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Senate Committee on Indian Affairs
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**U.S. DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
RURAL UTILITIES SERVICE**

Statement of Hilda Gay Legg, Administrator, before the Committee on Indian Affairs.

Mr. Chairman, Members of the Committee, I appreciate the opportunity to come before this committee to testify, on behalf of the U.S. Department of Agriculture, on the Rural Utilities Service's role in addressing the telecommunications needs in Indian Country.

The Rural Utilities Service (RUS) is an agency of Rural Development within the United States Department of Agriculture, which actively supports and promotes the universal availability of telecommunications as well as the expansion of information services in defined circumstances in rural America through its Telecommunications Program. The agency also administers programs to help finance the provision of electricity, safe drinking water, distance learning and telemedicine services, and the removal and disposal of wastewater in rural areas. It is the successor agency to the Rural Electrification Administration (REA) and has been helping rural communities finance modern telecommunications facilities and services for over fifty years.

While electric, telephone, and water and waste disposal services have been taken for granted in American cities since the 1920's and before, if you lived in a rural area only 50 years ago, chances are you went without these necessities of modern life and the high standard of living they make possible. Regretfully, this is far too often true in much of Indian country today. However, with the financing made available through the Rural Utilities Service, this, too, is changing.

Modern utilities came to rural America and many of the tribal lands through one of the most successful government initiatives in American history, carried out through the United States Department of Agriculture working with rural cooperatives, tribal governments, nonprofit associations, public bodies, and for-profit utilities. Today, USDA's Rural Utilities Service carries on this tradition helping rural utilities expand and keep their technology up to date, helping establish new and vital services such as distance learning and telemedicine.

As we are all aware, the building and delivery of an advanced telecommunications network is having a profound effect on our nation's economy, its strength, and its growth. In discussing the importance of advanced, high-speed access -- commonly referred to as "broadband service" -- at the Economic Forum in Waco this past summer, President Bush said: "In order to make sure the economy grows, we must bring the promise of broadband technology to millions of Americans. And broadband technology is going to be incredibly important for us to stay on the cutting edge of innovation here in America."

Just as our citizens in our cities and suburbs benefit from access to advanced telecommunications services, so should our rural residents, particularly those living in some of our most remote rural areas, the tribal reservations. Modern telecommunications service is important to rural America. It plays an enhancing role in solving the problems created by time, distance, location, and lack of resources.

Today's advanced telecommunications networks will allow Native American communities to become platforms of opportunity for businesses, both new and established, to compete locally, nationally and globally. These networks will help ensure that no rural resident -- from students to parents and teachers, from patients to doctors, or from consumers to entrepreneurs -- will be left behind in this new century.

USDA is proud of its contributions to improved infrastructure services in many Native American communities. RUS has worked with telephone companies and cooperatives serving Native Americans since the inception of our programs to bring modern, reliable electric, telecommunications and water and sewage systems to Native American residents. In 1961, RUS made its first loan for electric service to the Navajo Nation and in 1976, RUS financed its first tribal telephone company, the Cheyenne River Sioux Tribe Telephone Authority in Eagle Butte, South Dakota.

Unfortunately, there are still rural communities without access to telecommunications services. In particular, Native Americans living on tribal reservations have some of the lowest telephone penetration rates in the nation. This lack of telecommunications infrastructure also contributes to high unemployment, depressed economic conditions, reduced educational opportunities and reduced medical care.

In partnership with our small, rural independent and cooperative telecommunications systems, USDA is making significant investments in infrastructure in Native American communities. We have financed over 60 local exchange carriers that serve tribal reservations. These companies are providing telecommunications service to over 27,000 Native Americans.

We are especially proud of our efforts working directly with tribally-owned and operated telecommunications utilities. The Rural Utilities Service has financed six tribally owned telecommunications companies for service exclusively on the reservations. They are: the Tohono O'odham Utility Authority, in Sells, Arizona; Gila River Telecommunications, Inc., in Chandler, Arizona; San Carlos Apache Telecommunications Utility, Inc., in San Carlos, Arizona; Fort Mojave Telecommunications, Inc., in Mohave Valley, Arizona; the Cheyenne River Sioux Tribe Telephone Authority, in Eagle Butte, South Dakota; and Mescalero

Apache Telecom, Inc., Mescalero, New Mexico. These six companies currently serve 15,036 Native American subscribers.

Additionally, we are having ongoing discussions with other tribal entities about the possibility of obtaining RUS financing. Most recently, we have met with the Colorado Indians, the Hopi Tribe, the Navajo Tribal Utility Authority, the White Mountain Apache Tribe; the Pascua Yaqui Tribe, the Yavapai-Apache Tribe, and the Quechan Indian Tribe all located within the state of Arizona as well as the, Yurok Tribe, in California.

USDA has been active in disseminating information on its programs to those in Indian Country. We have made numerous presentations at Native American conventions, seminars, and workshops to discuss how tribal entities may participate in RUS programs. Our General Field Representatives routinely visit tribal authorities who are interested in improving telecommunications service to discuss how RUS financing can promote these improvements. However, many reservations are served by telephone companies that do not borrow from RUS, and these companies do not always work with tribal authorities on matters that may impact on service to the reservation. In such cases, it may be necessary to form a den company before RUS can be of assistance. Therefore, in those instances, RUS involvement will likely come from loans made to newly-formed tribal telecommunications entities.

