

POLITICO

POLITICO INVESTIGATION

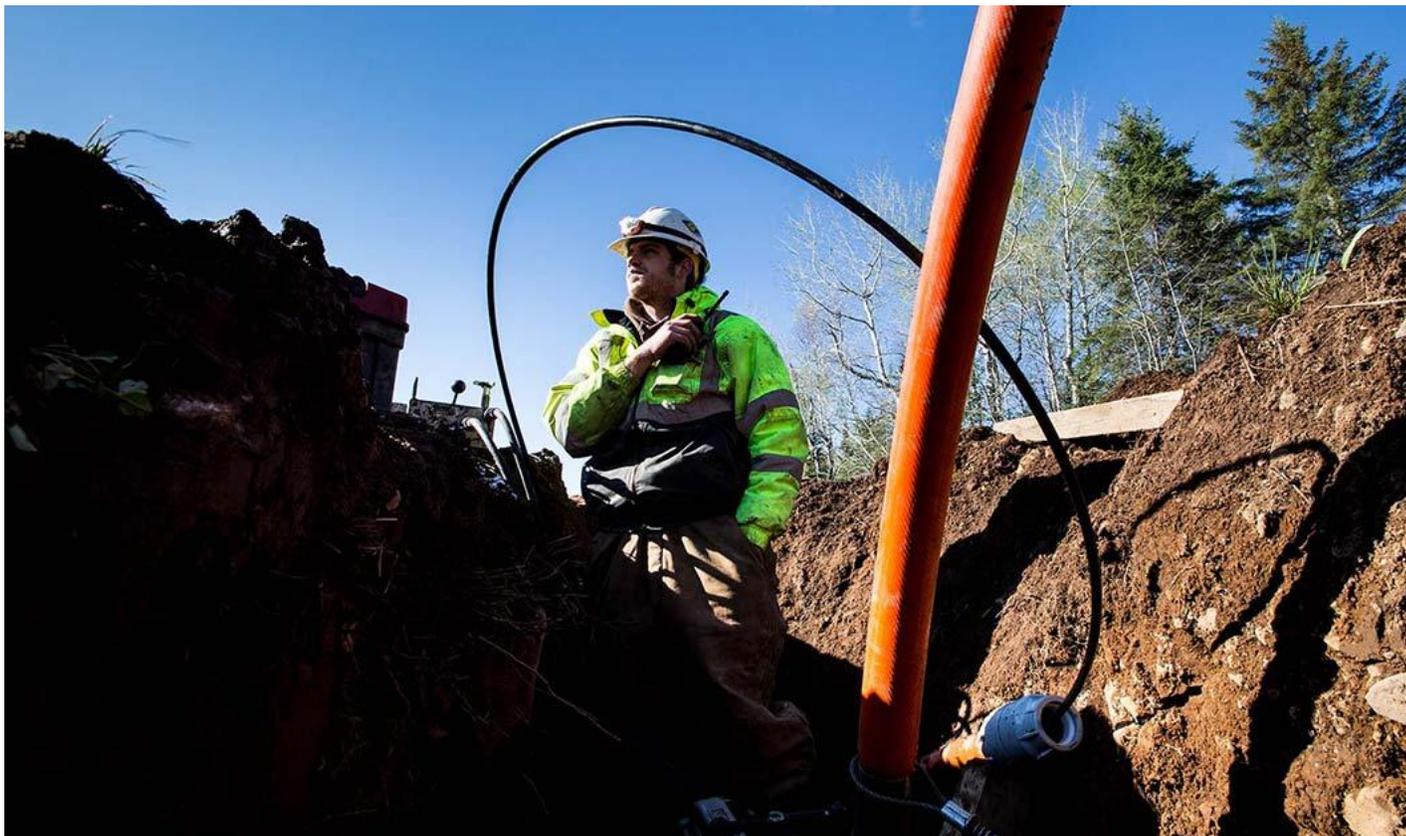
Wired to fail

How a little known agency mishandled several billion dollars of stimulus money trying to expand broadband coverage to rural communities.

By [Tony Romm](#)

7/28/15 5:15 AM EDT

Updated 7/28/15 5:32 PM EDT



Bryant Hancock, a contractor for Lake Connections, buries fiber optic lines in May in rural Lake County, Minnesota. | M. Scott Mahaskey/Politico

- [Shares](#)
- [Facebook](#)
- [Twitter](#)
- [Google +](#)
- [Email](#)
- [Comment](#)
- [Paginated](#)
- [Print](#)

BROKEN BY DESIGN

A **POLITICO** series that investigates little-known federal agencies where big policy challenges meet political realities.

In September 2011, as the U.S. economy continued to sputter in the shadow of the Great Recession, Jonathan Adelstein offered a bold promise on behalf of a tiny federal agency that had long strived to improve the lives of rural Americans.

Story Continued Below

The administrator of the little-known Rural Utilities Service had just finished announcing \$3.5 billion in aid to expand high-speed Internet access to the hardest-to-reach areas of the country. The awards, part of the federal stimulus passed by Congress two years earlier, had been crucial to President Barack Obama's blueprint for a recovery that would ensure farmers and remote businesses could compete in an increasingly global economy.

