and economic development, and how USDA evaluates progress towards these outcomes.

To address these research questions, GAO interviewed broadband providers and stakeholders selected for their varying experiences, including those that have and have not received RUS loans. GAO also analyzed RUS and U.S. Census Bureau data from 2003—2013 as well as the most recent National Broadband Map data.

What GAO Recommends

GAO recommends that USDA (1) evaluate loans made by RUS through the loan program to identify characteristics of loans that may be at risk of rescission or default and (2) align the goals in its *APR* to the loan program's purpose, to the extent feasible. In commenting on a draft of this report, USDA said it will strive to fully implement the report's recommendations.

View [GAO-14-471](#). For more information, contact Mark Goldstein at (202) 512-2834 or GoldsteinM@gao.gov.

TELECOMMUNICATIONS

USDA Should Evaluate the Performance of the Rural Broadband Loan Program

What GAO Found

The U.S. Department of Agriculture (USDA) Rural Utilities Service (RUS) has approved 100 loans to geographically and demographically diverse areas through its Rural Broadband Access Loan and Loan Guarantee Program ("loan program"), though over 40 percent of these loans are no longer active. The geographic distribution of RUS loans is widespread, with broadband providers in 43 states having received one or more loans through the loan program from 2003 through 2013. About \$2 billion in loans have been made to providers in areas with diverse demographics and economies, including areas with low population densities and income as well as areas in relative proximity to large cities with robust local economies. Of the 100 RUS loans approved through the loan program, 48 are currently being repaid, and 9 have been fully paid back. Forty-three are no longer active, either because they were cancelled before they were paid out (25 rescinded) or because the provider defaulted by failing to abide by the terms of the loan (18 defaulted). Approving a loan requires significant resources. Loans that default or are rescinded can represent an inefficient use of RUS resources. Despite these issues, RUS has not gathered information or performed analysis to better understand what might lead a project to default or otherwise make a project a poor candidate for receiving a loan. Federal guidance, though, emphasizes the importance of assessing the risk associated with loan programs.

RUS loans can help promote limited broadband deployment and economic development, but USDA's performance goals do not fully align with the loan program's purpose. According to GAO analysis of National Broadband Map deployment data as of June 2013, areas with RUS loans generally have the same number of broadband providers as areas without a loan. However, the RUS loan program can enhance the quality and reach of broadband networks in rural areas, according to stakeholders. Further, according to GAO analysis of RUS loans and U.S. Census Bureau data from 2003 through 2011—the years for which RUS and relevant Census data are available—areas affected by at least one approved RUS loan were associated with modestly higher levels of employment and payroll (1 to 4 percent) after the year of loan approval and in all subsequent years, as compared to areas that did not receive RUS loans. As stated in the program regulations, the purpose of the RUS loan program is to increase broadband deployment (that is, the number of broadband subscribers with access to new or improved broadband service) and economic opportunity in rural America through the provision of broadband services. USDA's *Annual Performance Report (APR)* provides information on the achievements of USDA's programs each fiscal year. The goals in USDA's report, though, do not fully align with the purpose of the loan program. For instance, USDA's *APR* does not have any goals or measures to determine the loan program's progress towards economic development outcomes. As our past work has shown, an attribute of a successful performance goal is whether it aligns with division and agency-wide goals. Agency performance goals that do not link to program goals can lead to incentives and behaviors that do not support the achievement of division or agency-wide goals. Performance goals aligned with the program's purpose may help USDA and Congress better monitor the outcomes of the loan program.