

**Statement of Jonathan Adelstein  
Administrator, Rural Utilities Service  
USDA Rural Development  
Rural Utilities Service**

**Before the Committee on Small Business  
U.S. House of Representatives  
October 28, 2009**

Mr. Chairman, Ranking Member Graves, 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).

As indicated by the major commitment of resources in ARRA, improved access to affordable broadband is a high priority for the Obama Administration and Congress. It is critical for the rural small business community, as well. Broadband erodes the traditional barriers of time and distance, levels the playing field, gives rural businesses access to national and international markets, and enables very small and home-based businesses to thrive. It is one of the key foundations of the 21<sup>st</sup> century economy that rural businesses need to survive and remain competitive.

Together, we can foster the greatest level of broadband access throughout rural America. The funds we will administer in the next 12 months will cultivate new investment opportunities in as many rural remote communities as possible.

On behalf of Secretary Vilsack, USDA stands committed and ready to fulfill its rural broadband mandate outlined by this Congress and the President. Improving the quality of life for rural families and businesses is the centerpiece of USDA's overall mission.

Secretary Vilsack has repeatedly acknowledged how this Congress and the Administration have helped to provide the building blocks for a new rural economy. These building blocks include renewable energy, local and regional food systems, regional collaboration and investment in broadband. Each of these areas is a key component of USDA's focus toward rebuilding and revitalizing economic growth in rural America. Broadband enables all of these building blocks to function more efficiently and deliver enhanced benefits to rural businesses, residents, and communities.

To underscore 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. Such benefits include access to online course offerings for students in remote areas and the access to telemedicine and telehealth services which often reduce transportation costs for patients living in rural areas in need of urgent 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 US 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.

I am pleased to provide you with a roadmap for how the Rural Utilities Service will accomplish President Obama's goal of investing heavily in rural America with broadband. First, I want to provide you with a brief overview of our mission in serving rural communities and how we are prepared to meet the goals articulated in the Recovery Act.

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 tasked with applying the technical skills and historical knowledge we have amassed in issuing financing for electricity, telecommunications and water over the past 75 years to 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 remote 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 Larry 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 and the great demand for broadband in rural America.

However, 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 for the second round of funding that would simplify the application process and support our efforts to fund high-quality projects.

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 loan requirement for middle mile and last mile non-remote projects.

We will be working with NTIA to publish a Request for Information (RFI) in the near future that asks questions about these items and many others. We would welcome the Committee’s input on these key issues.

### **USDA’s Historic Role in Telecommunications Infrastructure Investment**

USDA has a long record success in the deployment of rural telecommunications infrastructure. The telecommunications program was initiated in 1949. By the 1970’s, the Telecommunications Program led the nation in funding one of the first commercial fiber optic systems, Commonwealth Telephone Company in Pennsylvania.

To ensure that rural communities get access to quality broadband services, since 1995 RUS required that telecommunications infrastructure for both new construction and upgrades of existing systems be capable of supporting at least 1 Mbps in both directions.

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 are committed to ensuring that all infrastructure awards are made in a technology neutral manner so that rural end users get the benefit of a variety of technologies servicing their region, not just one.

Our legacy in funding telecommunications facilities was enhanced in both the 2002 and 2008 Farm Bills, which authorized RUS to administer three broadband-related programs. The most prominent of these is the Broadband Loan Program, which to date has approved over \$1.1 billion in loans to more than 90 broadband infrastructure projects in rural communities spanning 42 states. In addition, through the Community Connect Grant Program and the Distance Learning and Telemedicine Loan and Grant Program, we have achieved considerable success and gained invaluable experience in deploying broadband and related services to remote rural and underserved communities. Through these two programs, 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 function 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. Within weeks of my arrival at RUS, I met with most of our GFRs and State Directors, who are among our most effective resources throughout the federal government in reaching rural Americans.

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. Our field staff stands ready to assist service providers and rural community leaders with these programs, as well as with the current loan and grant programs. We expect that these new regulations and procedures will continue to keep our loan portfolio healthy well into the future.

**Implementation of the BIP Program under the American Recovery and Reinvestment Act: Building on our Service to Rural America**

In February of this year, ARRA provided the USDA with \$2.5 billion in budget authority to deploy broadband in rural, unserved and underserved areas nationwide under the Broadband Initiatives Program (BIP).