"These investments in broadband will connect nearly 7 million rural Americans," Adelstein pledged in a report to Congress, "along with more than 360,000 businesses and more than 30,000 critical community institutions like schools, health care facilities and public safety agencies, to new or improved service."

Judged against the agency's 80-year track record, those numbers didn't seem unrealistically ambitious. During the Great Depression, after all, RUS had loaned out millions of dollars to string electric lines to distant farms and small towns in parts of the country that private companies refused to serve — a bold and calculated risk that had transformed America in a single generation.

But more recently, RUS has strayed from its rural mission. Even the agency's staunchest defenders in Congress have learned: When it came to funding broadband projects, RUS never found its footing in the digital age.



[Also on POLITICO](#)

[Why President Obama and Congress turned their backs on food safety](#)

[HELENA BOTTEMILLER EVICH](#)

Sometimes, RUS funded high-speed Internet in well-wired population centers. Sometimes, it chose not to make any loans at all. Sometimes, RUS broadband projects stumbled, or failed for want of proper management; loans went delinquent and some borrowers defaulted. Yet despite years of costly missteps that left millions of Americans stranded on the wrong side of the digital divide, a stable of friendly lawmakers swallowed their doubts about RUS and made sure the politically protected agency wasn't cut out of the historic stimulus effort.

It should come as little surprise, then, that four years and four directors later, RUS has failed to deliver on Adelstein's promise.

A POLITICO investigation has found that roughly half of the nearly 300 projects RUS approved as part of the 2009 Recovery Act have not yet drawn down the full amounts they were awarded. All RUS-funded infrastructure projects were supposed to have completed construction by the end of June, but the agency has declined to say whether these rural networks have been completed. More than 40 of the projects RUS initially approved never got started at all, raising questions about how RUS screened its applicants and made its decisions in the first place.

But a bigger, more critical deadline looms for those broadband projects still underway: If these networks do not draw all their cash by the end of September, they will have to forfeit what remains. In other words, they may altogether squander as much as \$277 million in still-untapped federal funds, which can't be spent elsewhere in other neglected rural communities.

And either way, scores of rural residents who should have benefited from better Internet access — a utility that many consider as essential as electricity — might continue to lack access to the sort of reliable, high-speed service that is common in America's cities. Even RUS admits it's not going to provide better service to the 7 million residents it once touted; instead, the number is in the hundreds of thousands.

The checkered performance of RUS offers an all-too-familiar story of an obscure federal agency that has grown despite documented failures, thanks in large part to its political patrons in Congress. The massive infusion of stimulus money, which required RUS to disperse record sums faster than it ever had before, further exposed its weaknesses — troubles that in many ways remain unaddressed, despite repeated warnings — even as RUS continues lending.

"We are left with a program that spent \$3 billion," Mark Goldstein, an investigator at the Government Accountability Office, told POLITICO, "and we really don't know what became of it."

* * *

It took a bigger economic crisis, more than eight decades earlier, to bring RUS into existence. The agency, known then as the Rural Electrification Administration, had been a centerpiece in President Franklin Delano Roosevelt's historic New Deal. But the effort was controversial from the start. Private companies derided the government's investments in rural energy as "Bolshevik" and "un-American," but within several years, hundreds of public utilities were operating, and within 20 years, almost all U.S. farms had electricity. The model was so successful that REA shifted shortly after World War II to providing low-interest loans for rural telephone cooperatives.

