

**HEARING TO REVIEW RURAL BROADBAND
PROGRAMS FUNDED BY THE AMERICAN
RECOVERY AND REINVESTMENT ACT**

HEARING

BEFORE THE

SUBCOMMITTEE ON RURAL DEVELOPMENT,
BIOTECHNOLOGY, SPECIALTY CROPS,
AND FOREIGN AGRICULTURE

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

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CONTENTS

	Page
Conaway, Hon. K. Michael, a Representative in Congress from Texas, opening statement	4
Prepared statement	6
McIntyre, Hon. Mike, a Representative in Congress from North Carolina, opening statement	1
Prepared statement	3
Peterson, Hon. Collin C., a Representative in Congress from Minnesota, prepared statement	7
WITNESSES	
Adelstein, Hon. Jonathan, Administrator, Rural Utilities Service, U.S. Department of Agriculture, Washington, D.C.	8
Prepared statement	10
Strickling, Hon. Lawrence E., Assistant Secretary for Communications and Information, National Telecommunications and Information Administration, U.S. Department of Commerce, Washington, D.C.	13
Prepared statement	14
SUBMITTED MATERIAL	
Submitted questions	31
Wilson, Delbert, General Manager, Hill Country Telephone Cooperative; on behalf of National Telecommunications Cooperative Association, submitted statement	33

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THURSDAY, NOVEMBER 19, 2009

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON RURAL DEVELOPMENT,
BIOTECHNOLOGY, SPECIALTY CROPS, AND FOREIGN
AGRICULTURE,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Subcommittee met, pursuant to call, at 11:04 a.m., in Room 1300 of the Longworth House Office Building, Hon. Mike McIntyre [Chairman of the Subcommittee] presiding.

Members present: Representatives McIntyre, Bright, Cuellar, Kissell, Minnick, Conaway, Roe, and Lummis.

Staff present: Aleta Botts, Claiborn Crain, Tony Jackson, Tyler Jameson, John Konya, James Ryder, April Slayton, Patricia Barr, Mike Dunlap, Jamie Mitchell, and Sangina Wright.

OPENING STATEMENT OF HON. MIKE MCINTYRE, A REPRESENTATIVE IN CONGRESS FROM NORTH CAROLINA

The CHAIRMAN. The Subcommittee on Rural Development, Biotechnology, Specialty Crops, and Foreign Agriculture to review rural broadband programs will now come to order. Good morning. Welcome to this hearing today to review rural broadband programs funded by the American Recovery and Reinvestment Act. I am Mike McIntyre, Chairman of the Subcommittee and I want to welcome all of you here today on business and those who may be visiting as well. I especially want to thank our witnesses who will testify before us today whom we just greeted up here at the front as you may have seen. We especially appreciate your time and effort in being here.

This is the second hearing that this Subcommittee has held in the past 4 months on rural broadband deployment, indicating that there is a great level of interest and concern that our Subcommittee has with the implementation of this program. The funding provided in the Recovery Act has the potential to set the stage for many years of broadband deployment, and it can help, if done the right way and if done soon enough, in unserved and underserved rural areas.

Alternatively, that funding could go toward areas with existing levels of adequate service and then the digital divide between areas with access and without access would only continue to grow. I

know that members of this panel want to be able to look back on the Recovery Act spending and see that broadband access became a reality in those rural communities that currently do not have that benefit and that these results will be directly tied to the work of the broadband programs that we are discussing today.

Without a doubt it is critical, it is essential that the Federal Government get this right. Certainly the effect on individuals left out of the digital loop is significant. By some estimates almost 80 percent of Fortune 500 companies now require online job applications. Most software for personal computers receive updates via online communication. Tax preparation software communicates online with parent company files to ensure that users have the most up-to-date information. Banks offer better deals to customers who go paperless.

All of these are examples to show that access to broadband goes much beyond just getting a better bargain on a shopping deal, trying to compare prices, as important as we all know that is in today's economy and with Christmas on the horizon. All of this is in addition to the basic family value factors such as helping your children do their homework in this age of technology, as they are more accustomed to using computers in the classroom and computers in the library, and for those who can, computers at home.

This speaks to the very ability of rural citizens to participate at a basic level in the broader economy, and like I have mentioned before, in months past, when President Clinton came to rural southeastern North Carolina, the district I represent, back in the year of 2000, it was one of three places in America where he said that we should be bridging the digital divide. I think now almost a decade later it is time that that dream is fulfilled.

And I know that it was exciting then and even more so now that a farmer could compare bargains and opportunities for shopping not just across the street or across town, but, literally, across the country with broadband access and how much more that means to tele-health, tele-medicine, when we talk about healthcare reform. This is the real way to put people, at a local level, in touch with the very finest in medical research as is happening in places like Faison, North Carolina, in Duplin County in our district where Vice President Biden and Secretary of Agriculture, Tom Vilsack, visited back in the summer to highlight Goshen Medical Center in its tele-medicine efforts connecting it to East Carolina University School of Medicine.

The debate on universal access has assumed that the benefits to widespread deployment accrue only to the individual, but that is simply not the case. The companies who cannot communicate via online connection with their consumers will not be able to serve those consumers' needs, and will have to rely on less-efficient means of communications. Businesses in rural areas that have inadequate broadband speeds will be unable to participate in the online marketplace and be unable to build the jobs in rural areas that are most critical.

I join many of my colleagues in expressing concerns over the first funding notice released by the Rural Utilities Service, the National Telecommunications and Information Administration. From a definition of *remote* that simply was unworkable to a situation whereby

rural applications may be disadvantaged in receipt of grant funds when compared to non-rural applications, numerous issues have arisen from the first funding notice.

However, I know that these two agencies are working diligently to make these programs work and are attempting to make changes in the program to address many of these concerns raised. We look forward to hearing about that effort today.

As I said back in July, the funding provided in the stimulus holds enormous potential to reduce the digital divide. Yet, we know that this funding will not be sufficient to reach every rural, unserved area, particularly if a large proportion of those funds go to increasing speeds in already served areas, or goes to provide service for providers who are already present. With limited funds, we must prioritize. If our goal is universal access to broadband, the programs we construct must aim for that goal.

I look forward to hearing from both agencies on their plans for these programs and appreciate their time and interest. I would encourage the witnesses to use the 5 minutes provided for their statements to highlight the most important points in their testimony. Please do not read your testimony unless you can read all of it within 5 minutes.

Pursuant to the Committee rules, testimony by witnesses, along with questions and answers by Members or witnesses, will be stopped at 5 minutes. Your complete written testimony, be assured, will be allowed in its entirety in the record. So please know that we will be happy to receive the full statement. The same goes for Members.

[The prepared statement of Mr. McIntyre follows:]

PREPARED STATEMENT OF HON. MIKE MCINTYRE, A REPRESENTATIVE IN CONGRESS
FROM NORTH CAROLINA

Good morning, and welcome to today's hearing to review rural broadband programs funded by the American Recovery and Reinvestment Act. I want to thank all of you for being here as we examine this important topic, and I want to especially thank our witnesses who will be testifying before us today.

This is the second hearing this Subcommittee has held in the past 4 months on rural broadband deployment, indicating the level of interest and concern that our Subcommittee panel has with regard to programs with incentives for this deployment. Quite simply, the funding provided in the Recovery Act has the potential to set the stage for many years of broadband access in rural areas. Alternatively, that funding could go toward areas with existing levels of adequate service, and the digital divide between areas with access and without access would only continue to grow. I know that the Members of this panel want to be able to look back on the Recovery Act spending and see broadband access where it was not prior to this funding and see rural communities benefiting in ways they could not before the deployment of the infrastructure.

Without a doubt, it is essential that the Federal Government get this right. Certainly the effect on individuals left out of the digital loop is significant. By some estimates, almost 80% of Fortune 500 companies require online job applications. Most software for personal computers receive updates via online communication. Tax preparation software communicates online with parent company files to ensure that users have the most up-to-date information. Banks offer better deals to customers who go paperless. All of these examples show that access to broadband goes much beyond doing your Christmas shopping online or helping your children with their homework. They speak to the very ability of rural citizens to participate at a basic level in the broader economy.

Additionally, too often the debate on universal access has assumed that the benefits of widespread deployment accrue only to the individual. That is simply not the case. Companies who cannot communicate via online connections with their consumers will not be able to serve those consumers' needs and will have to rely on

less efficient means of communications. Businesses in rural areas that have inadequate broadband speeds will be unable to participate in the online marketplace and be able to build the jobs in rural areas that are most critical.

I joined many of my colleagues in expressing concerns over the first funding notice released by the Rural Utilities Service and the National Telecommunications and Information Administration. From a definition of *remote* that simply was unworkable to a situation whereby rural applications may be disadvantaged in receipt of grant funds when compared to non-rural applications, numerous issues have arisen from the first funding notice. However, I know that the two agencies are working diligently to make these programs work and are attempting to make changes in the program to address many of the concerns raised.

As I said in July, the funding provided in the stimulus holds enormous potential to reduce the digital divide and yet, we know that this funding will not be sufficient to reach every rural, unserved area, particularly if a large proportion of those funds go to increasing speeds in already served areas or goes to provide service where providers are already present. With limited funds, we must prioritize and if our goal is universal access to broadband, the programs we construct must aim for that goal. I look forward to hearing from both agencies on their plans for these programs.

Conclusion

I would encourage witnesses to use the 5 minutes provided for their statements to highlight the most important points in their testimony. Do not read your testimony unless you can complete it within the allotted 5 minutes or can read the highlights within the 5 minutes. Pursuant to Committee rules, testimony by witnesses along with questions and answers by Members of the witnesses will be stopped at 5 minutes. Your complete written testimony will be submitted in its entirety in the record.

At this time, I would like to recognize the Ranking Member of the Subcommittee, Rep. Mike Conaway, for any opening comments that he may have.

The CHAIRMAN. At this time I would like to recognize the Ranking Member of the Subcommittee, Representative Mike Conaway, for any opening comments that he may have. Mr. Conaway.

OPENING STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN CONGRESS FROM TEXAS

Mr. CONAWAY. Well, thank you, Mr. Chairman. I appreciate you agreeing to hold this hearing.

The current economic climate has placed acute burdens on rural America from the small businesses in each of our communities to the farmers and ranchers working every daylight hour. The benefits of broadband access can help them compete in the global market. Bridging the broadband divide could send jobs to rural America, not overseas.

For instance, in Mason, Texas, the heart of my district, with a population of 2,500, the local provider there just connected their first 100 megabyte line to a business which connects to other offices around the country. This allows them to centralize their locations in a small, rural town with the same connectivity they would have had in New York or Houston. It is this kind of investment that can spur tremendous economic growth throughout rural America.

In July this Subcommittee reviewed the first broadband notice of funding availability under the stimulus bill, which included rules governing how funding would be made available for remote areas of rural America. At that time Deputy Under Secretary Cheryl Cook committed RUS to immediately solving glaring issues with the rules from that July NOFA. When we visited these programs in July, everyone agreed to come back and review these programs this fall. Here we are 4 months later and that action has not been

taken to address the concerns of the Committee, concerns which have been echoed throughout the committees and Congress.

Releasing funds at the same time as the very rule which governs that funding is an approach that may not direct \$7.9 billion in grants and loan authority to places most in need. The stimulus bill provided minimal guidance, but made it clear that reaching unserved areas of rural America was a priority.

Unfortunately, we still do not know if the approach RUS has taken will effectively reach those areas. Today we are looking ahead to what RUS is going to do in early 2010, to effectively deploy broadband into those areas of rural America which are currently unserved, without a nationwide broadband map.

Many of the problems that broadband applicants and providers experienced are the results of not having an adequate nationwide broadband map. The agency's decision to announce the final rules, awards, and comment period within a few short weeks has the potential to create more problems without allowing time for a proper resolution.

Even though RUS has spent a great deal of time collecting comments and has heard criticisms of the July NOFA, by not providing a proposed rule in advance for comment they are almost guaranteed to repeat the mistakes made in July. As we approach the final opportunity for RUS to get this right, nothing we have heard has assured this Committee that RUS is making effective changes to the rules or their processes.

What I am most perplexed about is the agency's position to include non-discrimination provisions that go beyond what the FCC proposed in the October 22 rule. Experts from both sides of this debate believe the FCC is the best governing body to find the right balance between protecting broadband consumers, while allowing broadband providers to manage their networks against security threats and congestion.

We are concerned that the July NOFA inhibited and prevented competitive grant and loan applicants. Sixty percent of all applications included a wireless component, and 73 percent of all last-mile, non-remote applications included a wireless component. Existing broadband providers or providers that are not connected to a larger network are not applying for the grant and the loan funding, in part because these requirements will place costly restrictions on their network and will impose net neutrality policies that go above and beyond those regulated by the FCC.

We are concerned that RUS's decision to include non-discrimination provisions undermines the technology neutral mandate set forth in the statute, a statute that deliberately did not include non-discrimination provisions for RUS funding so that the most competitive applicants could apply. The next NOFA must use the FCC statutory authority to regulate and govern broadband providers network management to avoid conflicting policies and allow the FCC rulemaking to govern this controversial issue.

Both of your agencies have committed several times to this Committee that you want feedback on how best to move forward. Listening to suggestions without effective action to implement those suggestions in a timely manner does not move the process forward. We will suggest to you that, in part, your promise to allow a brief

comment period after you release the rules of the next NOFA with time enough to incorporate critical changes would go a long way to demonstrating your commitment to listening.

I appreciate the time both of you are taking to be here today, and I am looking forward to discussing specific options with you on, perhaps, multiple rounds of questions this morning. So, Mr. Chairman, with that I yield back.

[The prepared statement of Mr. Conaway follows:]

PREPARED STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN
CONGRESS FROM TEXAS

Thank you, Mr. Chairman, for holding this hearing. The current economic climate has placed acute burdens on rural America. From the small businesses in each of our communities to the farmers and ranchers working every daylight hour, the benefits of broadband access can help them compete in the global market. Bridging the broadband divide could send jobs to rural America, not overseas. For instance, in Mason, Texas in the heart of my district with a population of about 2,500, the local provider there just connected their first 100 Mb line to a business which connects to other offices around the country. This allows them to centralize their operations in a small rural town with the same connectivity they would have in New York or Houston. It is this kind of investment which can spur tremendous economic growth throughout rural America.

In July this Subcommittee reviewed the first broadband NOFA under the stimulus bill, which included rules governing how funding would be made available for the remote areas of rural America. At that time, Deputy Under Secretary Cheryl Cook committed RUS to immediately solving glaring issues with the rules from the July NOFA. When we visited these programs in July, everyone agreed to come back and review these programs this fall. Here we are 4 months later, and action has not been taken to address the concerns of this Committee; concerns which have been echoed throughout Committees in Congress.

Releasing funds at the same time as the very rule which governs that funding is an approach that may not direct \$7.9 billion in grant and loan authority to the places most in need. The stimulus bill provided minimal guidance but made it clear that reaching unserved areas of rural America was a priority. Unfortunately, we still do not know if the approach RUS has taken will effectively reach those areas.

Today we are looking ahead to what RUS is going to do in early 2010 to effectively deploy broadband into those areas of rural America which are currently unserved without a nationwide broadband map. Many of the problems that applicants and broadband providers experienced are the result of not having an adequate nationwide broadband map. The agencies' decision to announce the final rules, awards, and comment period within a few short weeks has the potential to create more problems without allowing time for a proper resolution.

Even though RUS spent a great deal of time collecting comments and has heard criticisms of the July NOFA, by not providing a proposed rule in advance for comment they are almost guaranteed to repeat the mistakes made in July. As we approach the final opportunity for RUS to get this right, nothing we have heard has assured this Committee that RUS is making effective changes to the rules or to their process.

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The next NOFA must use the FCC's statutory authority to regulate and govern broadband provider's network management to avoid conflicting policies and allow FCC's rulemaking to govern this controversial issue.

Both of your agencies have testified several times that you want feedback on how best to move forward. Listening to suggestions without effective action to implement those suggestions in a timely manner does not move the process forward. We would suggest to you that, in part, your promise to allow a brief comment period after you release the rules in the next NOFA, with time enough to incorporate critical changes, would go a long way to demonstrating your commitment to listening.

I appreciate the time both of you are taking to be here with us today, and I am looking forward to discussing specific options you have available to keep these programs moving forward. Thank you Mr. Chairman.