Forming a telecommunications company in any rural community is a formidable task. In today's telecommunications market, it is even more so. There are substantial financial hurdles to conquer and the industry is going through some difficult changes since the passage of the Telecommunications Act of 1996. Telecommunications companies today must be able to address a changing environment in toll separations, access charges, plant accounting, unbundling requirements, universal service fund issues and competitive service issues.

The key to developing a successful telecommunications system is a good, sustainable business plan – one that has the support of the tribal community and meets the community's individual needs. Because RUS is an infrastructure financier, we do not finance operating costs. Therefore, it is necessary for the tribal system to have sufficient cash reserves to meet its operating expenses, particularly during the construction phase when subscriber take rates are low. In certain instances, the tribal authority, itself, has infused cash into the telecommunications system. In other instances, the tribally-owned telecommunications system has partnered with an independent telephone company until it was financially well established and able to purchase the independent company's investment interest.

Knowing the tribal community's needs and meeting those needs is critically important. A good business plan and marketing survey will help the tribally-owned utility recognize the service requirements of the community and its residents. Is the tribe attempting to attract businesses into the reservation by having high-speed data connections? Are the members of the tribe attempting to establish home-based businesses from which to market their native crafts. Is the community attempting to enhance the learning opportunities of its

young people by connecting, through distance learning, to tribal colleges? By knowing the answers to these questions during the initial planning phase, the telecommunications system can be developed to meet the specific needs of its customers.

RUS can provide advice and assistance in formulating plans for the design and construction of telecommunications plant and for formulating a business plan that will support a loan from RUS. We do not, however, assist potential borrowers in the actual formation of a telecommunications business. There are many legal, regulatory and financial issues that must be addressed by a tribal entity before making a decision to form a telecommunications company.

A prime example of just such a situation is Gila River Telecommunications, Inc. Gila River is a tribally-owned and operated telecommunications system. It began as a start-up company with no subscriber lines, by partnering with an independent telephone company, Dobson Communications, it was able to obtain the cash necessary to begin operations. With telecommunications loans from RUS, Gila River was able to construct an advanced telecommunications system capable of broadband delivery. As a result, the most remote of Native Americans living on the reservation have access to modern telecommunications services and the Tribal Authority was able to build a large Industrial Park and attract more than 50 businesses to locate on the reservation.

In this fiscal year alone, the RUS has almost \$660 million available for telecommunications infrastructure financing and another \$1.45 billion in broadband infrastructure financing. Native American entities are eligible to apply for this assistance for improving the quality of life in Indian Country.

Together with RUS-financed telecommunications systems, tribal schools and hospital can, and have, availed themselves of our Distance Learning and Telemedicine program, or DLT as we call it. This program provides grant funds for end-user equipment in schools and libraries to deliver the services made possible by E-Rate. Through these advanced telecommunications systems, Indian schools can connect with other tribal and non-tribal educational institutions to bring enhanced learning opportunities to the most remote of locations. Not only will the young people of the reservation benefit but the tribe, as a whole, will benefit. Health care and educational professionals can complete their necessary continuing professional education requirements. Adults can learn new job skills that will allow them to participate in today's global economy without leaving the reservation. The latest in dietary and nutritional information can be made available to help curtail the increase in the number of cases of diabetes, which is common among many Native American communities.

The Distance Learning and Telemedicine Program, during its 11-year history has made more than \$17 million in grants that went to providing these critical services to Native Americans. For this fiscal year, RUS has \$27 million in grant funds and \$300 million in loan funds available.

One of RUS' greatest success stories for Indian Country came just last week when Secretary of Agriculture, Ann Veneman, announced our "Community Connect" grants on

Friday, May 16. The focus of this program was to literally “connect a community” with broadband infrastructure, infrastructure that was currently not available and because of the rurality and the current economic situations of the community, may never be available. Grant funds were made available to deploy broadband service to all critical community facilities, which we defined as local schools, hospitals, medical clinics and police, fire, and rescue services. Included in the grant was the cost of providing broadband service, free of charge, to these facilities for the first two years of operations. Grant funds were also available for establishing a community “broadband” center with a minimum of 10 computer stations where residents could come to learn about and use the Internet and to take classes via the Internet. Once again the grant provided funds for the cost of the broadband service to the community center for the first 2 years. Grant funds were also made available to connect all residential and business customers wanting service in the community.

This was the first time we offered this program, using \$20 million in funding provided by Congress and the President. As you can well imagine, the interest in this program was phenomenal. We received over 300 applications totaling more than \$185 million in funding requests. In what became an extremely competitive program, our Native American communities submitted outstanding applications, so much so that they submitted one-fourth of the successful applications and were awarded more than one-third of the total funding available. Of the 40 grants awarded totaling \$20,185,000, 10 grants totaling \$6,270,374 were awarded directly to Native American communities. Another 3 grants totaling \$1,949,747 were award to telecommunications providers to exclusively serve Native American communities.

In this information age, there is an obvious connection between telecommunications and economic growth. Establishing a new, tribal telecommunications company is not a trivial task, with no guarantee of success. When successful, the rewards are tremendous – the quality of service improves, penetration rates increase, a wider range of services are offered and rates will be reasonable. The telecommunications company will also be a source of training and jobs on the reservation and the improved infrastructure will promote enhanced educational and medical care and additional economic development and growth. RUS is proud to be able to participate in this improvement in quality of life for Native Americans. Thank you, Mr. Chairman, for this opportunity to testify before the Committee on Indian Affairs.