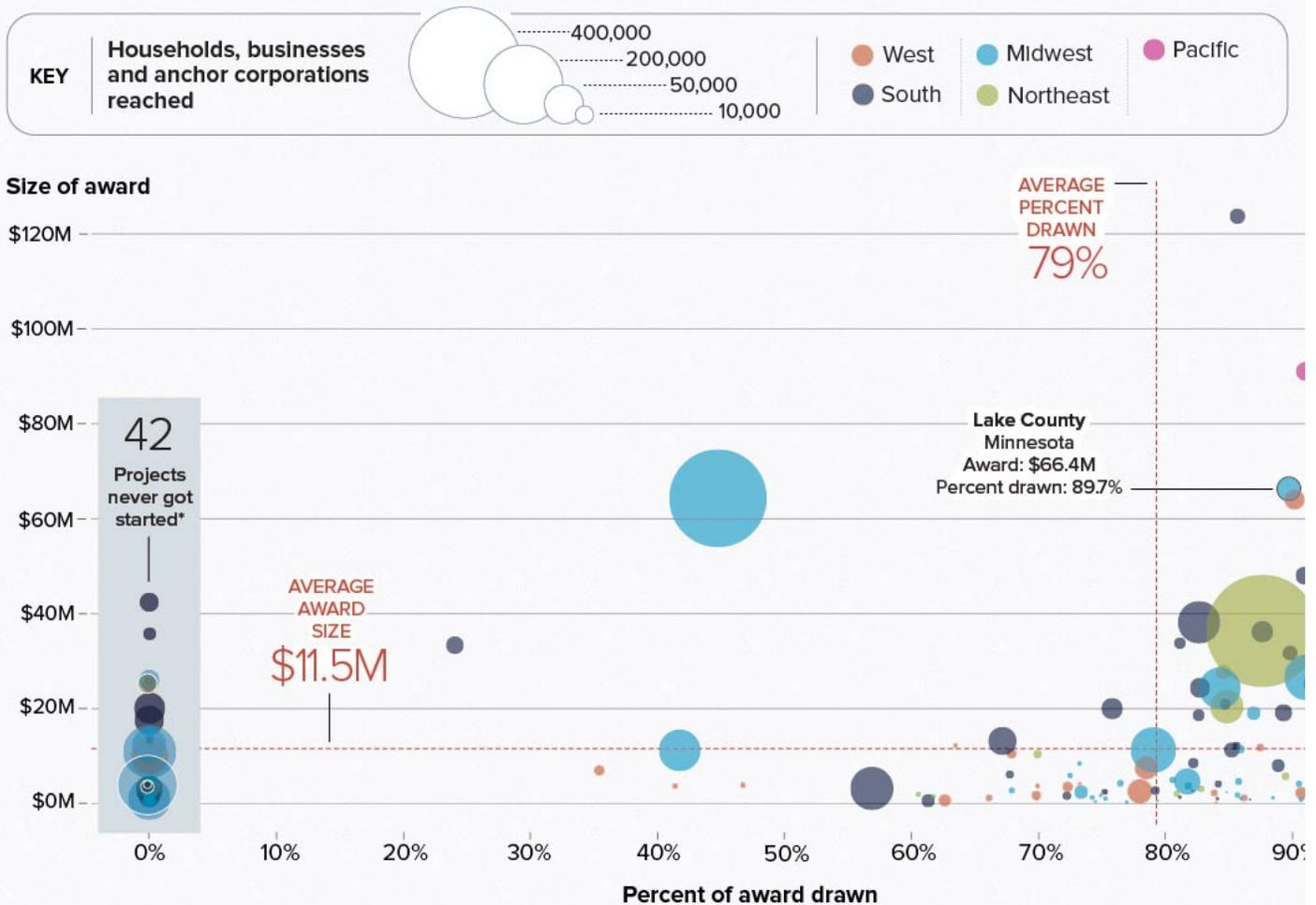
Dwight D. Eisenhower entered the White House vowing to abolish REA, which he derided as "creeping socialism." Within two years, however, even he was extolling the agency's performance, praising its "great advances for rural America." The program grew under Presidents John F. Kennedy and Lyndon B. Johnson; the latter in 1937 had led the formation of an electricity cooperative in the Texas Hill country. Richard M. Nixon again tried to kill it, arguing that the program had outgrown its usefulness and at that time served only "country clubs and dilettantes." But an outraged farm bloc in Congress, led by senators such as George McGovern of South Dakota and Hubert Humphrey of Minnesota, forced Nixon to back down.

By the end of the 20th century, REA's original electricity mission was more or less accomplished. And in 1994, REA and another agriculture program that had backed water and sewer projects were combined to form the Rural Utilities Service. Yet it was late in the Clinton administration that the agency's portfolio expanded in a way that would be as dramatic — and ultimately, as controversial — as when it began.

Nations like Japan and South Korea had quickly achieved nearly universal and affordable broadband coverage, but the United States was lagging. "Internet access ought to be just as likely as telephone access," President Bill Clinton said in April 2000. That year, Clinton's budget included \$102 million for a pilot broadband program to be administered by RUS, building on its previous telecom work.

Race against the clock

In 2009, as part of the federal Recovery Act, the Rural Utilities Service launched a \$3.5 billion program to bring high-speed Internet service to more than 7 million rural Americans. More than six years later, RUS appears uncome close to hitting that mark. Roughly 150 projects, totaling about \$270 million, have not drawn down some their awards. If they don't tap this cash by the end of September, they forfeit the money. Another 42 projects, more than \$300 million, never got started.



*Four projects (circles with white outline) drew a portion of the award and are due to return it.

Sources: U.S. Department of Agriculture

5W

Bolstered by a 2001 Brookings Institution study that estimated widespread adoption of basic broadband could add \$500 billion to the U.S. economy, Congress approved permanent funding for the program. In the eyes of allies like Montana Sen. Conrad Burns, robust, widespread Internet access “would be as important to the national destiny as the railroads in the 19th century. ... Universal broadband should be the national priority ... (the) same way as putting a man on the moon was.” And low-interest federal loans, he believed, were the best way to do it. “The RUS telecom program has never issued a bad loan in over 50 years,” Burns said. “The government has actually made money off of those loans.”

In 2004, President George W. Bush proposed that broadband coverage should be universally available within three years. His support touched a nerve with Iowa's Sen. Tom Harkin, a powerful Democrat who knew that one of the government's primary mechanisms for meeting that goal was not up to the task. At a confirmation hearing for James Andrew, who eventually would take over RUS under Bush, Harkin recalled an encounter with the president in which he confided that universal broadband would never happen if RUS didn't start spending money.