The CHAIRMAN. Thank you, and we are going to be moving fast, faster than our southern drawl would normally let us, because we understand we may have votes in the next 15 to 20 minutes. So I will ask the witnesses to comply with the 5 minute rule, and I will ask the Members to be very cognizant of the time constraints so that, hopefully, we can complete this before being interrupted by votes.

The chair would request that other Members submit their opening statements for the record so witnesses may begin their testimony and that we ensure there is time for the answers.

[The prepared statement of Mr. Peterson follows:]

PREPARED STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN
CONGRESS FROM MINNESOTA

Thank you, Chairman McIntyre, for holding what will be this year's second hearing of this Subcommittee to look at Federal rural broadband programs.

USDA's Rural Development programs are responsible for financing essential infrastructure that most urban and suburban residents take for granted.

Reliable, affordable broadband Internet service is an essential but often lacking resource in rural communities across the country. Access to quality broadband service creates and preserves jobs while encouraging economic development, business innovation, education, and medical technology in areas where these priorities may otherwise go unmet.

On the Agriculture Committee, our Members have been watching carefully to be sure that the government programs dedicated to expanding broadband services are effectively targeting funds to areas that are truly rural and unserved.

We understand that this is a complicated issue and that rules written too strictly may exclude deserving projects, and rules that are too broad might allow projects in less deserving communities to jump in front of other projects.

In the 2008 Farm Bill, we made several important improvements to the criteria used by USDA to prioritize applications for the broadband loan program. We clarified the definition of *rural areas* so that communities near larger cities and towns will not get preference over areas that are actually rural. Areas where more than three providers are already providing broadband service were also made ineligible for the program. These are necessary changes that will help to ensure that the right projects receive funding, but USDA still has not finalized the regulations on these farm bill changes. It has been almost 18 months since the farm bill passed, and it is inexcusable that regulations on this are not complete, and I hope that Mr. Adelstein can explain what the status is for this rule and why we are still waiting.

For the funding provided in the stimulus bill, I warned people that there was no way that the Federal Government, specifically the National Telecommunications and Information Administration, was going to be able to get this much money out to the right areas in an efficient and effective way on the timeline they wanted. Unfortunately, I was right. The first funding notice contained a lot of issues that called into question the targeting of the programs. Now, with more than 2,200 applications to review, I am concerned that these agencies do not have sufficient resources to ensure that applications receive the necessary review.

The Government Accountability Office released a report just this week warning that the potential exists for waste, fraud and abuse in the distribution of these stimulus funds. This money is too important to the communities that really need it for

us to stand by and let that happen, which is why this Committee has been and will continue to be extremely active in monitoring this process.

I thank our witnesses for being here today. I hope they have some answers for us, because I know we have a lot of questions.

The CHAIRMAN. We welcome today our panel. Jonathan Adelstein, Administrator for Rural Utilities Service, U.S. Department of Agriculture, and Lawrence Strickling, Assistant Secretary for Communications and Information, for the U.S. Department of Commerce. And a special welcome also to Mr. Strickling's son, who I understand lived in my hometown of Lumberton for a few months last year down in North Carolina.

Mr. Adelstein, please begin.

**STATEMENT OF HON. JONATHAN ADELSTEIN,
ADMINISTRATOR, RURAL UTILITIES SERVICE, U.S.
DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.**

Mr. ADELSTEIN. Thank you, Mr. Chairman, Ranking Member Conaway, and Members of the Committee for this opportunity to testify. It is a special honor to be here with my good friend, Larry Strickling, who is doing such an outstanding job of leading the NTIA, at the Department of Commerce.

Obviously, increasing broadband deployment and adoption in rural areas is a top priority for the President, USDA Secretary Tom Vilsack, and all of us at RUS. I know that that is true for this Committee as well, and this Congress. And thanks to your strong leadership to improve access to broadband in rural areas, Mr. Chairman, and that of others in Congress you have given USDA an historic opportunity in the Recovery Act.

You are aware that the RUS has a long and highly-successful track record since its beginnings as the Rural Electrification Administration in 1935, in the deployment of electric, telephone, and water service in rural areas. We are now applying this expertise to broadband.

Since 1995, we have required all new telecommunications capacities that we finance to be broadband capable. We have also had great success with our Community Connect and Distance Learning and Tele-medicine programs, which have allowed us to invest nearly \$500 million in rural, underserved areas. The USDA Broadband Loan Program created by the 2002 Farm Bill has already provided over \$1.1 billion in loans to more than 90 broadband projects in rural communities spanning 42 states.

The Recovery Act marks a major new chapter in this effort. Since its enactment we have worked side by side with our partners at NTIA, the FCC, and the White House to fulfill the President's vision for promoting broadband across the nation. This collaboration has been unprecedented. We are now immersed in our review of over \$28 billion in applications. We have a long history of expertise in this area. The Telecom Program was initiated in 1949, so this year is our 60th anniversary that we have been building rural telecommunications infrastructure. To ensure that rural communities get access to quality broadband services, since 1995, RUS has ensured that all telecommunications infrastructure we finance be capable of supporting broadband, at least 1 megabit in both directions.

Today the RUS telecommunications portfolio, built up over 60 years, is \$4.1 billion. We have recently averaged \$700 million a year in new telecom loans. Since the enactment of the Broadband Loan Program in 2002, we have gained great insight into the unique challenges in deploying rural broadband. We have developed regulations for the changes required in the 2008 Farm Bill incorporating the lessons we have learned since 2002, regarding the wide variety of broadband networks, and we want to improve on our existing track record by learning from the current Recovery Act process as well.

With the \$2.5 billion in Recovery Act funds the RUS has received, we plan to deliver an even higher level of funding in loans, grants, and loan-grant combinations based on our ability to leverage our budget authority. We are now evaluating first-round applications and expect to begin issuing awards very shortly. Well over half of the total investment projected under the BIP Program has been reserved for the next funding round. We have compressed the plan for the second and third rounds into a single round. This should give applicants more time to develop strong proposals and help us ensure that we obligate all funds by September 2010. It will also give us more time to analyze, as you suggested, Congressman Conaway, and to really evaluate and take into account what we learn.

Subsequent funding may also include enhancements to criteria that we used in round one. We are certainly well aware of concerns that have been raised regarding a wide range of issues, including the definition of *rural* and *remote areas*, about which we have heard extensively from this Committee and others. We are also reviewing eligibility standards for unserved and underserved areas, scoring rates for various factors, and concerns regarding overlapping service territories for satellite providers.

It would be premature to speculate about specific changes that we are going to make until we have completed our evaluation of the first round of applications. But, we are prepared to make changes that may be significant based on our experience, the feedback we have received during the RFI process, and of course, your views. We certainly encourage input from everyone on this Committee on how best to move forward and apply the lessons learned in round one for the work ahead of us in the next round.

We will continue to ensure that our implementation of this program is collaborative and coordinated with our partners at NTIA. Our ability to continue to finance rural telecommunications is the result of your support of this mission. We can't thank you enough for your leadership on this, and for your longstanding support for our agency. We are working hard to justify the trust that you have placed in us to deliver affordable broadband services throughout rural America.

It an honor and privilege to work with you on behalf of our 65 million Americans who reside in rural communities. Thank you for inviting me to testify, and I would be glad to address any questions you may have.

[The prepared statement of Mr. Adelstein follows:]

PREPARED STATEMENT OF HON. JONATHAN ADELSTEIN, ADMINISTRATOR, RURAL UTILITIES SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Chairman McIntyre, Ranking Member Conaway, and distinguished Members of the Committee, thank you for the opportunity to testify on the U.S. Department of Agriculture's Broadband Initiatives Program (BIP).

Your support as we implement this critical program is invaluable and much appreciated. The Obama Administration and Secretary of Agriculture Tom Vilsack share your goal of improving access to affordable broadband service. You understand the role that broadband plays in bridging the barriers of time and distance. It is often the key factor that can level the economic playing field, provide rural businesses access to national and international markets, and allow new, small and home-based businesses to thrive. It is the element that makes rural areas competitive.

The funds we will administer in the next 12 months will cultivate new investment opportunities in as many rural communities as possible.

On behalf of Secretary Vilsack, I am here to say that USDA stands committed and ready to fulfill its rural broadband mandate outlined by Congress and the President. Improving the quality of life for rural families and businesses is the centerpiece of USDA's overall mission, and we view broadband as an essential ingredient.

Secretary Vilsack has striven to identify the many ways this Congress and the Administration have worked for our rural economy. The programs you are putting into place—renewable energy, local and regional food systems, regional collaboration and investment in broadband—are key components of USDA's focus toward rebuilding and revitalizing economic growth in rural America. Broadband provides connectivity for efficient delivery of not just these programs, but of all of the major issues facing rural residents, including health care, educational and financial services. These are necessary to a vital economy, not just for rural areas, but nationwide.

To document the importance of broadband in renewing the rural economy, Secretary Vilsack directed the USDA's Economic Research Service (ERS) to examine the economic effects of having broadband access in rural communities. In August, the ERS published a report, entitled "Broadband Internet's Value for Rural America," which concluded that employment growth was higher and non-farm private earnings greater in counties with a longer history of broadband availability.

The report also cited certain key benefits of broadband access in rural communities. These include access to online course offerings for students in remote areas and the access to tele-medicine and tele-health services for patients living in rural areas in need of urgent and often specialized care. Agricultural producers and farm based businesses are also more reliant on Internet access to conduct sales transactions, marketing and advertising, monitor real time changes in the commodities markets and track global trends that impact U.S. crop prices to stay in business. The direct benefits of broadband to the rural economy, both on and off the farm, are tangible and significant.

The report also clearly notes that areas with low or dispersed populations, or demanding terrain, generally have difficulty attracting broadband service providers. These characteristics, as you know, can make the fixed cost of providing broadband service too high to make a business case for investment. Yet, we also know from experience that leadership, policy support, resources and social factors can overcome barriers to broadband expansion.

And that is why we are here. This Committee is aware that since 1935, beginning with the Rural Electrification Administration, we have been a premier lender for rural infrastructure investment. Our current loan portfolio is \$54.5 billion and includes Federal financing for water and wastewater, telecommunications, broadband, electric and renewable energy infrastructure projects.

We are now applying our technical skills, historical knowledge and financial expertise gained over the past 75 years to meet the new challenge of deploying next generation broadband capability in rural communities. Our goal is to recreate the successes we have achieved in financing the rural electric grid for rural utilities and the rural telephone network toward building new broadband networks in the most rural and difficult to serve regions of the country.

We are grateful to Congress and the Administration for giving the USDA the opportunity to contribute its expertise towards rebuilding economic prosperity in rural America. Through the Recovery Act, Congress and the Administration entrusted the Rural Utilities Service with nearly \$4 billion in stimulus funds for infrastructure investment, dedicating \$2.5 billion for rural broadband deployment and \$1.38 billion for rural water infrastructure projects.

Since the enactment of the Recovery Act in February, we have worked side by side with our partners at the National Telecommunications Information Administration (NTIA) and the Federal Communications Commission to fulfill the President's vision for promoting ubiquitous broadband access across the nation. Assistant Secretary Lawrence Strickling has been an outstanding and visionary partner throughout this process. The Federal Communications Commission has also been an active contributor to this discussion.

RUS and NTIA are fully engaged in our respective reviews of applications for over \$28 billion in funding requests. There is a high degree of interest in our respective loan and grant programs that reflects the great demand for broadband in rural America.

It's worth noting that RUS has encountered several challenges as we have worked to review applications for this round of funding. These concerns have prompted us to consider alternative approaches that would simplify the application process and support our efforts to fund high-quality projects for the next round of funding.

In particular, we have seen applicants struggle to comply with the requirements of the "remote" definition for last-mile rural remote projects. This definition was an attempt to ensure that the program targets funding to some of the most remote and difficult to serve areas in the United States, which we understand is the intent of Congress. The use of this term was also part of an effort to address previous program criticism that RUS has historically funded less-remote project areas. We are contemplating major revisions that will continue to target highly-rural areas that are difficult to serve while making it easier for applicants to comply with any new definition we may establish.

Among other issues, we have also seen some applicants encounter challenges with our program's rural definition. In addition, some applicants have found it difficult to comply with the 50% loan requirement for middle mile and last mile non-remote projects.

The Request for Information (RFI) that NTIA and RUS released last week asks questions about these items and many others. We would welcome the Committee's input on these and any other issues of concern.

USDA's Historic Role in Telecommunications Infrastructure Investment

Today, the RUS Telecommunications portfolio—built up over 60 years—totals \$4.1 billion. As technology continues to evolve, we will continue to find new ways to deliver next generation services and facilities to end-users in rural and high cost areas.

We have also achieved considerable success and gained invaluable experience in deploying broadband and related services to remote rural and underserved communities. Through the Community Connect Grant Program and the Distance Learning and Tele-medicine Loan and Grant Program, RUS has invested \$498 million in rural underserved areas.

Applying the Lessons Learned from the 2002 Farm Bill to Future Applications

Since the enactment of the Broadband Loan Program in 2002, we have gained tremendous insights into the unique challenges of deploying loan financing for next-generation Internet architecture in rural high-cost markets. As we develop the regulations for the changes required under the 2008 Farm Bill, we are incorporating the lessons we have learned since 2002 regarding the funding of broadband networks in a competitive environment to improve our existing track record.

Once these regulations are published, we will launch a national outreach effort to help guide applicants on the new requirements and how to apply for funding. Outreach and education are important functions of our work in reaching as many rural populations as possible, and we will continue to dedicate resources and attention toward educating the American public of our farm bill once regulations are released.

To further assist prospective applicants with the new farm bill requirements, we will utilize the expertise of our nationwide network of Rural Development field offices and RUS' own General Field Representatives (GFRs), who are stationed in local communities across the country to hold workshops, deliver presentations, and respond to inquiries about the program. Rural Development has approximately 6,000 employees in over 470 offices nationwide. Through the outstanding local outreach performed by our field staff, we have enormous capacity to coordinate our programs and provide assistance and guidance to our borrowers.

Implementation of the BIP Program Under the American Recovery and Reinvestment Act: Building on Our Service to Rural America

With the funds we received in the Recovery Act for broadband, we estimate that we can employ the \$2.5 billion in budget authority USDA received to deliver an even larger volume of program level in loans, grants and loan-grant combinations to prospective applicants, based on our ability to leverage our funding levels. This strategy is designed to build on RUS' demonstrated expertise in finance and to complement NTIA's Broadband Telecommunications Opportunity Program (BTOP), which is a grant-only program. Supporting investments through our loan authority will help leverage Federal resources, and is a goal that we intend to continue to promote.

Under our first Notice of Funding Availability (NOFA), published on July 9, 2009, RUS made available up to \$1.2 billion for Last Mile projects, up to \$800 million for Middle Mile projects, and established \$325 million for a National Reserve.

Next Steps

We are now in the process of evaluating First Round applications and expect to begin issuing awards shortly. The first NOFA made available up to \$2.4 billion in program level (loans and grants) funding. Well over half of the total investment projected under the BIP program has been reserved for subsequent funding rounds. There have been previous conversations regarding plans for subsequent funding. One suggestion, which we have now implemented, is to compress the planned-for second and third rounds into a single round to give applicants additional time to develop strong proposals and to ensure that we are able to meet the goal of obligating all funds by September 2010. RUS and NTIA announced this change on November 10.

Subsequent funding may also include enhancements to eligibility and scoring criteria used in Round One. We are cognizant of the concerns and suggestions that have been raised regarding a wide range of issues including the definition of rural and remote areas, eligibility standards for unserved and underserved areas, scoring weights for various factors and concerns regarding overlapping service territories for satellite providers. It would be premature to speculate about specific changes to our funding requirements until we have completed the evaluation of first round projects. But it is important to note that we are prepared to do a top-to-bottom review of what went right and wrong in the first round, and make major changes, as necessary, to improve the program and the application process. We will consider changes to these rules based on our experience and the feedback we have received during the RFI process.

We welcome input from the Members of this Committee on how best to move forward and apply the lessons learned in Round One toward the work ahead of us in the next round of funding, which we anticipate will be announced in the coming months.

We will continue to ensure that implementation of the ARRA broadband initiative is a collaborative and coordinated effort with our partners at the NTIA. We will continue to work to make this process as transparent and as efficient as possible. The purpose of the Recovery Act is to spur job creation and stimulate long-term economic growth and investment. To date, we are on track to obligate the \$2.5 billion in broadband budget authority by September 30, 2010.

On October 28, RUS celebrated our 60 year anniversary of financing telecommunications infrastructure, which has evolved from delivering voice to distance learning, tele-medicine and broadband. On behalf of all of us at USDA Rural Development and the Rural Utilities Service, thank you for your continuing and generous support of this critical mission. Our ability to offer programs to create economic opportunity and improve the quality of life in rural America is a result of your work. It is an honor and privilege to work with you on behalf of the 65 million Americans in our rural communities. We look forward to working closely with Congress and our Federal partners throughout the Obama Administration in making affordable broadband service widely available throughout rural America.

Thank you again for inviting me here to testify and I will be glad to address any questions you have.

The CHAIRMAN. Thank you very much. You did that in less than 5 minutes in spite of the sirens. Thank you.

Mr. Strickling.

STATEMENT OF HON. LAWRENCE E. STRICKLING, ASSISTANT SECRETARY FOR COMMUNICATIONS AND INFORMATION, NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE, WASHINGTON, D.C.

Mr. STRICKLING. Mr. Chairman, Ranking Member Conaway, and Members of the Subcommittee, thank you for your invitation to testify on behalf of the Department of Commerce on the broadband initiatives funded by the Recovery Act. I am very pleased to appear here today with Jonathan Adelstein. Our two agencies, as he indicated, have been working hand in hand to implement this program, and the result it has been a highly-coordinated and well-thought-out approach that has taken advantage of the individual expertise of both of our agencies.

Under the Recovery Act, Congress has directed the Departments of Agriculture and Commerce to award grants to build broadband infrastructure in unserved and underserved areas of the United States. Such unserved and underserved areas exist in our cities, but there is little question that extending high-speed Internet to rural America is a particular focus for both of our agencies.

A 2009 study by the Pew Internet & American Life Project reports that only 46 percent of rural American households subscribe to broadband. Now, that is an improvement from the 18 percent reported in 2005, but it still doesn't measure up to the 63 percent overall adoption rate for the country, which itself is an unacceptably low number. The broad expanses of rural lands, combined with lower population densities, has made it difficult for private industry, on its own, to invest profitably in broadband infrastructure in rural America. And we are dedicated, along with our colleagues at the Department of Agriculture, to use the dollars appropriated by Congress in the Recovery Act to improve the availability and adoption of broadband services in rural America.

Today, as Jonathan mentioned, we are working diligently to review the applications received in round one. These applications requested \$28 billion in funding, which was seven times the funding we had allocated to the first round. We will begin announcing awards in mid-December, and will continue to announce grants on a rolling basis in 2010.

We have a number of factors that go into the selection process at the Department of Commerce, but the two that I would like to emphasize for you this morning are, one, where can our dollars have the most impact, and two, the sustainability of these projects after the Federal grant dollars are spent.

On the first issue, we are devoting substantial time and attention to determining how we can apply Recovery Act dollars to have the greatest impact in a number of dimensions: the creation of jobs, the expansion of infrastructure into unserved and underserved areas, the number of people subscribing or getting access to broadband, and the immediate and sustainable economic benefits of funding.

As we compare the different types of projects that have been proposed, NTIA is focusing on what we call a comprehensive communities approach as the type of project that we think offers the greatest benefit per dollar spent. The paradigm for a comprehen-

sive communities proposal is a Middle-Mile project that brings fiber or another broadband facility into one or more unserved and underserved communities, and then links the key anchor institutions in those communities to that facility. And by anchor institutions I mean schools, libraries, hospitals, and government facilities.

We think that there needs to be the strong community infrastructure in place so that people are using broadband at their job, and their children are using broadband in their schools in order to bring the full benefits of high-speed Internet to our citizens.

On the second issue, sustainability, we want to fund projects that will still serve their communities long after the Federal dollars have been spent. We think public-private partnerships may offer the greatest potential for successful and sustainable projects. The involvement of public entities ensures that the needs of communities are met, and the participation of qualified and experienced private companies gives us a greater confidence that the budget numbers and the financial assumptions are reasonable and that the project is sustainable for the long term. We will continue to test these assumptions as we review applications and select the best ones for funding.

But even in the middle of all this activity we are constantly thinking about ways to improve the program. As Jonathan mentioned, and we continue to work with RUS on this, we have gone out to the community and asked for comments on how round one has worked for them. We want to take those comments as to how we can improve the application process. We are interested in comments on the key program definitions and policy judgments. We will use that information to set the rules for one more funding round, which we expect to launch in January. The key for us in setting that start date will be to make sure that we are able to apply the lessons learned from the first funding round in designing the second funding round.

So in closing, we are working extremely hard to ensure that these projects serve as valuable inputs to our long-term broadband strategy. I look forward to working with all of you in the months ahead on these programs. Thank you for the opportunity to testify, and I look forward to your questions.

[The prepared statement of Mr. Strickling follows:]

PREPARED STATEMENT OF HON. LAWRENCE E. STRICKLING, ASSISTANT SECRETARY FOR COMMUNICATIONS AND INFORMATION, NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE, WASHINGTON, D.C.

I. Introduction.

Chairman McIntyre, Ranking Member Conaway, and Members of the Subcommittee, thank you for your invitation to testify on behalf of the National Telecommunications and Information Administration (NTIA) on the broadband initiatives funded in the American Recovery and Reinvestment Act (Recovery Act).

For many Americans, life without broadband is becoming unthinkable. For all of us here, the Internet has transformed the way we live, work, communicate, shop, and learn. However, we have not yet succeeded in connecting everyone to the benefits of broadband. Despite being the world's leader in technological innovation and where the Internet was pioneered, extending fast connections to small towns and rural areas has proven especially daunting. Mr. Chairman, I am sure you remember President Clinton declaring the need to "bridge the digital divide" in Whiteville, North Carolina in 1999. Ten years later, the divide remains. According to the Pew Internet & American Life Project, only 38 percent of rural American households

subscribe to broadband at home. That's an improvement from 18 percent in 2005, but it still doesn't stack up to the 57 percent and 60 percent broadband uptake rate for cities and suburbs. Geographic challenges and sparse populations are real challenges, but President Obama is committed to working toward making the United States the world leader in broadband penetration and adoption.

As we move forward in achieving President Obama's vision of universal access to broadband service, Recovery Act initiatives such as NTIA's Broadband Technology Opportunities Program (BTOP) and State Broadband Data and Development Grant Program (Broadband Mapping and Planning Program) will have significant positive impacts on the growth and development of businesses and communities in rural America. I am pleased to be here today with Jonathan Adelstein, the Administrator of the U.S. Department of Agriculture's Rural Utilities Service (RUS), which administers BTOP's sister project, the Broadband Initiatives Program (BIP). Our two agencies have worked together closely to implement the broadband provisions of the Recovery Act to ensure a well-coordinated and thoughtful approach that takes advantage of the individual expertise of each agency.

Congress authorized NTIA to expend \$4.7 billion to implement BTOP. We will award the bulk of the dollars in support of projects to deploy broadband networks in unserved and underserved areas. In addition, we will provide at least \$250 million to projects that encourage sustainable adoption of broadband services, and at least \$200 million to enhance public computer center capacity at institutions such as community colleges and public libraries. The Recovery Act further directs that up to \$350 million of BTOP funding should be used for the development and maintenance of a national broadband inventory map.

NTIA is implementing BTOP in line with several critical goals. First, the Administration is committed to reducing the broadband gap in America, focusing in particular on ensuring that unserved and underserved areas have access to modern communications services and the benefits those services offer for education, high-value jobs, quality health care, and more. Second, the Administration is committed to bringing the maximum broadband benefits possible to our community anchor institutions, such as schools, libraries, community centers, and medical centers. Third, the Administration is committed to improving broadband service for public safety users, whose ability to access modern communications services is of vital importance in their role as first responders. And fourth, the Administration is committed to helping stimulate broadband demand, economic growth, and job creation.

These programs will not solve all of rural America's broadband challenges; however, in conjunction with BIP, and with the continued support of Members of this Subcommittee, NTIA will use these funds to take significant steps in bringing rural communities the benefits of broadband.

II. Recovery Act Grant Awards for Broadband Mapping and Planning.

Our efforts to bring robust and affordable broadband to rural America begin with a simple question: what is the current state of broadband in rural America? We would like to answer this question definitively, and detail the extent, type, and speed of broadband availability throughout rural America. However, as a 2009 Federal Communications Commission (FCC) report on "Bringing Broadband to Rural America" concluded, "[r]egrettably, we cannot."¹ At this moment, no Federal agency has collected comprehensive and reliable data needed to answer this question.

With the Broadband Mapping and Planning Program funded by the Recovery Act, NTIA is now well-positioned to obtain the most complete set of data on the deployment of broadband service in rural communities across the nation. In the past few weeks, NTIA has announced fifteen grant awards for broadband mapping and planning activities totaling nearly \$28 million. States receiving awards to date are: Alabama, Arkansas, California, the District of Columbia, Idaho, Indiana, Maryland, Massachusetts, New York, North Carolina, Vermont, Washington, West Virginia, Wisconsin, and Wyoming. These awards fund 2 years of broadband mapping efforts and up to 5 years of broadband planning activities.

NTIA expects to award a mapping grant to every state and territory, and is currently working with the remaining applicants to revise and refine their project proposals to ensure that each proposal meets the program's standards. We expect to complete all mapping awards by next month.

The effort will culminate in the creation of a national broadband map by February 2011. The national broadband map will educate rural consumers and businesses about broadband availability, enable broadband providers and investors to make

¹See BRINGING BROADBAND TO RURAL AMERICA: REPORT ON A RURAL BROADBAND STRATEGY, FCC Acting Chairman Michael J. Coops (2009), available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-291012A1.pdf.

better-informed decisions regarding the use of their private capital, and allow Federal, state, and local policy-makers to make more data-driven decisions on behalf of their rural constituents.

III. Forthcoming BTOP Awards for Broadband Development and Expansion.

Congress funded programs in the Recovery Act to accelerate the deployment of and subscription to broadband services in rural communities. Much like extending the reach of railroads across the country or bringing electricity and telephones to rural areas, NTIA's BTOP investments will serve as valuable building blocks for future private investment that will ultimately deliver significant and lasting improvements in rural America's broadband deployment, technological innovation, and economic health.

There is much good news to report since we last testified before this Subcommittee. For the first funding round of BTOP, NTIA and RUS received almost 2,200 applications requesting nearly \$28 billion in funding for proposed broadband projects reaching all 50 U.S. States, five territories, and the District of Columbia. When you include the approximately \$10.5 billion in matching funds committed by the applicants, these applications represent more than \$38 billion in proposed broadband projects. The fact that applicants requested nearly seven times the total amount of funding available in this initial round of broadband funding underscores the interest for expanded access to broadband service throughout the country.

Applications came in from a diverse range of parties, including state, tribal, and local governments; nonprofits; industry; small businesses; anchor institutions, such as libraries, universities, community colleges, and hospitals; public safety organizations; and other entities in rural, suburban, and urban areas.

As a result of NTIA and RUS coordination, applicants could apply for funding simultaneously under both RUS's BIP and under NTIA's BTOP, although pursuant to the Recovery Act, projects will only be funded in a single agency. Parties submitted more than 830 applications jointly, requesting nearly \$12.8 billion in infrastructure grants and loans.

In addition, NTIA and RUS worked together to make publicly available—at www.broadbandusa.gov—a searchable database containing information on all applications received, as well as maps of the geographic service areas proposed by entities applying for infrastructure grants. We provided each state, territory, and tribal government with an opportunity to prioritize and comment on applications relevant to its jurisdiction, and we've provided existing service providers with the opportunity to comment on their existing service offerings.

We are now fully engaged in a thorough review of the nearly 2,200 applications to determine which best meet the goals of the Recovery Act. Each eligible BTOP application is evaluated by at least three expert reviewers against established criteria, including the proposed project's purpose, benefits, viability, budget, and sustainability. For this phase, NTIA recruited and selected over 1,000 highly-qualified BTOP application reviewers. Those applications considered the most highly qualified then advance for further consideration by NTIA.

Applicants in the second phase of review submit supplementary information to NTIA as necessary to substantiate representations made in their applications. NTIA staff reviews and analyzes this supplemental information. I will make the final selections of BTOP awards, consistent with the statutory directives established by Congress in the Recovery Act.

I expect that BTOP grant announcements for the \$1.6 billion available in the first funding round will begin by mid-December and will continue into early 2010. This is approximately 1 month later than we originally communicated to the Subcommittee in July. However, we felt it necessary to expand the review period to provide full and fair reviews to the large number of complex applications we received.

IV. Next Funding Round.

Even in the middle of all this activity to review the current applications, we are constantly thinking about ways to improve the program. On November 10, 2009, NTIA and RUS announced that there will be one more BTOP and BIP funding round, which will begin early in 2010. Although NTIA and RUS previously indicated that we planned to hold up to three rounds of funding, our experience in the first round led us to opt for just one more round of funding. This more consolidated approach should yield multiple benefits for all stakeholders.

First and foremost, it will enable us to complete the entire grant-making process earlier, expediting the stimulative benefits for the economy and job creation that the Recovery Act promises. It also affords additional time—both to stakeholders, to provide us with well-informed views on how the first round worked for applicants, and

to NTIA and RUS, to learn from our experience and adjust those aspects of the process that need to be improved. Also, parties who wish to collaborate on an application, such as through consortia or public-private partnerships, will have additional time to work out the details of those arrangements. This policy will produce better results for the American public, in terms of both the quality of the broadband projects we support and the speed with which the program will contribute to our economic recovery.

On November 10, 2009, NTIA and RUS also announced the release of a second joint Request for Information (RFI) requesting public comment on issues relating to the implementation of BTOP and BIP for the next funding round. Stakeholders will have the opportunity to provide us with feedback on how the first round worked for applicants, what policy clarifications or changes should be made, and how the agencies can make improvements to the process.

Of particular interest to potential rural applicants, we are seeking comment on whether more targeted regional economic development or "comprehensive community" approaches focusing on middle mile infrastructure projects could maximize broadband benefits to unserved and underserved areas. The deadline for comments is November 30, 2009, and we look forward to using those comments to improve the program.

V. Oversight.

Looking forward, I must underscore the importance of our oversight objectives for the program. NTIA is committed to ensuring that taxpayers' money is spent wisely and efficiently. Since the inception of BTOP, we have been working with the Department of Commerce's Inspector General to design this program in a manner that minimizes the risk of waste, fraud, and abuse. As we move forward and project construction begins, NTIA will enhance its auditing and monitoring responsibilities, including site visits to grantees.

The Recovery Act does not provide authority or funding for administration and oversight of BTOP-funded projects beyond the end of Fiscal Year 2010. NTIA intends to work with Congress in the coming months to ensure sufficient authority and funding to administer and monitor the execution of BTOP grant projects and carry the program to conclusion.

VI. Conclusion.

NTIA is working diligently to make certain that the broadband projects funded by BTOP and the broadband mapping information developed under the Broadband Mapping and Planning Program serve as valuable inputs to our long-term broadband strategy. At its core, the broadband initiatives in the Recovery Act offer a tremendous opportunity to stimulate job creation and economic growth both in the near term and for the future.

I assure you these Recovery Act funds will be money well spent and that we will do our best to target Recovery Act funds to areas of the country that need them the most. In doing so, we will make broadband more widely available, especially to rural anchor institutions, such as hospitals, schools, and libraries. We will continue to ensure that implementation of the Recovery Act broadband initiatives is a collaborative and coordinated effort with RUS and others in the Administration. We are also committed to making this process as transparent and as efficient as possible.

Thank you again for the opportunity to testify this morning. I will be happy to answer your questions.

The CHAIRMAN. Thank you, gentlemen. Thank you for your promptness and efficiency.

The gentlewoman from Wyoming, Mrs. Lummis, although not a Member of the Subcommittee, has joined us, and we are pleased to have her. I have consulted with the Ranking Member, and we welcome you to join us at the appropriate time in questioning of the witnesses.

With regard to that I am just going to ask one question for now, so that, hopefully, before these votes occur everybody can at least get in one question. To both of you or either of you, whichever may prefer to answer, you both may have a different take on this. In your statements you have recited 2,200 applications requesting nearly \$28 billion in funding as good news from the first round.

However, in looking at some of the public information provided, it is clear that many of the applications filed under *remote* propose to serve areas that are clearly not meeting the definition of *remote*, and that many applications are proposing to serve areas that appear to have adequate service.