“We put in \$2 billion (to the farm bill) to do that,” the senator grumbled to Bush, “but the Department of Agriculture has been dragging its feet.” By making onerous demands on its applicants and keeping them waiting months for approval, Harkin said RUS had managed to leave \$1.6 billion on the table.

“I don't want to sound too cynical,” Harkin told Andrew, “but it almost sounds like the cable companies and the big phone companies have gotten to somebody and said, ‘We don't want this program to work.’”

Harkin then delivered to Andrew a brief sermon on the mission of RUS: “We were not risk averse when we put telephone lines out to farmsteads and our small towns in America. We knew there was risk in doing that, but we managed it. RUS manages risk. And that is what I am asking in broadband, manage risk. Don't be so risk averse

that you say, ‘We cannot give a loan out there because we want to make 100 percent certain that the company we give it to will not default and will not fail. Some of them will ...’

Who's in charge?

President Clinton proposed the first dramatic expansion of the Rural Utilities Service to include broadband access. RUS was criticized repeatedly, however, for its management of loans and grants for broadband projects.



Hilda Gay Legg

TENURE: George W. Bush appointee, 2001 to 2005.

QUALIFICATIONS: Legg was president and CEO of the Center for Rural Development, which worked in Kentucky on telecommunications.

WHERE IS SHE NOW? Legg launched her own firm, Legg Strategies, helping others navigate the government’s thicket of telecom laws. She’s since become a consultant with Wiley Rein, and she has worked with clients seeking to obtain stimulus funds.

“The challenge for a federal agency to take a piece of legislation written and approved by 535 members of Congress and interpret it into regulations ... [then] achieve all the intentions of the legislation, and yet be a good solid financial and engineering loan, is not an easy task,” she said in a recent interview.



James Andrew

TENURE: Bush appointee. Served from September 2005 until Barack Obama took office in 2009.

QUALIFICATIONS: A Georgia native, Andrew spent 16 years representing his home state, then served as board president of the National Rural Electric Cooperative Association. (Andrew died in April.)

“Since I was sworn in as administrator, I have been working with our staff, looking at both the process and the structure of the broadband program,” he told Congress in May 2006. “With this review of all aspects of the broadband program, we will make the changes we can to make this program more user friendly while protecting the taxpayer investment in broadband deployment.”



Jonathan Adelstein

TENURE: Obama appointee. Served from July 2009 to September 2012.

QUALIFICATIONS: Adelstein, a Democrat, served on the Federal Communications Commission as a commissioner from 2002 to 2009. Before that, he served as a Senate staffer, including a stint as a top aide to former Senate Majority Leader Tom Daschle.

WHERE IS HE NOW? Adelstein in 2012 became president of PCIA — the Wireless Infrastructure Association, a trade group.

“I am pleased to report that the program is working, with projects that are on schedule, on track and creating jobs in tribal communities and across rural America,” Adelstein told a Senate committee in June 2012.



John Padalino

TENURE: Padalino served as RUS acting administrator from September 2012 until May 2013, when he was named administrator. He departed in August 2014.

QUALIFICATIONS: Padalino arrived at USDA in 2009 and served in a number of leadership positions, including acting principal deputy counsel for the agency’s Office of General Counsel and chief of staff for Rural Development, which houses RUS.

WHERE IS HE NOW? After leaving USDA, Padalino returned to Kemp Smith, the Texas-based law firm where he practiced before his tenure at USDA.

“There will be a default rate. There will be a handful of projects fully completed, as they were proposed,” he told POLITICO in April. “There will be projects that look fine on paper today, and in a couple of years, something will happen. That’s just the nature of the business.”



Brandon McBride

TENURE: Obama appointee. McBride became the 19th administrator of RUS in March 2015.

QUALIFICATIONS: McBride previously served as a senior staff member on the Senate Agriculture Committee for then-Chairwoman Debbie Stabenow.

“Because of the strengthened risk management practices instituted by USDA, there has not been a single Recovery Act project default to date,” he said in a statement.

Image credits: Campbellsville University Photo by Christina Kern, Jefferson Energy Cooperative, AP and Getty

Andrew agreed with the senator, but there were plenty of internal problems plaguing the embattled agency, as a 2005 inspector general's report revealed.

The spirit of the law always had been for RUS to target its broadband aid to the most remote, neglected rural towns. In the earliest years of the broadband program, administered chiefly at the time by Bush-appointee Hilda Legg, RUS seemed to believe it had a much broader mandate — and it wrote multiple sets of rules that permitted it to provide aid to “any definable tract of land where fewer than 20,000 people live.” That metric essentially allowed areas under development or near larger, suburban areas to receive federal cash.

In the end, the watchdog's probe found, “64 communities near large cities received loans and grants totaling \$103.4 million.” These networks, in a sense, were easier to build: They were located in denser communities, where a lower price tag for buildout and a higher demand for faster service made it easier to recover costs. But they weren't in the rural, unserved areas where many in Congress wanted RUS to focus its attention.