Have you been able to determine what percentage of those 2,200 applications that were actually viable and qualified under the definitions for which they applied? Can you first answer that question? Have you been able to determine the percentage?

Mr. ADELSTEIN. We are currently evaluating just that question. We are not complete yet in our evaluation, because we are still going through the applications. We have a number of them that have, indeed, displayed that there was a certain misunderstanding of the definition of *remote*. That is one of the reasons we think we really need to revisit the definition of *remote*. I certainly have heard loud and clear from this Committee that there have been major concerns about that, and we heard loud and clear also from applicants that there was some confusion out there about how it worked. I think we need to be much clearer in the second round. We want to scrub from top to bottom that idea of *remote*, and we are now evaluating how many of those applications were not, in fact, for *remote* areas.

As to the second question that you asked about, how many of those areas that said they were *remote*, in fact, have service? We are finding that some areas, even the ones that are *remote*, do have service in them, and we are going through our due diligence. So we don't yet have the final numbers on that as we are still going through our evaluation.

The CHAIRMAN. When do you think you will have the final numbers?

Mr. ADELSTEIN. We should have them pretty soon, as soon as we wrap up the review process for the last-mile *remotes*. I would hope we would have them when we complete that process. We are hoping to, at least, begin awarding grants next month and we should have that information around next month.

The CHAIRMAN. All right. If you would please provide that to us next month, especially before the Christmas holidays.

Mr. ADELSTEIN. Yes, sir.

Mr. STRICKLING. And could I indicate that our applications at the Department of Commerce, there is really a two-step review for us. First, we make sure that the applicant has appropriately defined a service area that qualifies as either unserved or underserved. While I don't have the figures on that, I would say that the vast, vast majority of our applicants have adequately made the *prima facie* showing that their area they wish to serve is unserved or underserved.

But then we have also collected information from existing service providers and states in terms of what the availability is of service in these areas. We will only evaluate that information as applications go into due diligence, because we make the final determination as to whether or not an area is unserved or underserved that is going to be funded with government dollars. We won't do that for the entire application pool. We will only do that for those

projects that have scored high enough to move into due diligence, and they are projects we are considering funding.

The CHAIRMAN. All right. Thank you. Mr. Conaway.

Mr. CONAWAY. Thank you, Mr. Chairman.

Back in July this Committee expressed some concerns about the ability of both agencies to deal with what was expected to be a pretty significant response to the NOFA. Mr. Adelstein, by the way, thank you very much for taking the time to come see me yesterday ahead of this hearing. I appreciate that.

Your agency decided to hire folks. Mr. Strickling, your agency decided to go with volunteers. Can you talk to us about how that is working for both of you? Mr. Strickling in particular, how you screened more than 1,000 applicants at the same time you are doing these other applications. Given the fact that you are going to roll out these grants during the same time-frame that you are seeking additional new applications, and change the rules as the result of the input you have gotten, for the folks who have made an application in the first round, will they be able to just roll their applications into the second round, how is that going to work?

Mr. ADELSTEIN. In terms of our staff capacity, as I mentioned, we have been making loans since 1935. The default rate in telecom is less than one percent. So we have a lot of experience. We have 114 FTEs in telecom, including 26 general field representatives out in the states across the country. We are hiring 47 additional employees, including ten more GFRs and ten field accountants.

Mr. CONAWAY. And those have all been hired?

Mr. ADELSTEIN. Not yet. We are in the process of doing that. We have hired about half of them.

Mr. CONAWAY. So the review process is almost done?

Mr. ADELSTEIN. Well, no. We are still in the middle of the review process. The second round is going to be much bigger than the first one, so we need to get them in place soon. We are relying on a lot of our staff from across the country to help us as well, and we have a contractor that we hired to assist us on top of that. So we feel that we have sufficient resources now to review the applications that we have.

In terms of the other question about giving applicants a chance to know—we are not going to close the next round of funding until applicants that were denied in the first round have a sufficient opportunity to reapply in the second round. I think it is crucial that they be given a significant period of time in order to do that. If we need to keep the second round open, we will do that so that people have the opportunity to reapply. I don't think that it will be possible for applicants simply to roll over into the second round, given that we may make changes in the application process in the second round.

It may be possible to take their applications. We are going to give all applicants that were denied some explanation as to what the issues were so they can take that into account in filing a new application for the second round.

Mr. CONAWAY. Mr. Strickling.

Mr. STRICKLING. On the second point, the one Jonathan just referred to, I am confident that by the time we open up round two, and open up the application window for round two, everyone in

round one will have a good understanding of where their application ended up. So I don't think that there will be a problem of people not knowing whether or not they should apply in round two. They will know.

Again, as Jonathan said, it may well be that people will need to reapply into round two. We just won't roll the applications over. It may well be that depending on the changes that are made in the program, if any significant ones are made, that they will have to tweak their application. What I would hope most people would do, though, is that they look at what we do fund in round one to see what goes into a successful application, learn from that, and on their own upgrade their application to make it more attractive in round two.

With respect to our staffing, volunteers were only a piece of our overall staffing approach to this program. We have added approximately 40 new staff at NTIA to work on this program. That staff has been augmented by about 100 folks that have come in through Booz Allen and Hamilton, who we brought in as a contractor to support us.

The issue of the independent reviewers was that all these applications had to be reviewed under the terms of our grant rules by three independent reviewers, and we did seek volunteers, independent experts to come in and do that. Over 1,300 people responded to that call; 200 or 300 were rejected for conflicts of interest or lack of qualifications. We have used roughly 1,000 of these folks or will be using roughly 1,000 of these folks to review these applications in the first round. The expertise of these people is quite, quite remarkable. We have a former chair of a Public Utility Commission, we have former executives from telecommunications companies who have built these kinds of projects. So, people responded to the call to serve their country and have stepped up and have provided a very valuable service to us.

The CHAIRMAN. Thank you very much.

Mr. Bright.

Mr. BRIGHT. Yes, sir. Thank you, Mr. Chairman and Ranking Member for calling this hearing, and let me thank the two guys for your testimony today. We appreciate you being here.

And for the benefit of time because we do have votes coming up, I have one question, and I will yield back, and really either one of you or both of you can answer if you can. We recognize that only \$4 billion is not enough to ensure that everyone in this country has access to broadband. It is key for communications, education, medicine in rural areas such as mine in southeast Alabama. But if your agencies were to award the full grants that we have access to today, how much closer will we be to deploying broadband Internet to all Americans across our country? Do either one of you have an intelligent or an expert answer to that question?

Mr. STRICKLING. I am the visiting team here, but I could go first.

Mr. BRIGHT. Okay.

Mr. STRICKLING. No. I don't think we truly do. We are awarding grants according to the applications we receive, and so it is impossible to predict today as to how far we are going to be able to move the needle overall. It will depend, in large part, on who applies and where we can fund the applications. But I am confident we are

going to have a substantial impact on improving service in our unserved and underserved communities.

Mr. BRIGHT. So is it correct to assume that this is really just a drop in the bucket compared to what we really need throughout our country to make sure every American has access to broadband?

Mr. STRICKLING. The FCC has estimated that the need is anywhere from \$20 to \$350 billion, depending on how fast a speed of service you want to guarantee for everyone. So, yes, I think it is fair to say that \$4.7 billion here is not going to get us all the way there.

Mr. BRIGHT. Sure. Okay. Mr. Chairman, I will yield back my time for the benefit of another Member.

The CHAIRMAN. Thank you. We will have three votes coming up. Mr. Roe, do you have a short question?

Mr. ROE. Very short.

The CHAIRMAN. Okay. We will go ahead and work you in, and after his question we will recess. If further Members are going to have questions, we will come back. If you do, we will come back briefly to finish up. We only have three votes, so hopefully we will not be gone that long. All right. We will conclude with Mr. Roe's question.

Mr. ROE. Thank you, Mr. Chairman. Very quickly: One, I may have just gotten here too late, but I live in a rural area in Tennessee, what is your definition of *remote*, and second, do the applicants who have been denied, do they know to reapply? Have they been informed in writing so that they won't call us later and say, "Well, I didn't know you had to reapply."

And then one very quick question. I get asked his every time I go home. How much of the money are we going to spend on signs to say that this project has been funded by the stimulus package? I get worn out by that every time I go home. I hope there are no signs. I hope you put them on the Internet. Thank you. I appreciate it.

Mr. ADELSTEIN. Well, in terms of the definition of *remote*, we are going to work on that. As far as your question about will applicants be informed, we are going to let every single applicant know what their status is before we finalize the second round of funding. So we will clearly indicate that we want to encourage them to reapply. In many cases we are going to give them some idea about what happened in the first round so they will be able to target their next application more effectively to meet our standards. We want to make sure that we give everybody an opportunity to do that.

Mr. ROE. And the signs?

Mr. ADELSTEIN. It is a good idea to put them on the Internet. I think there might be some requirements in the Act about that. We want to minimize, of course, the expense that would be used for that purpose, and I don't anticipate there being extensive signage.

Mr. ROE. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. We will recess and reconvene immediately after votes.

[Recess.]

The CHAIRMAN. We will now reconvene this Subcommittee hearing on Rural Development, Biotechnology, Specialty Crops, and Foreign Agriculture. Thank you for your patience.

While we are waiting on the other Members to come in from the votes, I am going to go ahead and yield to the Ranking Member for his second round of questioning.

Mr. Conaway.

Mr. CONAWAY. Thanks, Mike. I appreciate that.

Forgive me, Mr. Adelstein, for reading this, but I need to get it correct. Mr. Adelstein, do you believe you violated the technology neutral statute by including the non-discrimination provisions and the provisions of the NOFA in considering the applicants who applied?

And to follow up, why do the non-discrimination provisions go beyond the regulations proposed by the FCC in October by applying these rules? Existing broadband providers or providers that are not connected to a large network are not applying for the grant and loan funding, in part, because these requirements will place costly restrictions on the network and will impose neutrality policies to go above and beyond what has been regulated by the FCC. And I, for the record, recognize that you come from the FCC and know a little bit about this subject, so what are your thoughts.

Mr. ADELSTEIN. As you noted, we are not specifically required by the legislation to include non-discrimination provisions, but we do believe that we have authority to do so under the statute. We have found—

Mr. CONAWAY. The fact that we said it once means you say that you have the authority to do it?

Mr. ADELSTEIN. Yes. I mean, NTIA is required to do it, but we believe we have the authority. We wanted these programs, basically, to operate in concert and to be as consistent as possible. So working in concert with the NTIA, and with the Administration, we came up with the exact same definition of *non-discriminatory networks* with the goal that public funds should support interconnected and non-discriminatory networks. That was an important policy goal.

Mr. CONAWAY. And so you are setting yourself up now as a mini FCC to be the arbitrator of that, or shouldn't we defer in all these matters, arguments from both sides, to the FCC; rather than setting up your new system that is now a second layer that makes it even more difficult to comply with.

Mr. ADELSTEIN. This system was actually developed in consultation with the FCC with their expert input. They didn't have a formal role in making the decision. We did as the Administration, but we did consult with the FCC in terms of their expertise on that, and of course, also with the NTIA, which is an expert agency of the Federal Government on telecommunications.

Mr. CONAWAY. Yes, and your explanation of why 60 percent of the applicants are wireless rather than cable or non-wireless.

Mr. ADELSTEIN. Well, that 60 percent is not all wireless. It means that 60 percent of the applications had at least a wireless component in them. Some of them were all wireless, but we believe that is because wireless technology is such an effective way of reaching hard-to-reach areas it can really shorten distance, and it can be much cheaper than laying fiber. Some of the very high bandwidth, microwave, for example, is not necessarily wireless to the last mile. Some of it is Middle-Mile wireless that involves

backhaul. So there are a variety of different uses of wireless in this. We did get a large number of applications, and we had overwhelming demand despite the interconnection and non-discrimination requirements for the program. So there were a number of wireline companies that did apply.

Mr. CONAWAY. Okay. Thank you. The fact that you got 2,200 applications is eye opening, but until you tell me that 2,229 of them met all of criteria and are all viable, I am going to be hard-pressed to argue that that is a great statistic to use, and you told me earlier that you are not prepared to tell us that yet.

This is not staff driven. The tyranny of an artificial deadline is driving much of this pace. Mr. Strickling's team has been working with states to build a broadband map, but it won't be completed until February of 2010. As a business person, as a protector of the taxpayer dollars, and again, I know it is the stimulus hard date, but does it make sense that we would spend all the rest of this money before we have that map? And I can understand maybe the first round picking up the low-hanging fruit, but in addition we have allocated \$350 million for the map. You have allocated \$28 million so far in 15 states, multiply that by three or 3½ to get the rest of the country.

You have also included 5 years of broadband planning, which may be beyond the scope of what that map was supposed to be, but are you going to spend all \$350 million on this? And why wouldn't we wait until we get the map to spend the rest of the money, except for the artificial deadline?

Mr. STRICKLING. Yes, sir. You have a number of questions there. Let me try to address them in order, but if I miss one, please come back and follow up.

In an ideal world, yes, one would probably like to have a map available to us from which to be making these grant decisions, but that is not the world that was handed to us last February. And it is not really our issue. Our issue is to fund projects in unserved and underserved areas. The presence of a map would assist in that effort, but it is by no means the only way we can make that judgment.

And so as I indicated earlier, we have collected information from the applicants themselves in terms of the availability of broadband in the area they propose to serve. We have collected information from other service providers in those areas as to the availability of whatever they might be offering. We have asked the states to provide whatever information they can bring to bear on this, and a number of states have previously done maps of varying quality that provide——

Mr. CONAWAY. So all of that information is available now to your decision makers?

Mr. STRICKLING. Yes, sir, and our obligation is to award a grant only to an area that meets the standard of unserved or underserved. So I am confident we can do that even without the national broadband map.

Mr. CONAWAY. And one last follow up then. Let us assume that you don't have enough qualified grants. Would you recommend that the money not get spent by September 30 if it, in effect, would be wasted?

Mr. STRICKLING. We are not going to waste any money, Congressman, so——

Mr. CONAWAY. Be very careful. This is \$9 billion, so you need to be very careful making those statements.

Mr. STRICKLING. Yes, sir, but avoiding waste, fraud, and abuse is right at the top of our list, and we would not fund a project that we do not think is a quality project. We will not fund a project that we don't think is sustainable and will not be continuing to serve the community 5 years from now. And so those are all part of our factors.

Based on what I have seen in the pool so far, I think we could spend well more than \$7 billion that Congress appropriated and fund quality projects, but if the hypothetical you offer were to be the case, we would certainly step back.

The CHAIRMAN. Thank you very much. Mr. Kissell.

Mr. KISSELL. Thank you, Mr. Chairman. Thank you, gentlemen, for being with us today and staying with us through the votes.

I have to admit that all the talk about the first round, second round, changing definitions of *remote*, *underserved*, it would seem to me to make it hard to know for some of the people that are wanting to participate in this just exactly where they stand, and you said that, that it is a work in progress.

As I look at a map of North Carolina, which is also my home state, we have two remote areas, and it is the very eastern part of the state, Outer Banks and very western part of the state up in the mountains. But we have a lot of areas that do not have access.

So my question is this, and for both of you, is your *modus operandi* in determining how we go about this, is to provide access to as large of a percentage of those that don't have service population wise or geography wise?

Mr. ADELSTEIN. We are really looking at people. I mean, how many people can we get this service to? The *remote* definition, which we are reviewing from top to bottom and thinking about what we could do, was one way of identifying the most hard-to-serve areas. We want to target the funding towards the areas that are hardest to serve. I think you know that in the past——

Mr. KISSELL. Let me interrupt just one second. I know my time is limited, but *remote*, by definition, sometimes it means there are no people there, and the area where we have people that are underserved, who is going to get the money? Is it going to be where we have the people that have not fit the definition of *remote* because they are closer than whatever miles to a population center, but they don't have service now, or are we going to look at geography, which is beyond that, where there are not as many people?

So my question is, is it people and percentage of population, or are we trying to cover percentage of the map in geography?

Mr. ADELSTEIN. Right now we have that very question out for comment in the RFI process. We were trying to determine exactly how we can reach the people that need broadband that don't have broadband because the marketplace left them behind.

Now, remoteness is one factor, and certainly there are other factors such as density or income that we have asked for comment on. We haven't determined, yet, exactly how to do it, but our goal is,

as you say, to target those people who really need the Federal assistance, and whether we have it right is certainly——

Mr. KISSELL. Well, you have to understand that it is not the most consoling idea to me that we are spending billions of dollars and still asking these questions. To have consideration towards the people that are asking me and my staff how can they go about doing this, getting the grant or whatever, but yet we are still so fluid that we don't have it. To say we are going to cover the largest percentage of people that don't have service, and recognize that may not be as much of the map as we would like to cover. But the percentage of people, that is where, it seems, we are heading.

And with all the questions that are still out there, is that the driving force behind what we are trying to do, to cover the largest number of people *versus* the largest percentage of the map?

Mr. ADELSTEIN. The largest number of people served is one of the factors in our current NOFA. We do award extra points for those applications that have more individuals that are unserved that are covered. So we already have that taken into account.

We also look at the remoteness issue, and next time around we are going to figure out how to get the mix right so that we can maximize the effectiveness of the dollars. In the case of the *remote area* definition, if anything, the definition protected us from spending money that we wouldn't otherwise spend. So we are not wasting any money. We have $\frac{2}{3}$ of the funding left in the next round. The idea of doing this in multiple rounds was to learn about exactly these kinds of issues to better target the funds in the second round. If anything, in the first round the *remoteness* definition was very tight. So, we have funds left to target in the second round, appropriately, to make sure that we can maximize the bang for the taxpayer buck.

Mr. KISSELL. Well, it would seem that we still have a lot of the basic questions, Mr. Chairman, that we were looking at last summer unanswered, yet, we are giving out the money—I know there is a lot of need out there, but it just seems like we really have to zero in on where this needs to go to do the most good to bring the people in for all the reasons we talked about.

I yield back, Mr. Chairman.

The CHAIRMAN. Thank you, and thank you, Mr. Kissell.

Dr. Minnick.

Mr. MINNICK. I am from Idaho, and we are less concerned about Congressman Kissell's problems in North Carolina, but we have some problems of our own. We have the problem that you have addressed, and I appreciate your willingness to take another look at the *remote* definition. We have lots of places that are between 5 and 50 miles of metropolitan areas that have big mountains in-between and really no communications. So that definition is too restrictive for our geography for the reasons others have said.

We also have another problem—I don't know if it is similar to what my colleagues have been addressing—but the process of prioritizing, to the extent there is local input, was directed by Congress to go through the governor or at least a portion of it. And in our case, perhaps inadvertently or perhaps because it was premature, we have many applications that were very worthwhile and worthy, at least as Congressman Simpson and I looked at it, that

did not get prioritized as highly as we might have hoped the governor's staff would have done.

Will there be an opportunity in the next round for Congressman Simpson and I, and others that participated to give you some direct feedback with respect to why we think a particular proposal is meritorious and whether or not it was prioritized by our governor?

Mr. ADELSTEIN. We would certainly welcome your input. RUS doesn't have a formal role for the states, so I will leave that to Assistant Secretary Strickling, but as far as your input, we would really welcome any thoughts you have on the merits of the application.

Mr. MINNICK. Well, thank you, and we appreciate your wanting to do this in rounds. We appreciate, hopefully, the opportunity to give feedback to the applicants who failed to receive a grant so that they might be able to get your advice in addition to just looking at other successful proposals as to how they could strengthen their proposal. And then if you would as you just stated, give those of us in the Congressional delegation an opportunity to at least express our opinion, we would be appreciative of that process.

So thank you very much.

Mr. STRICKLING. Congressman, could I just fill you in on how the process does work at Commerce on the state consultation, to clear up some confusion?

Mr. MINNICK. Certainly.

Mr. STRICKLING. We did solicit each state to provide whatever input they wished to concerning the priority areas in their state for funding. If they wanted to comment on specific applications, they were permitted to do so, and many states did do that. That information is another factor in our process. If a project was very low-scored by our reviewers, the fact that a state liked it will not rescue that project, and just the same if it is a good project as our reviewers have determined, the fact that a state didn't recommend it is not the death knell for that project either. It is just another factor we take into account.

And then I have received dozens of letters from Members of Congress in support of individual projects. So, again, that is available at the Department of Commerce and will continue to be available.

Mr. MINNICK. You can expect some more, and I might ask would it be helpful if in these subsequent rounds the state were to give you some additional comments with respect to how they view this next tier of applicants? Are you taking that information from them as well?

Mr. STRICKLING. There is no question about that, we will. It is required by the statute for the program we are running at the Commerce Department.

Mr. MINNICK. Well, great. I appreciate that information, and I appreciate your receptivity, and you will be hearing from Idaho.

I yield back.

The CHAIRMAN. Thank you, sir.

Mr. Conaway.

Mr. CONAWAY. Thank you, Mr. Chairman. I do have several questions to add for the record, but I have one final one that is a bit time-sensitive, and that is that as we approach this final notice of funding availability to spend the remaining $\frac{2}{3}$ of the money,

what changes to the rulemaking processes are you contemplating implementing? Would you respond to the concerns of this Committee and allow for a comment period following the rules you published in January, and allow enough time to make some critical adjustments?

The idea being that if we are working off of a flawed rule now and we don't know what the new rule is until the new NOFA is done, and we are off and running again with a bad rule. As we heard the conversation about remote areas last summer, are we going to repeat that same process, or will there be some amount of time to digest and comment on what you are doing?

I just need a commitment from you guys on that this morning, and we will submit the rest of the questions for the record.

Mr. ADELSTEIN. We certainly welcome your input. It is most helpful to get it sooner rather than later, obviously, because given the time crunch as you indicated earlier, we can't afford to delay the process.

Mr. CONAWAY. I guess the problem, though, Mr. Adelstein, is if you publish the NOFA and the rule and all this stuff on the same day, then our input would be much like the input we were able to give in July, which was a very similar process.

Will there be some limited amount of time between your rule publishing, and all the changes you are making to what you decided to do in July and the NOFA, to allow a comment period and allow for some response?

Mr. ADELSTEIN. It is not currently contemplated to do that. Right now we do have the RFI out for comment, and we would welcome comments from Congress, obviously subsequent to the closing of the RFI. We always keep that open for Congress anytime that you want to make comments. Our goal now is to publish a NOFA that would begin the process for applicants to apply, because if we have another comment period on top of that, it would delay the actual opening of the window for applicants.

Mr. CONAWAY. So the changes you are making to the definition of *remote* will we know those in advance before you publish the NOFA? Or will those be published concurrent with the NOFA?

Mr. ADELSTEIN. The NOFA would be the document in which we would publish those changes but we—

Mr. CONAWAY. Don't you think there would be some advantage to publishing those changes first?

Mr. ADELSTEIN. If we had time, it would be an advantage.

Mr. CONAWAY. Okay. So what I am hearing, Jonathan, is that we are going to keep the same process as we did in July. Yes or no?

Mr. ADELSTEIN. Well, we would be happy to talk to you about it. I mean, in other words, as we are getting closer, we could come to the Committee informally or formally and discuss what we are contemplating if that would be helpful.

Mr. CONAWAY. Well, it is not just the Committee. I am not going to file an application, but the folks out there in the hinterlands who will be in the process of not knowing at that point whether their first application made the cut or not; or they may know it didn't make the cut, and they are in the second round, but they don't know if that is going to go forward. It seems to me you are putting the cart before the horse, and this is a classic ready, fire,

aim approach that we saw happen in July, and you don't have to answer. I just encourage you that that doesn't make sense to spend, as Mr. Strickling said, the money in the best interest of the taxpayer.

I yield back.

The CHAIRMAN. Thank you, Mr. Conaway.

Gentlemen, one last question during this hearing and any other questions as Mr. Conaway indicated can be submitted in writing.

How have the agencies processed the tremendous amount of information provided during the public comment period by incumbent service providers? And in particular, what is the process once a competing provider asserts that there are other providers, or rather what is the process once a competing provider asserts the area is adequately served?

Do the agencies contact the original applicant or do their own research, or do you determine who is correct or a combination? How do you resolve that?

Mr. ADELSTEIN. I can go first. Okay. I will go ahead. We make the final determination, obviously, based on everything in the record. We look at all of the information that was filed by incumbents, for example, that they have a concern in the area that an applicant said wasn't served, that was served. Then we have at that point competing information in the record. One person says it is served, one person says it is not. We have to make that determination. We look at as many sources as we possibly can. Some states have broadband maps. We have GFRs or general field representatives, that we actually have going out to service areas to make the determination themselves, even if there wasn't a challenge that was made by the applicant themselves.

We have over 1,181 applications with comments on them now. Out of all the applications we had 11,000 responses on 80 percent of the applications, and we plan to assess all of those service areas in the step two applications in particular. We are focusing on only those ones that we are contemplating funding. So, after we finalize the scores and determine what we send in for what we call our step two process, where we get additional information from applicants, we are then focusing on these. That is where we are sending our staff out in the field, that is where we are analyzing additional data that we have in addition to our own due diligence.

We have 100 employees that are analyzing incumbent responses. We take very seriously making sure that we are not providing service where it is not needed, where there is already service provided. We are digging very deeply into this on an applicant-by-applicant basis, particularly those applications that are ones that are close to being funded.

The CHAIRMAN. Thank you.

Mr. Strickling.

Mr. STRICKLING. Similar to what Jonathan described, we are only evaluating this information on projects that are in due diligence, so we won't do it for the entire application pool. But if the project scores high enough and is carried forward for additional detailed study, then we will evaluate the information the applicant provided, the information that may have been provided by any other service provider in the area, as well as the other sources of infor-

mation from states and otherwise, to evaluate whether the service area proposed by the applicant meets the *unserved* or *underserved* definition.

I would go beyond that to say that even when a project satisfies the tests that we set forward in the definitions, we are cognizant of trying to minimize the amount of overlap that there might be between the project and any existing infrastructure. As Jonathan said, it is not going to be a useful expenditure of Federal dollars to fund a project that simply duplicates facilities that are already in place without a very, very good reason why we might do that. So even a project that might meet the definition of *unserved* or *underserved* still might not make it through our review process because of the overlap question.

The CHAIRMAN. All right. Thank you very much. Thank you for your attendance today and attention to these matters. As you can see, they are of great concern, and there have been some questions asked that you, I know, will need to get back with us on. Please do so, except for the one that I said to get back to us before the Christmas holidays, which I understood, would take longer. I would ask you otherwise for all other questions to submit, pursuant to the rules of the Committee, and that the record of today's hearing will remain open for 10 calendar days to receive additional material and supplementary written responses from the witnesses to any question posed by a Member.

If you would do that, we would greatly appreciate it. May God bless all of you during this Thanksgiving season. I hope you will travel safely and enjoy this special time with your families. We wish you a happy Thanksgiving.

I will now conclude this hearing of the Subcommittee on Rural Development, Biotechnology, Specialty Crops, and Foreign Agriculture. We are adjourned.

[Whereupon, at 12:40 p.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUBMITTED STATEMENT OF DELBERT WILSON, GENERAL MANAGER, HILL COUNTRY
TELEPHONE COOPERATIVE; ON BEHALF OF NATIONAL TELECOMMUNICATIONS
COOPERATIVE ASSOCIATION

Chairman McIntyre, Ranking Member Conaway, Members of the Subcommittee, I would like to thank you for holding a hearing to review the American Recovery and Reinvestment Act's (Recovery Act) broadband programs. I offer the following statement on behalf of Hill Country Telephone Cooperative of Ingram, Texas and the National Telecommunications Cooperative Association (NTCA), which represents more than 580 small, rural, community-based communications service providers throughout the nation.

Hill Country, where I serve as the General Manager, provides telecommunication services in 15 exchanges located in 14 counties spread over 2,900 square miles in rugged terrain—equivalent to the combined size of Rhode Island and Maryland. Organized as a cooperative, Hill Country's top priority has always been to provide every one of our consumers, who are also our owners, with the very best communications and customer service possible—an entrepreneurial spirit that is representative of our 1,100+ rural counterparts that together serve 50% of the nation's land mass but only 10% of the population.

Hill Country came into being, like many other telecommunications systems, soon after the 1949 passage of the Telephone Amendment to the Rural Electrification Act, which made Rural Utilities Service (RUS) loan funds available to finance rural telecommunications systems. At that time, the Bell companies and other large telecommunications companies were already well established in the nation's cities and growing suburban areas. However, they often did not provide telephone service, much as they often today do not provide broadband service, to the most sparsely populated rural areas. Therefore, in part due to support from RUS, the unfulfilled need for telephone service was been met by the men and women of rural communities who joined together to develop, finance, and build their own community based telecommunications systems. If it were not for RUS and crucial Federal cost recovery mechanisms, like the Universal Service program and the intercarrier compensation regime, many rural areas of our nation would still be without adequate telephone services.

Now, the focus and the need have appropriately shifted to more advanced communications services. Working in tandem with the aforementioned cost recovery mechanisms and private investment, the Recovery Act's broadband initiatives are additional tools that will help rural communications service providers continue the effort to replicate the success of their telephone service build-out by steadily deploying broadband infrastructure and related services to an increasing percentage of their subscribers.

Listening to the needs of rural consumers and understanding the ever-growing importance of broadband in everyday life, Hill Country is actively engaged in a major outside plant modernization project. This \$57 million initiative involves the deployment of 560 miles of fiber optic cable, 280 digital loop carriers and state-of-the-art soft switches throughout a substantial portion of our market area. Why are we doing this? Quite simply, in an effort to provide the broadband infrastructure that is necessary to support the growing bandwidth needs of our members.

However, even in spite of all our efforts tied to this modernization project, including the maximization of our debt load, 543 households—approximately five percent of our market area—will remain unserved from a broadband perspective, because the costs of providing service in these remote, economically challenging areas are simply overwhelming. These 543 households are in outlying areas that are beyond the 18,000 kilofeet standard where DSL will typically operate effectively. According to a recent study conducted by Hill Country, 522 miles of fiber optic cable would need to be installed to provide broadband service to the five percent of our market that remains unserved. This effort would cost \$20 million at an average cost of \$37,000 per subscriber—about four times the average cost per subscriber of the other 95 percent of our market.

A typical business plan that would sustain itself simply cannot be constructed for this segment of our market. It is in these unserved areas that support from the RUS and National Telecommunications and Information Administration (NTIA) broadband funding incentives, which are associated with the Recovery Act, could be critical in enabling our system to overcome the economic challenges of providing broadband to 100% of our customers. Clearly, there is a real and true need for these dollars and undoubtedly they would have an immediately stimulating effect during the construction stage and thereafter during the consumer usage stage.

While we had hoped to apply for a RUS Broadband Initiatives Program grant to serve the 543 households in our outlying areas, we were disappointed to discover

that because the proposed project was within 50 miles of a community with a population of slightly more than 20,000, the project did not meet the program's definition of a remote area and could not be considered for a grant. While I respect RUS's efforts to ensure funding is not directed toward projects located near urban areas, it is difficult to argue that the 543 households we wish to serve are not in a remote area. I know many Members of the House of Representatives have raised similar concerns, and I hope RUS will make changes to this definition in subsequent rounds. Since it is not financially feasible to provide service to these households, without a stimulus grant or some other similar form of outside support, these households, and many households like them throughout the country, will continue to be left without broadband service.

Rural areas throughout our nation are low density and even higher cost. Some refer to these unserved areas as "market failures," where competition and existing Federal programs have failed to help provide consumer choice. I like to refer to these areas as "economic realities." Serving our nation's rural citizens with telephone service has always been challenging and bringing broadband to these sparsely populated areas is even more challenging. It is these "economic realities" that lead to our discussion today about the potential impact of the Recovery Act's broadband programs.

As a recent USDA study report found, rural communities with greater broadband Internet access had greater economic growth than areas with less access. The study compared counties that had broadband access with similar counties that had little or no broadband access. It's not surprising that the study showed that employment growth was higher and non-farm private earnings greater in counties with a longer history of broadband availability.

Broadband is not only the great equalizer between rural and suburban/urban areas of our nation, but also with the United States in relation to the rest of the world. Broadband infrastructure deployment is critical to the economic development and national security of our nation. As applications evolve over broadband, all Americans connected will experience untold opportunities for employment, health care, education, as well as entertainment. As the world is getting increasingly competitive, it is essential that the United States have a ubiquitous national broadband network where all Americans, whether urban, suburban, or rural have access. Although our rural areas are sparse in population, these people are critical in our nation's economy and security—providing food, fiber, and energy for a growing nation.