Federal investigators also calculated that RUS had awarded more than \$137 million in loans, despite incomplete or inaccurate applications. About \$30 million of its loans “[were] in default due to inadequate servicing,” largely because the agency hadn't developed strong oversight guidelines for its earliest loans — meaning the cash wasn't “timely and thoroughly monitored.” And another \$6.8 million in canceled broadband loans “was not put to use in a timely fashion and was therefore unavailable for future funding.”

With the election of Obama, broadband expansion gained another prominent champion, one who had been determined to use the federal stimulus to boost Internet investments “so that a small business in a rural town,” he said in a January 2009 speech, “can connect and compete with their counterparts anywhere in the world.”

Fiscal conservatives, already fighting what would become the \$800 billion stimulus package, zeroed in on the broadband program, resurrecting the decades-old complaint that it was an improper intrusion by the federal government into the free market. But Harkin, and other prominent lawmakers from farm states, ensured that RUS still received several billion dollars from the American Recovery and Reinvestment Act.

“They've been involved in loans and loan guarantees and things like that since 1949,” Harkin said at the time, “so they know how to do these things.”

* * *

Except, RUS didn't. Miserly and risk averse at times — and unfocused and overly generous at others — the rural regulator arrived at its monumental stimulus task with more questions than answers.

The Obama administration insisted on funding “shovel-ready” projects, but the broadband networks RUS had been asked to support would require considerable time to design, obtain permits to bury lines or hang them from poles, and address environmental concerns. Complicating things, the agency would have to award its billions of dollars without fully knowing what parts of the country needed the most help. An effort to map the communities with the worst high-speed connections, another requirement of the Recovery Act, would take years to complete — a cart-before-the-horse approach that stimulus skeptics ridiculed.

“I just fought and fought because, if you're going to spend the taxpayers' money, then you should spend it where nobody else will spend it,” recalled Rep. Greg Walden (R-Ore.) in a recent interview. He offered an amendment during an early markup of the Recovery Act, but Democrats, who felt mapping would slow investment, voted it down.

To top it all, there was another catch: RUS would have to commit to spending all the money by Sept. 30, 2010, and make sure construction on those projects were “substantially complete” no later than two years after getting the funds. The drop-dead deadline would be Sept. 30, 2015: After that, any unspent money would be taken back.



The \$66-million project known as Lake Connections(1) in northeast Minnesota is typical of the many broadband projects funded by the Rural Utilities Service that have had difficulty finishing. Lake Connections has encountered delays from harsh winter weather as well as opposition from RUS officials in Washington, who cut off funds in October for several months, forcing the project to commit local tax dollars. In May, a contractor buried fiber optic cable (2), secured fiber optic connections at a remote control unit (3) and connected the line to a residential customer (4). M. Scott Mahaskey/Politico photos

Already shaky on execution, RUS began to tackle its monumental stimulus workload without a full-time administrator. On March 20, 2009, Obama nominated Adelstein, then a Democratic commissioner at the Federal Communications Commission, to lead the rural agency. The nomination came about a month after the Recovery Act became law.

Adelstein, a South Dakotan by birth, could appreciate the agency's mission. And while serving at the FCC, he had worked closely on a number of initiatives to improve broadband access in unserved rural towns. But some wondered whether Adelstein, a former top aide to Sen. Tom Daschle (D-S.D.), was suited for the immense challenge the stimulus presented. To at least one former official who worked on the law, Adelstein appeared to be "very much a Hill staffer put in the role of a banker, [who] approached it more like a Hill staffer than banker."

But Adelstein at least knew the stakes. Not only had he worked on the 2002 law that helped usher in a new broadband era for RUS, he heard an earful about it from the lawmakers who decided the fate of his nomination. "I do not think we are ever going to see that kind of money again," lamented Harkin at a July 2009 hearing, which paved the way for Adelstein's confirmation that summer. By the time Adelstein took the reins, though, RUS had already started writing the rules for its first stimulus awards. Moreover, he had arrived on the heels of another inspector general investigation, which found — yet again — that RUS "continued to make loans to [broadband] providers in areas with pre-existing service," while neglecting needier rural towns.

By September 2010, as required, RUS had committed all of its stimulus cash, primarily to 297 infrastructure projects. The agency would also devote millions in additional funding to other efforts, like new satellite Internet services across the country. About a year later, with major work underway, Adelstein made his confident, infamous prediction of the success of his agency's investments, still citing his team's "extensive technical skills, program experience and financial expertise gained over 75 years."

"Once built," he wrote of the broadband networks, "they will provide the platform for economic development and job creation for years to come." Adelstein would continue citing those figures into the following year, telling Congress at least twice that RUS and its broadband investments would benefit "7 million rural Americans."

In truth, projects were beginning to fail.

Quietly, RUS killed 42 broadband infrastructure projects that it had heralded only months earlier. The agency rescinded more than \$300 million in loans and grants before a single check was written. In many cases, local officials had struggled to finance their share of their networks, or obtain the permits needed to lay new fiber cables or erect new wireless towers.

RUS only disclosed the misfires after the Government Accountability Office slammed the agency in a scathing June 2014 report. Even then, the full extent of its withdrawn investments did not become public until POLITICO submitted a request under the Freedom of Information Act. All told, the 42 cancellations meant as many as 430,000 residents in rural areas did not benefit from the new or improved connections that Adelstein had championed in the September 2011 report.

There wouldn't be new, speedy Web for roughly 17,000 homes in Panola County, Mississippi, for example, or improved connections for about 2,000 homes in Franklin County, Indiana. RUS wouldn't fund a \$20 million network that would have helped about 26,000 homes in southwest Virginia, either.

One of RUS' most mystifying misfires involved KeyOn Communications, based in Omaha, Nebraska. KeyOn submitted dozens of applications for RUS aid, which its CEO once described as a "growth opportunity" for the company. RUS repeatedly said no before approving a proposal for a \$10 million wireless project in Nevada. But the award still couldn't save the company, which had to sell off its assets before any stimulus payments could begin. (The company's former CEO did not respond to a request for comment.)

RUS has declined repeatedly to discuss on the record why so many projects it had approved failed so quickly. Adelstein — who now runs a wireless infrastructure lobbying group that advocates for telecom reform on Capitol Hill — also declined multiple requests for an interview.

Instead, he explained in a statement shared by his aide: "While there were a few projects that may not have fulfilled expectations, the vast bulk met their goal of providing rural broadband where it otherwise wouldn't go." Approached most recently at a congressional hearing last week, Adelstein declined again to speak on the record. "He has made it clear he doesn't want to interview," his aide said. "Don't waste your time."

But there were serious — and in many ways, familiar — consequences to these sudden collapses. Under stimulus rules, funds committed to canceled projects could not be redistributed after September 2010 to more worthy applicants, the same sort of restriction that prevented scores of other applicants from tapping unused RUS aid in years and programs past. At the height of the economic recovery, it meant thousands of residents in rural areas couldn't benefit from aid that champions, like Harkin, saw as one of a kind.

And if it wasn't clear why RUS had approved projects that faltered so soon, it seemed even less clear how other investments — like a multimillion-dollar, ultrafast fiber network in the woods of northeast Minnesota — managed to win an award and barrel ahead, despite the agency's own doubts.

* * *

Slow and unreliable connections throughout Lake County had long bedeviled small businesses and school principals, knocked out ATMs and, at times, even interfered with emergency services. For an area that relies on mining and tourism, the stimulus offered a rare opportunity to hurdle that digital divide. "If we don't get this, we might not get high speeds," Christopher Swanson, one of the project's first consultants, recalled during a recent interview at a coffee shop in the Minnesota county. "We might not get another opportunity for another 20 years."

But, he acknowledged to POLITICO, "We didn't have a shovel-ready project."

Lake County's first application had been rejected partly because RUS had concerns about its business plan. But months later, the agency approved Lake County's second request — a \$66 million proposal, mostly in government loans, that was almost twice as much as the first proposal, twice as ambitious and covered an even larger area with about 16,000 residents.

Internal documents from RUS, obtained by POLITICO, reveal that the agency had granted its green light to the project, despite having identified "several items of risk." In its application, Lake County officials had not properly accounted for the difficulties of burying fiber during the long Minnesota winter, according to RUS, and it had not received the necessary permission to hang its fiber lines on poles owned by local electric utilities. It received the funding anyway. And these troubles would contribute to so many delays that, in late 2014, RUS would temporarily halt federal funding, forcing Lake County officials to first pony up \$15 million in local tax dollars — all after promising the network wouldn't cost the community a dime.

The breakdown was the culmination of years of contention between the Minnesota region and its federal benefactor. Before it had cut the first check to Lake County, RUS unexpectedly rejected the project's bond financing. This adversarial relationship between RUS and its applicant only confirmed criticism about paperwork and regulatory burdens that Harkin heaped on the agency several years earlier. Minnesota Sen. Al Franken ultimately intervened, complaining in a sharply worded letter to Adelstein that "this is not the kind of service my constituents deserve." RUS was unmoved, forcing Lake County to come up with \$3.5 million of its own money if it wanted to keep the network on track.



Agriculture Secretary Tom Vilsack (top) supports RUS, which is part of his department. Minnesota Democratic Sen. Al Franken (left) intervened with RUS on behalf of a broadband project in his state. Rep. Greg Walden (center) fought unsuccessfully to require a map of the national broadband network before approving stimulus funding. Florida Rep. Cliff Stearns (right) investigated the Lake Connections project after private companies complained the project was infringing on their territory. | M. Scott Mahaskey/Politico and AP photos

A later dispute with Lake County's lead contractor resulted in a total reshuffling of its leadership, further delaying the project. Potential competitors in the region, like Mediacom, a local cable provider, lobbied hard in Washington against the network, attracting the attention of Republican stimulus skeptics like Florida Rep. Cliff Stearns.

Stearns and his allies on the Energy and Commerce Committee in May 2012 opened a full-fledged probe of the Lake County award. For more than a year, they closely scrutinized the Minnesota network. "Materials reviewed by committee staff also raise questions as to whether RUS adequately considered the financial viability of the Lake County project before committing \$66.4 million in government funding," five members led by the panel's chairman, Michigan Rep. Fred Upton, wrote in a March 2013 letter.