As the process continues to move forward for the BIP and BTOP, we would like to highlight several areas we believe could be improved upon for subsequent rounds:

- (1) As I mentioned earlier in my testimony, BIP's definition of remote should be reconsidered. In addition, the BIP evaluation criteria rewards one point to a project for every 10,000 unserved households that receive broadband service. Considering that many small, rural communication service providers have only a few thousand access lines in their service area, it is nearly impossible to collect points based on this scoring criteria. For these smaller companies, perhaps a system that rewards points based on a project's expansion in percent of households served would be more equitable to providers of all sizes.
- (2) As everyone knows, as a result of technical problems during the first round, many applicants had difficulty submitting applications. This had a significant impact on small broadband providers with limited staff and other resources. We understand the server capacity and browser incompatibility issues are being addressed. Therefore, we remain cautiously optimistic that applicants will not be confronted with delays caused by these technical problems in subsequent rounds.
- (3) It's important to ensure that states and municipalities do not receive stimulus funding to compete with private, incumbent providers for the same services in the same location. We believe the Recovery Act broadband programs should first focus their resources on unserved areas, and are particularly concerned that states and municipalities have submitted proposals to overbuild areas which can, at best, support only one broadband provider.
- (4) We are concerned about the apparent conflict of interest posed by the ability of states to both apply for BTOP funds and to make recommendations concerning the allocation of funds for qualifying projects in each state. States must not be able to prioritize their own applications above other applicants' proposals without sound justification.
- (5) We hope that the lessons learned from the first round of funding can be used to make the application process for subsequent rounds more streamlined and

efficient—taking into consideration the considerable time and costs for very small broadband providers with limited resources.

(6) Without a challenge mechanism or verification measures, inaccurate “advertised” broadband transmission speeds may block broadband service providers from submitting applications to serve areas that, based on actual transmission speeds, would qualify as underserved and unserved areas.

(7) As has been noted by other Associations, NTCA believes the process would be more efficient if existing providers had the ability to download or otherwise access Census block/group/tract data from applications and then match that information to their own service area database which could then be uploaded to the agencies.

(8) NTCA supports lifting the current limitation that only displays up to 7,500 Census blocks per proposed funded service areas. The database limitation requires members to use a mapping tool to zoom in on each individual Census block and manually note the blocks included in a project.

(9) The current system does not link applications to all states covered by funding service area requests. The agencies can help ensure more complete responses if the database links applications to all states in which service is proposed.

(10) NTCA is concerned that BIP non-remote, rural applicants can receive a maximum of only 50% grant funding when BTOP projects, that may not be in high cost, rural areas, may receive a grant of 80% for projects.

We believe that the funding provided by the stimulus bill, in combination with other programs, such as the RUS Broadband Loan and Loan Guarantee Program, the Community Connect Program, Universal Service, and the intercarrier compensation regime will help enable America’s rural, community-based telecommunication system providers to meet the broadband needs of our nation’s rural citizens. The nearly 2,200 applications for broadband stimulus funding are an indication of the strong interest in and support needed to extend broadband service to unserved and underserved areas—particularly in rural areas. However, once these Recovery Act programs are over, it’s important to remember that much more will have to be done if we are to achieve the national goal of ubiquitous broadband. According to a recent FCC task force study, preliminary estimates indicate that investments in the range of \$20 billion to \$350 billion may be needed for broadband infrastructure, depending on the speed of service.

As for rural independent telecom providers, we emerged in these markets where no one else was willing to go. We understand these areas and what their needs are. We are committed to these markets because our systems are locally owned and operated. And we understand the programs, like the stimulus broadband programs, and how to utilize them to achieve your goal of ubiquitous broadband deployment that will reclaim our international leadership in the communications sphere.

Thank you again for your work to address these important matters.

SUBMITTED QUESTIONS

Response from Hon. Jonathan Adelstein, Administrator, Rural Utilities Service, U.S. Department of Agriculture

Questions Submitted By Hon. Mike McIntyre, a Representative in Congress from North Carolina

Question 1. According to the Government Accountability Office, NTIA has been in talks with RUS about sharing some of RUS’s field staff to monitor NTIA projects, although no formal agreement is in place. How do you expect this to work in practice?

Answer. At this time, NTIA has not approached RUS over sharing RUS field staff to monitor NTIA projects. RUS and Rural Development have experienced field staff throughout the country that currently monitor our telecommunication, electric, water & environmental, renewable energy, business, housing and community facility loans and grants. To ensure our mutual interests in making the broadband recovery program a success, we would certainly entertain the concept of collaborating with NTIA on field monitoring. When one Federal agency performs services for another Federal agency, cost reimbursements are generally handled pursuant to the Economy Act.

Question 2. It was promising to see in the GAO report that you anticipate extending the window for entities to submit applications in the second round. Do you plan

to also extend the review period to allow incumbents to review potential violations of their service area?

Answer. Through our Request for Information (RFI) we are seeking comments on ways to streamline the process by which incumbent service providers can provide input into whether a proposed service territory is unserved or underserved.

Question 3. The Request for Information indicates that you are going to try and apply the regional economic development concept to broadband deployment. Could you elaborate on what a successful project within that initiative would look like?

Answer. Just as RUS supports the concept of leveraging our \$2.5 billion in budget authority to deliver a higher level of program activity through loan, and loan-grant funding, we also support the concept of regional economic development. We believe that communities working together, rather than independently, may increase economies of scale to the project, promote broader rural economic development strategies, and ensure more rural Americans in unserved and underserved communities receive broadband service. A successful project could involve a regional economic development plan that includes broadband deployment as one of its key elements upon which business would be developed.

Question 4. How have you ensured that applications applying to both BIP and BTOP are processed in a timely manner without disadvantaging rural areas seeking the higher grant funds available in NTIA? How has the process of working some applications through both agencies been handled? How successful has it been? How much delay has it caused?

Answer. RUS has the ability to make loans, grants, and loan-grant combinations under ARRA. NTIA's BTOP program has grant authority and can provide a grant only if the applicant can document that "but for" the NTIA grant, the project could not be built.

To best leverage taxpayer resources, the agencies decided that all applications for a rural area should first seek BIP funds to determine whether they could afford a loan product. At the same time, applicants could elect to apply concurrently for the BTOP program in the event that they did not qualify for BIP funding or provided evidence of being unable to support a loan.

Once again, this approach is intended to identify whether a rural applicant could afford a loan product, which would reduce the cost of the program and target grants only to the neediest areas. If rural applicants cannot afford loan products, they can automatically be considered by the BTOP program for grants. Through this policy, the agencies can leverage resources, maximize the number of communities that can be assisted, help applicants and NTIA document compliance with the "but for" test, ensure that grant funds are used judiciously, and provide rural applicants with two funding opportunities.

Both RUS and NTIA are simultaneously reviewing joint applications to ensure that applications are not delayed. We have closely coordinated with NTIA throughout this process. We believe the process has worked well and ensures that Recovery Act broadband resources are leveraged to the maximum extent possible.

In addition, in our RFI, we asked for public comment on the joint application process and we will plan to address this process in the 2nd NOFA.

Question 5. What is the average monthly cost to the end-user for broadband service in rural areas? Do you know how this compares with the average broadband costs in urban and suburban areas?

Answer. The RUS is unaware of any comprehensive or conclusive study that provides sufficient granular or aggregate data to make this comparison.

Question 6. Are you getting applications from high poverty areas? Do matching funds become a problem in any of these areas?

Answer. Yes, RUS has received applications to serve areas with high poverty. Since RUS can provide up to 100% financial resources through loans, grants and loan-grant combinations, matching funds are not applicable to RUS's BIP program. We have asked for public comment in the RFI on how we can best serve low-income areas.

Questions Submitted By Hon. K. Michael Conaway, a Representative in Congress from Texas

Question 1. Please provide an update for the Committee regarding how much funding will be approved to devote toward expenses not directly related to building infrastructure, such as signs which advertise the use of stimulus funds for each project?

Answer. Since no awards have been made, this information is not yet available.

Question 2. We understand that 2,229 applications were received through the first NOFA. How many were found ineligible for RUS funding, and how many were ineligible for any funding?

Answer. At this time, all applications are still under review by RUS, NTIA or by both agencies for jointly BIP/BTOP applications. RUS has notified NTIA that we have determined that a loan request would not appear feasible for a limited number of joint applications. Those applications are still under review by NTIA. To date, no applicants have been informed that they were ineligible for consideration for any Recovery Act broadband funding.

Question 3. It is our understanding that last mile, remote applications constituted 18% of the 2,229 applications, and \$3.84 billion in requested funds. This is almost equal to the entire amount of program level funding made available in the July NOFA. In spite of the flaws in the July NOFA, this clearly shows a need to reach unserved areas in deep rural America and a desire by stakeholders to fulfill this mission. How is RUS viewing this response, and are you going to reprioritize the funding you have available for rural broadband in the second NOFA?

Answer. RUS has extensive experience in handling oversubscribed broadband programs in unserved areas. In Fiscal Year (FY) 2009, RUS received over \$200 million in applications for its Community Connect Broadband program, which serves rural communities with no broadband service. This was an oversubscription rate of almost twice that which was received under our first NOFA. Secretary Vilsack recently announced awards for the full \$13 million under our FY 2009 appropriation.

Through our experience with the first NOFA and the comments received under our RFI due by November 30, 2009, RUS is considering several options to ensure that limited grant funds reach the most rural, difficult-to-serve and unserved areas.

Question 4. You said you are contemplating major revisions to the rules for the final NOFA. Could you please list in detail which options you are considering?

Answer. RUS will consider what we learned in this first round in developing our next round of funding. We are aware of concerns that have been raised regarding a wide range of issues. These include the definition of rural and remote areas; eligibility standards for unserved and underserved areas; scoring weights for various factors; and concerns regarding satellite service. Other options that both NTIA and RUS are considering are outlined in our RFI published in the *Federal Register* on November 16, 2009. We look forward to the comments received from the public before any final decisions are made. We will be guided by an evaluation of the experience and feedback from the first round of projects and comments received under the RFI.

Question 5. You mentioned that it was suggested combining the remaining funds into a single NOFA would be advantageous. Who suggested this?

Answer. This was a mutual determination made by RUS and NTIA based upon our experience under the first NOFA. The recommendation was also made by the General Accountability Office (GAO).

Question 6. You assert that moving up the timeline allows more time for stakeholders to create a stronger application. Could you clarify how an earlier deadline provides that kind of advantage over a deadline a few months later in 2010? For those public-private entities who might have been looking toward that third NOFA in 2010, how does moving up the deadline assist them in their planning efforts?

Answer. With one additional NOFA as opposed to two, the agencies have the ability to give applicants a longer timeframe (application window) to submit applications. This longer application window provides for more opportunities for collaboration among applicants and for stronger and more strategic applications.

Question 7. You mentioned that your experiences with the first NOFA have prompted you to consider alternative approaches to support your efforts going into the final NOFA. Could you please outline specifically what options you are considering?

Answer. RUS will take what we learned in this first round to heart in developing our next round of funding. We are aware of concerns that have been raised regarding a wide range of issues. These include the definition of rural and remote areas; eligibility standards for unserved and underserved areas; scoring weights for various factors; and concerns regarding satellite service. Other options that both NTIA and RUS are considering are outlined in our RFI published in the *Federal Register* on November 16, 2009. We look forward to the comments received from the public before any final decisions are made. We will be guided by an evaluation of the experience and feedback from the first round of projects and comments received under the RFI.

Question 8. Given that part of the intent of the stimulus bill is to add jobs to rural communities, can you describe the formula you use to calculate the number of jobs impacted through the broadband program?

Answer. There are many factors that will be used to determine the success of the BIP and BTOP programs. Some of those measurements will include short-term through jobs created in building these projects and long-term through economic and social benefits that will result. At this time, RUS is planning to utilize and track the number of jobs that the applicant proposed to create. Our websites, www.broadbandusa.gov, and www.recovery.gov lay out the performance measures for BIP and BTOP and will track the success of these projects.

Questions Submitted By Hon. Glenn Thompson, a Representative in Congress from Pennsylvania

Question 1. I understand that the carriers have commented on the Advanced Regional Communications Cooperative's broadband application in my district. Each of these providers stated that everything is fine with broadband service in Clarion County. Well, as someone who represents that region and hears from residents and businesses in the area, I know that is not the case, with lack of reliable service the norm. I know that both agencies will be focusing on the definition of underserved and unserved, so can you talk a little more about those definitions?

Answer. As required under the NOFA, to be eligible for funding under the Recovery Act broadband programs, the applicant must provide service in unserved and underserved areas. These definitions were created jointly by RUS and NTIA after our initial Public Hearings, RFI process and in collaboration with the FCC. The definitions and requirements were clearly outlined in the NOFA. Applicants needed to supply information on how they determined that their proposed service territory met the requirements of the NOFA. The agencies also provided the public and incumbent service providers the opportunity to provide comments on whether an applicant's proposed service territory is unserved or underserved through submission of documentation. The agencies will evaluate the information submitted by the applicant and documentation provided by the public and incumbent service providers and make a final determination of whether the applicant met the requirements of the NOFA.

Question 2. What restrictions are included in the rules related to the sale or lease of assets by a recipient of a grant or loan?

Answer. The Notice of Funding Availability (NOFA) provides that "The sale or lease of any portion of the award-funded broadband facilities during their life is prohibited, except as provided herein. The agencies may approve a sale or lease . . ." under specific conditions which are outlined in the NOFA.

This restriction was included in the NOFA to ensure that award recipients did not sell or lease assets which were funded under the Recovery Act. Such a 10 year restriction is common in other Department of Commerce grant programs and was utilized for the broadband recovery programs.

Question 2a. For how long are the restrictions in effect, and is there a waiver process during the effective period?

Answer. The restriction period is the life of the asset or 10 years after award. Both RUS and NTIA can generally approve the sale or lease of funded equipment in cases where the sale or lease was set forth in the original application and was part of the applicant's proposal, the loan or grant is repaid, the project is continuing to fulfill its intended purpose, and such a sale is in the best financial interests of the government.

Question 2b. Does this kind of limitation discourage *bona fide* applicants with real experience in the business of deploying broadband networks from applying?

Answer. We are not aware that such a restriction discouraged applicants from applying for the program. As mentioned, the restriction is typical of other Department of Commerce grant programs.

Question 2c. Are you planning to remove this limitation for the next round of funding?

Answer. Under our RFI published in the *Federal Register* on November 16, 2009, both agencies are looking for ways to improve the program under the next NOFA. We will certainly entertain comments regarding this subject and balance those against the potential for waste and abuse.

Question 3. Most broadband providers did not apply for stimulus funding in the first round, particularly incumbent telephone and cable providers with experience in serving rural America. Are the interconnection/non-discrimination provisions in the rules contributing to this lack of interest? Will you consider modifying them for round two?

Answer. We believe the overwhelming response of 2,200 applications seeking \$28 billion in funds clearly demonstrates that the requirements of the NOFA were not excessively cumbersome. We regret that some established phone companies chose not to participate in this NOFA, and welcome the participation of the widest possible number of applicants in the next round. All companies with concerns are encouraged to comment under our RFI. We will certainly entertain comments regarding this subject and ways to ensure that funds sought under this program are used to the maximum benefit for all Americans.

Question 4. Have you established a process for the public or existing service providers to appeal a decision to issue a loan or grant if they feel an area should not have been considered eligible because it is already served?

Answer. The public and existing service providers were provided a 30 day period to submit comments on the proposed service territories of all infrastructure applicants. This timeframe ended for most applications on October 28, 2009, and both agencies are currently reviewing those comments.

Question 5. In the absence of a national broadband map, isn't it important to have existing broadband service providers' data about where they are providing service in order for you to determine if an area is already served?

Answer. As required under the NOFA, to be eligible for RUS's BIP program, any rural area proposed to be served by an applicant must be unserved or underserved. Applicants needed to supply information on how they determined that their proposed service territory meet the requirements of the NOFA. The agencies also provided the public and incumbent service providers the opportunity to provide comments on whether an applicant's proposed service territory is unserved or underserved through submission of documentation. RUS will evaluate the information submitted by the applicant and the documentation provided by the public and incumbent service providers to make a final determination.

Question 6. What type of due diligence are the agencies undertaking to determine if an area is unserved or underserved? How are you verifying applicant's claims about whether an area is unserved or underserved? What data are you relying on? Are your field representatives working to verify this information?