Despite the agency's own doubts, RUS that year mounted a vigorous public defense of its investment, according to documents reviewed by POLITICO. At the helm was John Padalino, a longtime leader at USDA who took over RUS after Adelstein's departure. Writing to House Republicans on the committee that April, Padalino stressed that Lake County had "met all eligibility, financial and technical requirements" to have received its award.

More than a year later, though, RUS still turned against the Minnesota project, leaving it to fend for itself against the very challenges that the rural regulator identified from Day One.



Matt Huddleston, the county administrator for Lake County, Minn., speaks in May to local commissioners about the status of the delayed broadband project. A sign for the Lake Connections project outside Two Harbors, Minn. | M. Scott Mahaskey/Politico photos

Local officials, once optimistic, now felt betrayed. "Rather than provide assistance to solve anticipated construction challenges, primarily pole attachment issues, RUS responded by unexpectedly ceasing all loan funding," officials wrote in a December 2014 email to potential subscribers.

Officials for Lake County's fiber project, known as Lake Connections, said in May they have 300 to 400 subscribers hooked up and an additional 1,500 applications for service — far short of initial projections. They said at the time they didn't believe they would complete the network by the end of June, an extended construction deadline RUS granted to Lake County and all of its other stimulus investments. And the Minnesota region likely won't draw all its funds by Sept. 30, meaning the project may have to forfeit as much as \$6 million.

But officials are required by law to try to wire the network as it was initially approved — and they'll have to pay the government back. To do that may mean drawing on more state and local money, as well as a potential new \$3.5 million grant from the FCC.

Stuck in the slow lane

Who has high-speed Internet? Under the new standard set by the Federal Communications Commission this year, modern high-speed broadband connections should offer at least 25 megabits per second (mbps) in download speeds and 3 mbps in upload speeds. By that measure, rural areas lag far behind the nation's population centers. More than 53 percent of rural Americans don't have access to this level of service, according to the FCC, while only 1 percent of urban areas lack such speedy connections.

BROADBAND ACCESS BY COUNTY

As of May 15, 2015

RURAL AMERICANS WHO LACK ACCESS TO HIGH-SPEED BROADBAND*

22M

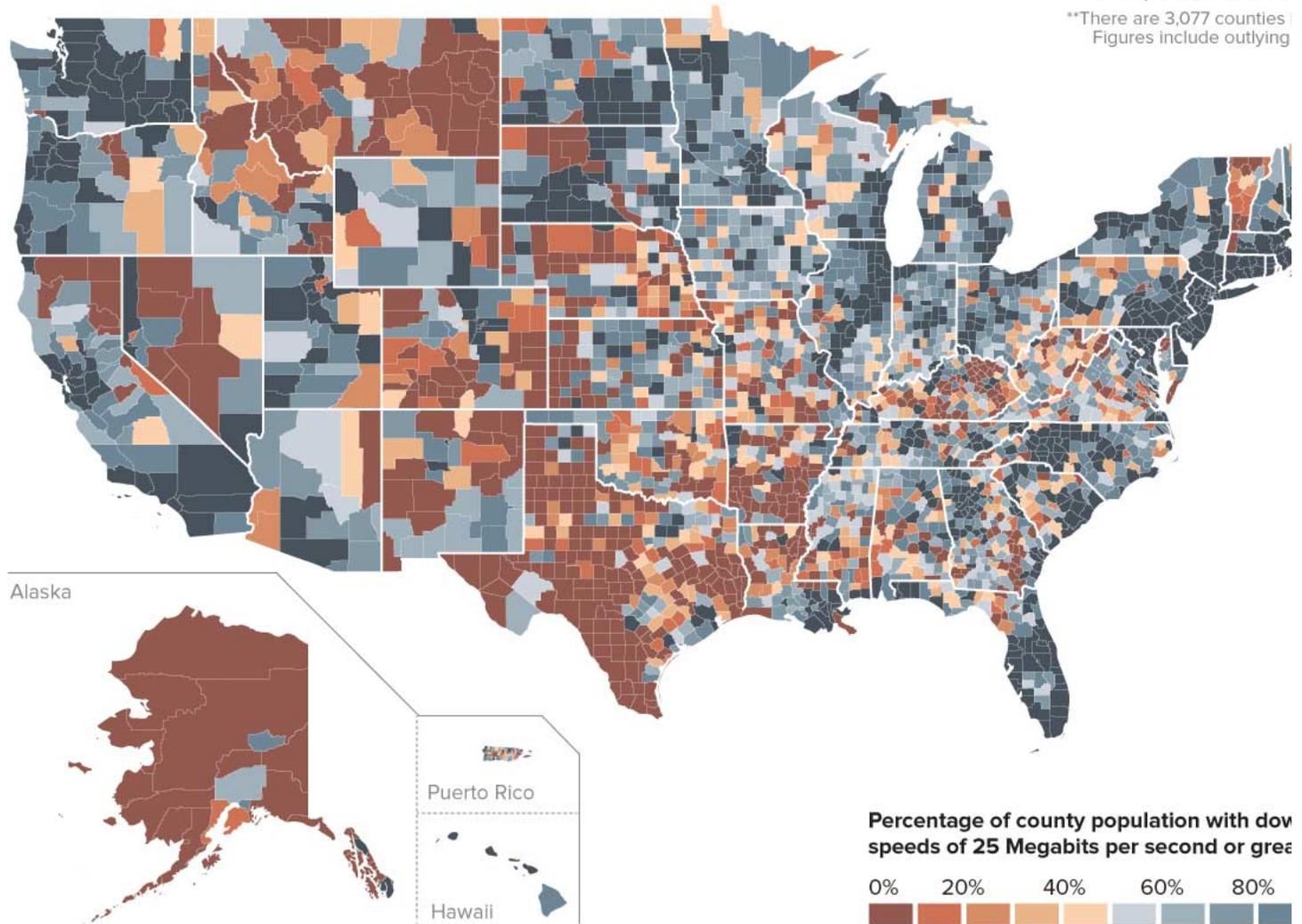
COUNTIES** WITH LESS THAN 50% PENETRATION

1,219

COUNTIES WITH LESS THAN 1%

*25Mbps download/3mb

**There are 3,077 counties | Figures include outlying



Sources: National Telecommunications Information Administration; Federal Communications Commission

5W INFOG

(Click to enlarge)

Asked whether the rural regulator had treated his community fairly, Matthew Huddleston, the county's administrator, strained to be diplomatic during an interview this spring in the county's government headquarters.

"I understand the challenges of dealing with the federal government. And sometimes it's slower than we hoped for, and sometimes we don't get things as fast as we want," he said. "They're a large entity, they have a lot going on — it's been a challenge. But we're trying to work with them, and to give them everything they ask us for, and to try to keep things moving forward as best we can."

To improve its relationship with the feds, Lake County even hired a special consultant — Legg, the former RUS administrator, who "has assisted firm clients in obtaining approximately \$450 million in broadband stimulus," according to her own bio.

And as the Minnesota region hits the gas in the final days of the stimulus, the agency's temperament has again left the state's congressional representatives peeved. "Large-scale infrastructure projects will always face challenges, no matter who is building them," Franken said in a statement to POLITICO, "but unfortunately, it seems that the Rural Utilities Service has contributed to some of the challenges faced by communities in Minnesota, and that shouldn't have been the case."

Lake County is not alone in what has become a race against the clock. Roughly 150 of the total, original 297 broadband infrastructure projects approved by RUS have not drawn down their full awards, leaving \$277 million in potential investment to possibly be returned to the Treasury. Adding to the headaches, RUS has not determined how many of its awardees completed their projects by the end of June. The agency imposed that deadline, after all, so it had sufficient time to ensure networks were built as proposed — and it's unclear if it's been met.

Even more troubling, RUS can't tell which residents its stimulus dollars served. In May, the agency reported it has delivered new or improved services to 213,000 households and more than 15,000 businesses. But RUS, as it collected that data from awardees, never asked whether those residents live in unserved, neglected rural towns, or areas that had some broadband access before the Recovery Act.

"RUS did not collect information that allowed anyone to evaluate whether or not it reached its goal or what impact it had," said GAO's Goldstein.

Either way, it's a far cry from Adelstein's original prediction that RUS funding would benefit more than 7 million people in rural America. The number, after all, always had been theoretical; it reflected the number of individuals who might be reached by better broadband, if everything had been built to plan and attracted the maximum number of subscribers.

For years, though, RUS quietly and steadily lowered its estimates. Its latest prediction, made in March 2014, is that it will benefit 728,000 homes within five years. In May, however, the agency stopped putting that number in writing.



Lake Connections is behind schedule and risks forfeiting millions of dollars of its loan from RUS. But it still must finish the project. | M. Scott Mahaskey/Politico

The new head of RUS — the agency's fourth since the stimulus began — insists that RUS is on top of its portfolio. But Brandon McBride, a former congressional staffer for the Senate Agriculture Committee, took over only in March. He declined multiple interview requests, but issued a statement in defense of his embattled agency.

"Because of the strengthened risk management practices instituted by USDA, there has not been a single Recovery Act project default to date," he said. That could easily change in coming months. The agency's inspector general told Rep. Kevin Yoder (R-Kan.) in May that 21 loans issued by RUS before the Recovery Act had been in default prior to 2008.

And still, the state of U.S. broadband remains spotty. The country's national broadband map — completed in 2010, and updated again this year — shows that 50 percent of Americans in rural areas don't have high-speed Internet in the way the FCC now defines it. The government still is trying to close the gap, and RUS has continued lending, announcing millions of dollars in new awards this year for new networks in Arkansas and New Mexico. But even Secretary of Agriculture Tom Vilsack acknowledged the stakes while announcing the new effort in March.

"Many rural areas still need help and assistance," he said

[Share on Facebook](#) [Share on Twitter](#)

Authors:

[Tony Romm](#)
[@tonyromm](#)

This story tagged under:

- [Technology](#)
- [Broadband](#)
- [POLITICO Investigation](#)
- [Broken By Design](#)
- [Rural Communities](#)