Answer. As required under the NOFA, to be eligible for RUS's BIP program, any rural area proposed to be served by an applicant must be unserved or underserved. Applicants needed to supply information on how they determined that their proposed service territory meet the requirements of the NOFA. The agencies also provided the public and incumbent service providers the opportunity to provide comments on whether an applicant's proposed service territory is unserved or underserved through submission of documentation. RUS will evaluate the information submitted by the applicant and the documentation provided by the public and incumbent service providers. We will also rely upon FCC data, state broadband maps where available, and other available data. In cases where the documentation is inconsistent, RUS may deploy RUS and Rural Development staff to these areas to make a final determination.

Question 7. Are you planning to make public whether you've determined that a proposed funded service area is unserved or underserved?

Answer. RUS will advise unsuccessful applicants why their applications were not awarded funding under the first NOFA. This could include eligibility concerns, low rating and ranking scores, and a determination that all or a portion of an applicant's proposed service territory may not have met the definition of unserved or underserved. When completed, we believe the State Broadband Maps funded by NTIA will provide a more comprehensive, granular and detailed map of unserved and underserved areas.

Question 8. For the next round of funding is it possible that your agencies could make public a list of all Census blocks in a proposed funded service area, and allow existing broadband service providers to submit information about whether they provide service in those Census blocks, along with the number of households they serve? Wouldn't this make it easier for you to determine whether an area is unserved or underserved?

Answer. RUS appreciates the concerns offered by the Committee and those from respondents to the proposed service territories. The Agency has also received many suggestions on ways to improve this process. Both RUS and NTIA are jointly seeking public comments on how the entire NOFA process can be streamlined in our recently published RFI. We look forward to carefully considering all these comments in developing our second and final NOFA on this issue and other concerns that have been raised.

Questions Submitted By Hon. Bobby Bright, a Representative in Congress from Alabama

Question 1. You have taken a great deal of heat for the *remote* definition published in the first Notice of Funding Availability. I, like many other Members of this body, share this concern. But I also understand that in past years RUS has been criticized for funding less-remote project areas. As you move into the second round of funding, how do you plan to thread the needle in finding a definition of *remote* that suits your critics on both sides?

Answer. We appreciate the comments on our definition of “remote” rural areas included in our first NOFA. Our goal was, and continues to be, to provide grants to the most rural and unserved areas that cannot make a business case for a loan or loan-grant combination. Some suggestions that have been offered to RUS to better define “remote” include density, population and income. These suggestions were included in our RFI, as we seek comments from the public on how we ensure that limited grant funds reach the neediest rural areas.

Question 2. During your recent testimony in the Senate, one Member stated that there should only be one agency distributing this broadband funding, instead of both NTIA and RUS. Do you believe that this Senator was right? If not, why is the current dual structure appropriate?

Answer. Since the enactment of the Recovery Act in February, we have worked side by side with our partners at the NTIA and the Federal Communications Commission (FCC) to fulfill the President’s vision for promoting broadband access across the nation. RUS brings over 60 years of experience in providing loans and grants for advanced telecommunications in rural America. Our expertise in financing rural telecommunications services is unparalleled. NTIA is the President’s advisor on telecommunications policy. Together, we have marshaled our talents and joined forces to meet the President’s vision. Congress recognized this division of labor when it provided broadband funding to both RUS and NTIA in the Recovery Act. In fact, this is a statutory requirement under terms of the Act. We believe that the leverage created by the two agencies will increase the availability and economic development potential of unserved, underserved and rural communities throughout the United States.

Question 3. Given that rural areas are some of the most difficult and economically challenging to serve, will changes be made in future rounds to allow 100% grant funding for all rural, unserved projects?

Answer. Under the Broadband Initiatives Program (BIP), RUS could provide \$2.5 billion in 100% grants to rural areas. With that same budget authority, RUS can leverage these resources and provide far more in loans, grants, and loan-grant combinations, which would increase the taxpayer’s investment and provide more rural Americans with access to broadband. Our challenge is to provide a flexible mix of loans and loan-grant combinations to those applicants that can support a business case for a loan, and make grant funds available to those rural areas that could not be served through any other means. This is one of the areas that RUS is specifically seeking comments under our RFI. We look forward to reviewing these suggestions to determine out best approach to leveraging these resources under the next NOFA.

Question 4. As you are both aware, the application process for both BTOP and BIP is a complex one. The ability to navigate through such an intricate application process is a significant hurdle for many small businesses. In your testimonies, you mention that you are working on a plan for ensuring that the second round’s application process is more small business-friendly. Could you discuss your plans in more detail?

Answer. Both RUS and NTIA have learned a tremendous amount under our first NOFA. While we have ideas for making the entire application more user-friendly, we have specifically sought comments on how this can be accomplished through our Request for Information (RFI). We will rely heavily upon the suggestions and experiences from those comments. Also, we intend to use this knowledge in developing our next series of Outreach and Training Workshops.

Question 5. From news reports I have read that ARRA funding applications total \$28 billion in loans and grants. I recognize that even \$4 billion is likely not enough to ensure that everyone in this country has access to broadband, but if your agencies award the full amounts allowed for grants and loans in the first round of funding how much closer will we be to deploying broadband Internet to all Americans currently without it?

Answer. We believe that funding in the first round will make a solid contribution toward deploying broadband to unserved and underserved rural areas. Further, the middle mile projects funded under the program will lay the foundation for future broadband expansion. The experiences learned through the Recovery Act programs

will provide business models that can easily be replicated in unserved and underserved communities and lead to enhancements to RUS's existing broadband programs.

Question 6. Many are concerned about overlapping already-served areas with these stimulus dollars. I strongly believe that NTIA and RUS should not waste taxpayer dollars on funding broadband projects that intend to provide service in areas already served. Is this a concern to your respective agencies? And how do you plan to avoid overlapping in the second round of funding?

Answer. RUS shares your concern that these valuable taxpayer resources are put to the best use and provide broadband service in rural, unserved and underserved communities. As required under our first NOFA, to be eligible for RUS's BIP program, the applicant was required to predominantly serve unserved or underserved rural areas. Applicants needed to supply information on how they determined that their proposed service territory meet the requirements of the NOFA. The agencies also provided the public and incumbent service providers the opportunity to provide comments on whether an applicant's proposed service territory is unserved or underserved through submission of documentation. RUS will evaluate the information submitted by the applicant and the documentation provided by the public and incumbent service providers. We will also rely upon FCC data, state broadband maps where available, and other available data. In cases where the documentation is inconsistent, RUS may deploy RUS and Rural Development staff to these areas to make a final determination.

RUS is evaluating this process and will be evaluating comments received under our RFI to determine how to address this concern in the most prudent manner.

Response from Hon. Lawrence E. Strickling, Assistant Secretary for Communications and Information, National Telecommunications and Information Administration, U.S. Department of Commerce

Questions Submitted By Hon. Mike McIntyre, a Representative in Congress from North Carolina

Question 1. According to the Government Accountability Office, NTIA has been in talks with RUS about sharing some of RUS's field staff to monitor NTIA projects, although no formal agreement is in place. How do you expect this to work in practice?

Answer. NTIA will monitor all BTOP projects using NTIA staff and the help of its contractor. NTIA will not use RUS staff to monitor NTIA-funded projects. NTIA is working diligently to develop comprehensive monitoring and reporting systems to help ensure that BTOP projects fulfill the purposes of the Recovery Act and spend taxpayer dollars wisely.

Question 2. It was promising to see in the GAO report that you anticipate extending the window for entities to submit applications in the second round. Do you plan to also extend the review period to allow incumbents to review potential violations of their service area?

Answer. NTIA generally believes the first round process provided existing service providers ample opportunity to submit information regarding their services and ensure that BTOP funds support projects in areas that meet the definition of unserved or underserved. Nevertheless, in the recent Request for Information (RFI), NTIA and RUS requested public comment on whether and to what extent the public notice comment process should be revised in the second funding round. We are reviewing those comments now as we consider potential changes to the programs in the second round.

Question 3. You mentioned a possible targeting of "regional economic development" or "comprehensive community" approaches in the second round of funding. Please elaborate on what you intend there.

Answer. NTIA is exploring what we call a "comprehensive communities" approach as the type of BTOP project that may offer the greatest benefits per dollar spent. The paradigm for a "comprehensive communities" proposal is a middle mile infrastructure project that also connects key anchor institutions such as schools, community colleges, libraries, hospitals, government facilities, public safety entities, and other organizations that provide important community services. The ideal project would also include commitments by providers of end-user "last mile" services to use the new infrastructure to offer broadband services throughout the relevant communities. Such projects may be made stronger when proposed by public-private partnerships, with the public involvement providing greater assurance that the needs of the community are met, while experienced private participants can bring appropriate know-how and expertise to the project.

“Comprehensive communities” projects can leverage resources and better ensure sustainable community growth and prosperity. They also can create consumer demand and lay the foundation for the ultimate provision of reasonably-priced end-user or “last mile” broadband services in unserved and underserved communities. As NTIA continues to review BTOP projects, we will evaluate this approach and develop further guidance for BTOP applicants.

Question 4. When a proposed service area is disputed by an incumbent provider, the RUS sends field staff out to conduct a market survey to investigate the claim. However, the GAO report says that NTIA does not yet have procedures in place to address the claims but rather is in the process of developing them. What has NTIA been doing for the first round if it doesn't yet have a process?

Answer. NTIA has in place a process to evaluate claims regarding the unserved and underserved status of a proposed funded service area using information from several sources. NTIA considers data supplied by the applicant, data supplied by existing service providers who choose to comment, broadband maps compiled by states (if available), and independent research. NTIA may request additional information from applicants and commenters as necessary and appropriate. We are confident that NTIA has sufficient information on which to base our findings of project eligibility.

Question 5. Can you give us a brief explanation of the expertise NTIA has in reviewing and making loans and grants?

Answer. From 1994 to 2004, NTIA managed the Technology Opportunities Program (TOP), awarding over \$230 million in grants to over 600 projects that demonstrated the use of new telecommunications and information technologies to provide education, health care, or public information in the public and nonprofit sectors. In addition, through the Public Safety Interoperable Communications (PSIC) Grant Program, NTIA, in consultation with DHS, provides funding to help state, local and Federal first responders better communicate during a natural or man-made disaster. The program will make payments totaling up to \$1 billion through Fiscal Year 2010 to carry out the PSIC program. NTIA also manages the Public Telecommunications Facilities Program (PTFP), a long-running competitive grant program that helps public broadcasting stations, state and local governments, Indian Tribes, and nonprofit organizations construct facilities to bring educational and cultural programs using broadcast and non-broadcast telecommunications. For over 45 years, PTFP has awarded over \$800 million in Federal funds for approximately 4,500 grants. NTIA's Low Power Television and Translator Assistance Programs include the Low-Power TV and Translator Digital-to-Analog Conversion (Conversion) Program and the Low-Power TV and Translator Upgrade (Upgrade) Program, which assist low-power TV broadcast stations to broadcast in analog after the June 12, 2009 digital conversion deadline for full power television stations or helps upgrade these types of facilities in rural communities to digital transmission. NTIA also managed the Digital TV Converter Box Coupon Program through which all U.S. households were eligible to request up to two coupons, worth \$40 each, to be used toward the purchase of digital-to-analog converter boxes. Under this program, consumers redeemed 34.9 million coupons with a total value of \$1.4 billion.

Question 6. In a GAO report released this week, it is mentioned that NTIA's initial risk assessment indicated that a lack of experienced and knowledgeable staff was a key risk to properly implementing the program in accordance with the priorities of the Recovery Act. What has been done to address this?

Answer. NTIA has filled 42 positions with new employees and has utilized staff detailed from other bureaus and agencies, each of whom is working as hard as possible to effectively implement BTOP. NTIA also has entered into a contract with Booz Allen Hamilton (BAH) to assist NTIA staff in the grants administration process to ensure that we can award Recovery Act funds in the most effective, equitable, and accountable manner possible. NTIA has also entered into agreements with the Grants Offices of the National Oceanic and Atmospheric Administration (NOAA) and the National Institute of Standards and Technology (NIST) to provide Grants Office services for the NTIA BTOP grants. A major concern, however, is the fact that the Recovery Act does not provide authority or funding for administration and oversight of BTOP-funded projects beyond the end of Fiscal Year 2010. NTIA is examining options to ensure sufficient administration and monitoring of BTOP grant projects and to carry the program to conclusion. NTIA intends to work with Congress on this matter.

Questions Submitted By Hon. K. Michael Conaway, a Representative in Congress from Texas

Question 1. You referenced the current RFI (Request for Information) you published, with comments due by the end of this month, and how this will assist you in making improvements to the final NOFA. Do you plan to publish the rules for the final NOFA to allow stakeholders to comment on the rules before you open the application period? Does it not make sense for stakeholders to comment on the actual rule, rather than speculating on changes to a flawed rule?

Answer. Although not required by the Recovery Act, NTIA sought public comment prior to establishing the BTOP rules in the first NOFA earlier this year and, as you note, we have chosen to do so again as we prepare the second NOFA. At the same time, we are mindful of Congress's intent that BTOP funds stimulate the economy and create jobs as quickly as possible, as well as its specific deadline requiring that all funds be obligated by September 30, 2010. In view of these exigencies, we do not have sufficient time to publish draft rules and allow for yet another comment period before the rules are finalized. However, NTIA will use the experiences and lessons learned from the first funding round and all comments received in response to its Request for Information to inform the development of the second NOFA.

Question 2. You testified that by combining all the remaining funds into a single NOFA that it will yield multiple benefits for stakeholders. Given the difficulties you have experienced in getting the rules right within your artificial deadlines, how does rushing to finish the grant-making process well ahead of your statutory deadline in September add value to the program, if it does not allow you to adequately address the concerns of those stakeholders you claim to be helping?

Answer. We believe our plans for the second NOFA will adequately address the concerns stakeholders raised about the first round. In the Recovery Act, Congress expressed its intent that NTIA adopt rules to stimulate economic growth and job creation and, specifically, that it make all grant awards by September 30, 2010. Our first NOFA established appropriate rules to further these goals for the first round of funding. By combining the second and third rounds of funding, we will give round two applicants more time to complete their proposals, and NTIA more time to review applications, than would have been available had we attempted to squeeze in three rounds of funding before the deadline of September 30, 2010. At the same time, by having only one additional round, we believe that we can complete funding somewhat ahead of that deadline, thus better fulfilling the economic recovery goals of the Recovery Act. NTIA is thus confident that combining the second and third rounds of funding will provide substantial benefits for taxpayers and applicants.

Question 3. NTIA and RUS used dramatically different approaches in staffing the significant burden of reviewing applications. By your testimony, this included 1,000 volunteers to review applications. Would the time spent reviewing and certifying those volunteers have been better spent reviewing the more than 1,700 applications NTIA had before them? Would you have been better able to meet your intended timeline to fund applications if you had followed RUS's process rather than interviewing and training 1,000 volunteers?

Answer. No. NTIA's size and structure prevented us from utilizing the same application review process as RUS. Also, the practice of using independent expert reviewers is common in the Federal grant making process, and we have used it with success at NTIA and the Commerce Department in the past. This practice is especially valuable when evaluating grant applications of a scientific or technical nature due to the specialized expertise needed to carefully evaluate these applications. We are, however, considering changes to the BTOP application review process to better ensure maximally-efficient and effective review of future applications.

Question 4. You highlighted the efforts underway to produce a broadband map of America which would show exactly where broadband Internet is accessible. In that narrative, you indicated that no Federal agency has collected comprehensive and reliable data needed to describe Internet access across America. Has the information gathered by incumbent providers in response to applications been useful in compiling data for your mapping efforts?

Answer. To date, our mapping efforts have focused on the review of grant applications submitted by states or their designated entities, and the awarding of grants to them, to fund the direct collection of data from incumbent providers and the verification of that data, as directed by the Recovery Act. NTIA has not determined whether or to what extent information collected from the public notice comment period will be used in the development of the national broadband map.

Question 5. You mentioned that NTIA will be enhancing its auditing and monitoring responsibilities, including visits to project sites. At what stage of the project

do you typically start making these visits? When do you anticipate the first projects will break ground?

Answer. NTIA is working diligently to develop comprehensive monitoring and reporting systems to help ensure that BTOP projects fulfill the purposes of the Recovery Act and spend taxpayer dollars wisely. Monitoring of grant projects will commence almost immediately upon award, although the frequency of on-site visits has not yet been determined. NTIA plans to incorporate a risk assessment model that will be used to determine the level of monitoring associated with each project. Those projects with the highest risk assessment would likely be subject to site visits early in the award period. NTIA expects to perform site visits on a periodic basis through the period of performance of the award in accordance with the risk methodology and as resources permit.

Our current plan is to begin announcing awards in December 2009 and complete first round award announcements in February 2010. NTIA intends to award funds to projects that can commence as quickly as possible in order to fulfill the Recovery Act's objective to jump-start investments in the economy and create jobs. Those projects which have addressed all environmental, historic preservation, and other regulatory requirements could move toward implementation shortly after award.

Questions Submitted By Hon. Glenn Thompson, a Representative in Congress from Pennsylvania

Question 1. I understand that the carriers have commented on the Advanced Regional Communications Cooperative's broadband application in my district. Each of these providers stated that everything is fine with broadband service in Clarion County. Well, as someone who represents that region and hears from residents and businesses in the area, I know that is not the case, with lack of reliable service the norm. I know that both agencies will be focusing on the definition of *underserved* and *unserved*, so can you talk a little more about those definitions?

Answer. In the Recovery Act, Congress instructed NTIA to address the broadband needs of both unserved and underserved areas of the United States. The first round NOFA defined "unserved" as those areas where at least 90 percent of households lack access to facilities-based, terrestrial broadband service. The NOFA defined "underserved" as those areas where either:

- (1) no more than 50 percent of the households in the proposed funded service area have access to facilities-based, terrestrial broadband service at greater than 768 kbps and 200 kbps upstream;
- (2) no fixed or mobile broadband service provider advertises broadband speeds of at least 3 mbps downstream in the proposed funded service area; or
- (3) the rate of broadband subscribership for the proposed funded service area is 40 percent of households or less.

A proposed funded service area may qualify as underserved for Middle Mile projects if one interconnection point terminates in a proposed funded service area that qualifies as unserved or underserved for Last Mile projects.

The recently-released RFI sought public comment on a range of issues relating to NTIA's implementation of BTOP, including the definitions used to determine eligibility, such as "unserved," "underserved," and "broadband," and other rules governing the award of funds. NTIA will use the comments received from all interested parties to determine what, if any, changes are necessary in the second funding round.

Question 2. What restrictions are included in the rules related to the sale or lease of assets by a recipient of a grant or loan?

Answer. BTOP funds are intended for recipients committed to investing in and improving their communities, not those seeking to use taxpayer dollars to turn a quick profit. Thus, to help ensure that BTOP-funded projects are used for the purposes established by Congress in the Recovery Act and that they provide the maximum benefits to the proposed funded service area, the NOFA rules generally discourage the sale or lease of Recovery Act-funded broadband facilities. However, our rules recognize that there are instances where a grantee can demonstrate that a sale or lease of the property would be in the best interest of those that are served by the project and allow grantees to seek approval to sell or lease BTOP-related assets.

Question 2a. For how long are the restrictions in effect, and is there a waiver process during the effective period?

Answer. As set forth in the NOFA, the sale or lease of any portion of the award-funded broadband facilities during their life is generally prohibited. The NOFA, however, establishes a three-prong exception to this general prohibition. Specifically, the agencies may approve a sale or lease if it is for adequate consideration, the pur-

chaser agrees to fulfill the terms and conditions relating to the project, and either the applicant includes the proposed sale or lease in its application as part of its original request for grant funds or the agencies waive this provision for any sale or lease occurring after the tenth year from the date the grant, loan, or loan/grant award is issued.

Question 2b. Does this kind of limitation discourage *bona fide* applicants with real experience in the business of deploying broadband networks from applying?

Answer. Given that NTIA and RUS received almost 2,200 first round applications requesting nearly \$28 billion in funding for broadband projects—more than seven times the amount of available funding in the first round—it does not appear that applicants were deterred by this restriction. Nevertheless, we are examining all aspects of the first round of grant applications to determine what changes should be made in the next round.

Question 2c. Are you planning to remove this limitation for the next round of funding?

Answer. Among other topics, the recently-released RFI asks for comments regarding whether the section of the NOFA relating to the sale or lease of award-funded broadband facilities should be revised to adopt a more flexible approach toward awardee mergers, consistent with USDA and DOC regulations, while still ensuring that awardees are not unjustly enriched from the sale of award-funded assets for profit. NTIA is now reviewing those comments to determine what changes, if any, are appropriate in the second funding round.

Question 3. Most broadband providers did not apply for stimulus funding in the first round, particularly incumbent telephone and cable providers with experience in serving rural America. Are the interconnection/non-discrimination provisions in the rules contributing to this lack of interest? Will you consider modifying them for round two?

Answer. As noted above, NTIA and RUS received almost 2,200 first round applications requesting nearly \$28 billion in funding for broadband projects—more than seven times the amount of available funding in the first round. These applicants were clearly not deterred by the interconnection and non-discrimination provisions that were included in the NOFA pursuant to the requirements of the Recovery Act.

Specifically, the Recovery Act requires NTIA to establish non-discrimination and interconnection obligations as contractual terms of awards under BTOP that, at a minimum, adhere to the principles contained in the FCC's Internet policy statement. RUS and NTIA recently released a second joint Request for Information (RFI) to receive public comment on certain issues relating to the implementation of BIP and BTOP. Among other topics, the RFI asked whether interconnection and non-discrimination requirements should continue to be applied to all types of infrastructure projects regardless of the nature of the entity; whether the scope of the reasonable network management and managed services exceptions should be modified, and if so, in what way; and whether it is necessary to clarify the term "interconnection" or the extent of the interconnection obligation. NTIA is now reviewing those comments to determine what changes, if any, are appropriate in the second funding round.

Question 4. Have you established a process for the public or existing service providers to appeal a decision to issue a loan or grant if they feel an area should not have been considered eligible because it is already served?

Answer. As noted above, the eligibility standard for BTOP awards is not whether there is some level of existing broadband service in a project area, but whether the applicant has demonstrated that their proposed funded service area is unserved or underserved according to the provisions of the NOFA. The underserved criteria can be met by showing that the proposed funded service area exhibits low levels of availability, adoption, or broadband speeds. A proposed funded service area may qualify as underserved for Middle Mile projects if one interconnection point terminates in a proposed funded service area that qualifies as unserved or underserved for Last Mile projects. This standard allows for BTOP funds to support areas where some level of broadband service may exist, but robust investment or adoption has not yet taken shape.

The Recovery Act directed NTIA to make this determination in the case of BTOP applications and NTIA is taking a number of steps to ensure that funding goes to projects that will best fulfill the objectives of the Recovery Act and meet the requirements of the statute and the NOFA. The NOFA outlined the multi-step evaluation process and the criteria that are being used to review and score applications, including the ability of NTIA to seek additional information or clarification from applicants as part of the review process. NTIA has consulted with states, Tribes, territories, possessions and the District of Columbia to solicit their feedback on the ini-

tial pool of BTOP applications. NTIA provided existing service providers with the opportunity to submit information regarding their existing service offerings to help inform the application review process, and is also utilizing other data at its disposal to help evaluate claims made by both applicants and commenters.

In addition, as already noted, the Recovery Act permits NTIA to deobligate awards to grant recipients in appropriate circumstances. These steps will help ensure that NTIA awards funds to projects that fulfill Recovery Act objectives and spend taxpayer dollars wisely. In view of these steps, we did not include an appeals process, which we believe would add uncertainty and unnecessarily prolong the funding cycle.

Question 5. In the absence of a national broadband map, isn't it important to have existing broadband service providers' data about where they are providing service in order for you to determine if an area is already served?

Answer. NTIA welcomes information from existing service providers regarding the unserved and underserved status of proposed funded service areas. NTIA will make the decision as to whether an area is unserved or underserved based on all information available to it. The submissions of service providers are not dispositive but do provide additional information we will consider. NTIA is also utilizing any other data at its disposal to help evaluate claims made by both applicants and commenters.

Question 6. What type of due diligence are the agencies undertaking to determine if an area is unserved or underserved? How are you verifying applicant's claims about whether an area is unserved or underserved? What data are you relying on? Are your field representatives working to verify this information?

Answer. NTIA has in place a process to evaluate claims regarding the unserved and underserved status of a proposed funded service area using information from several sources. NTIA is considering data supplied by the applicant, data supplied by existing service providers who choose to comment, broadband maps compiled by states (if available), and independent research. NTIA may request additional information from applicants and commenters as necessary and appropriate. We are confident that NTIA has sufficient information on which to base funding decisions.

Question 7. Are you planning to make public whether you've determined that a proposed funded service area is unserved or underserved?

Answer. The grant of an infrastructure application will indicate that the applicant has satisfied the definition of unserved or underserved. However, NTIA is developing a publicly accessible and regularly updated national broadband map. This map will serve to educate consumers and businesses about broadband availability, enable broadband providers and investors to make better-informed decisions regarding the use of their private capital, and allow Federal, state, and local policy-makers to make more data-driven decisions on behalf of their constituents.

Additionally, RUS and NTIA have posted Public Notice Filings of the proposed funded service area(s) of each BIP and BTOP Infrastructure application at www.broadbandusa.gov. NTIA and RUS also posted online the name of each service provider submitting information regarding the unserved and underserved status of an application and a summary of their response.

Question 8. For the next round of funding is it possible that your agencies could make public a list of all Census blocks in a proposed funded service area, and allow existing broadband service providers to submit information about whether they provide service in those Census blocks, along with the number of households they serve? Wouldn't this make it easier for you to determine whether an area is unserved or underserved?

Answer. In the recently released Request for Information (RFI), NTIA and RUS requested public comment on whether and to what extent the public notice comment process should be revised in the second funding round. NTIA is now reviewing those comments to determine what changes, if any, are appropriate in the second funding round. Our intent is to provide existing providers with an adequate opportunity to submit information regarding their services and ensure that BTOP funds support projects in areas that meet the definition of unserved or underserved.

Questions Submitted By Hon. Bobby Bright, a Representative in Congress from Alabama

Question 1. How does the NTIA staff interact with RUS? Would it be faster for both agencies if you did not have to work with each other?

Answer. NTIA and RUS have worked closely together to implement the broadband provisions of the Recovery Act and to ensure a well-coordinated and thoughtful approach that takes advantage of the individual expertise of each agency. The agencies cooperated in the hosting of the initial kickoff meetings in March 2009 and in the

development of the first NOFA, which incorporated shared definitions and policies to the maximum extent possible. We combined efforts to host 10 workshops for potential applicants in locations across the country. And we worked together to develop www.broadbandusa.gov as a single portal to provide technical assistance, accept applications, and communicate information about the programs. As we review and evaluate applications, we are in regular communication to ensure that we do not use Recovery Act funds for projects in the same area. We believe that this coordinated approach provided benefits for first round applicants and the general public. At the same time, as we plan for the second round of funding, the agencies are evaluating whether to make adjustments to improve efficiency as appropriate.

Question 2. In your testimony, you mention the NTIA's upcoming efforts at implementing the Recovery Act's "Broadband Mapping and Planning Program." Coming up with a nationwide broadband strategy is a great task, and it is vital that we do it right. Could you discuss how the mapping process will work and how the mapping grants will be used? Your goal is to complete the mapping by February 2011. Is this goal attainable? Are there any potential roadblocks keeping you from completing the map by this time?

Answer. The State Broadband Data and Development Program (Mapping Program) is a competitive, merit-based matching grant program to fund projects that collect comprehensive and accurate state-level broadband mapping data, develop state-level broadband maps, aid in the development and maintenance of a national broadband map, and fund statewide initiatives directed at broadband planning. NTIA has announced 36 grant awards for broadband mapping and planning activities totaling approximately \$69 million. States and territories receiving awards to date include: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Delaware, the District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New York, North Carolina, North Dakota, Ohio, Oregon, Rhode Island, South Carolina, South Dakota, Vermont, Washington, West Virginia, Wisconsin, and Wyoming, as well as Puerto Rico. These awards fund 2 years of broadband mapping efforts and up to 5 years of broadband planning activities. NTIA expects to award a mapping grant to every state and territory, and is currently working with the remaining applicants to revise and refine their project proposals to ensure that each proposal meets the program's standards.

We expect to complete all mapping awards by the end of 2009. Awardees will then collect and verify the availability, speed, and location of broadband across the state. This activity is to be conducted on a semi-annual basis between 2009 and 2011, with the data to be presented in a clear and accessible format to the public, government, and the research community. The initial sets of state broadband data will be provided to NTIA in spring 2010, and the effort will culminate in the creation of a national broadband map by February 2011. The national broadband map will educate consumers and businesses about broadband availability, enable broadband providers and investors to make better-informed decisions regarding the use of their private capital, and allow Federal, state, and local policy-makers to make more data-driven decisions on behalf of their rural constituents.

Question 3. As you are both aware, the application process for both BTOP and BIP is a complex one. The ability to navigate through such an intricate application process is a significant hurdle for many small businesses. In your testimonies, you mention that you are working on a plan for ensuring that the second round's application process is more small business-friendly. Could you discuss your plans in more detail?

Answer. In the recently-released RFI, NTIA and RUS requested public input on whether the agencies should revise elements of the programs to better achieve the goals of the Recovery Act, which places a high priority on benefiting small and disadvantaged businesses. NTIA is now reviewing those comments to determine what changes, if any, are appropriate in the second funding round. We also intend to conduct additional workshops for the second funding round that will address issues such as collaborating on and creating winning applications and training on the mechanics of filing applications electronically. NTIA is making every effort to streamline the application process in the second funding round to facilitate the process of applying for grants, while also ensuring that we collect the information necessary to award grants to projects that will fulfill the objectives of the Recovery Act and utilize taxpayer dollars in the most effective manner possible.

Question 4. From news reports I have read that ARRA funding applications total \$28 billion in loans and grants. I recognize that even \$4 billion is likely not enough to ensure that everyone in this country has access to broadband, but if your agencies award the full amounts allowed for grants and loans in the first round of fund-

ing how much closer will we be to deploying broadband Internet to all Americans currently without it?

Answer. The \$7.2 billion authorized by the Recovery Act for the BTOP and BIP broadband initiatives will not solve all of America's broadband challenges. However, NTIA is working to ensure that they are stretched as far as possible to bring the benefits of broadband to more Americans. At this time, NTIA is not able to estimate the total cost of deploying broadband to all Americans that currently lack it. Nor does NTIA have an estimate of the total cost of enhancing broadband service for the underserved areas of the United States that have some level of broadband access but exhibit lower levels of speeds, adoption, or availability than more fortunate areas of the country. The Federal Communications Commission is evaluating these questions further as part of its development of a national broadband plan. NTIA anticipates that information gathered from through BTOP applications, recipient reports, and through the State Broadband Data and Development Grant Program will help inform these estimates in the future.

Question 5. Many are concerned about overlapping already-served areas with these stimulus dollars. I strongly believe that NTIA and RUS should not waste taxpayer dollars on funding broadband projects that intend to provide service in areas already served. Is this a concern to your respective agencies? And how do you plan to avoid overlapping in the second round of funding?

Answer. While there are a number of steps NTIA is taking to ensure that funding goes to projects that will enhance broadband service in areas with demonstrated need and best fulfill the objectives of the Recovery Act, the eligibility standard for BTOP awards is not whether there is some level of existing broadband service or whether a project would be "overlapping," but whether the applicant has demonstrated that their proposed funded service area is unserved or underserved. The underserved criteria can be met by showing that the proposed funded service area exhibits low levels of availability, adoption, or broadband speeds. A proposed funded service area may qualify as underserved for Middle Mile projects if one interconnection point terminates in a proposed funded service area that qualifies as unserved or underserved for Last Mile projects. This standard allows for BTOP funds to support areas where some level of broadband service may exist, but robust investment or adoption has not yet taken shape.

NTIA has provided existing service providers with the opportunity to submit information regarding their existing service offerings to help inform the application review process, and is also utilizing any other data at its disposal, including broadband maps compiled by states (if available), additional comments submitted by state Governors, and other databases to help evaluate claims made by both applicants and commenters to determine the unserved or underserved status of a proposed funded service area.

In the recently released Request for Information (RFI), NTIA and RUS requested public comment on whether and to what extent the public notice comment process should be revised in the second funding round. NTIA is now reviewing those comments to determine what changes, if any, are appropriate in the second funding round.