With the funds we received in the Recovery Act for broadband, we estimate that we could deliver up to \$7 to \$9 billion 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.

Our goal is to advance the President's vision of improved access, ensure that every community has a fair opportunity to compete for available funding, and leverage taxpayers' dollars to the greatest extent possible. We are careful stewards of funds we manage and obligate, which is how we built our reputation as an attractive low-cost lender.

To implement our coordinated broadband program, in March the USDA and NTIA initially published a joint Request for Information in the Federal Register soliciting public comment on implementation of ARRA. We held six public meetings to provide an opportunity for further public comment and received over 1,000 comments from institutions and individuals on key questions, including the definitions of "broadband," "unserved," and "underserved." Based on the diverse nature of comments received from a wide cross section of public and private stakeholders, our agencies drafted a Notice of Funds Availability (NOFA) which was posted on-line on July 1st and published in the Federal Register July 9th.

The NOFA incorporated the requirements for both the BIP and BTOP programs so that applicants could file a single application for one or both funding opportunities offered. This NOFA announced the first round of funding under ARRA, with the expectation that one or more additional NOFAs will be released in Fiscal Year 2010. We are mindful of

the fact that all funds must be obligated no later than September 30, 2010, so we are trying to move as quickly, but as prudently, as possible to meet the objectives outlined in the statute.

### **RUS and NTIA Coordinated Outreach and Public Education**

An outreach and communications strategy was developed jointly by both agencies to ensure that the prospective applicants and other stakeholders would receive accurate, timely and comprehensive information on the programs. The objective of the outreach strategy was to explain the application process to prospective applicants in a short period of time. USDA and the Department of Commerce determined that a series of joint how-to-apply workshops would be conducted by program staff from both agencies. Since the Federal Communications Commission (FCC) is an integral partner to both agencies in addressing telecommunications issues, the FCC was invited to participate in the workshops to provide information on broadband technologies and resources available at the FCC.

The outreach and education workshops jointly sponsored by RUS and NTIA were held in a variety of regions throughout the country, with locations chosen to provide maximum geographic diversity and to focus on targeted applicant segments. Workshop locations were also chosen based on their proximity to transportation to facilitate attendance from surrounding areas. We promoted the effort through the USDA/Department of Commerce joint ARRA broadband website ([www.broadbandusa.gov](http://www.broadbandusa.gov)), as well as through our own

agency websites and Public Information Coordinators throughout the country, targeted media alerts and e-mailings to state economic development organizations, industry and consumer associations, prospective applicants, and state/local government offices nationwide.

### **The Application Process**

The application window opened on July 14th and the electronic application system went live on July 31st. The volume of applications and the compressed timeframe led to a number of application processing issues, and we took a series of steps to deal with these issues. First, we added server capacity. We also extended the deadline to submit electronic applications from August 14 to August 20. Applicants who had submitted core applications by 5:00 p.m. (EST) on August 14, 2009 (the original application deadline), were also given the opportunity to submit electronic applications through August 20.

We notified applicants by posting the deadline extension on both the BroadbandUSA.gov joint website and respective agency websites. We published a legal notice in the Federal Register and sent it to each applicant by e-mail. The website help desk hours and staff were increased to answer questions from applicants throughout the weekend.

Due to the extraordinary level of demand to upload attachments directly into the system, the RUS and NTIA issued an additional notice on August 19<sup>th</sup> informing applicants that they would be permitted to submit attachments to their application by alternative means

that included CD, DVD, thumb drive, or other electronic media. Attachments delivered by regular mail postmarked by August 24, 2009 were accepted.

### **Next Steps for Round One and Round Two**

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. It continues to be our belief that we should move to compress the planned-for second and third rounds into a single round in order to give applicants additional time to create strong proposals and to ensure that we are able to meet the goal of obligating all funds by September 2010. We continue to work through mechanics of effectuating this change, and we hope to put forward an announcement in the near future on this matter.

Subsequent funding may 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 regulations until we have completed the evaluation of first round projects, but it is important to note that this is not

a static process. We will consider changes to these rules based on the feedback we have received to date.

We welcome input from everyone on 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. To that end, RUS and NTIA plan to seek formal written comments on ways to better meet the requirements of the Recovery Act and will be releasing a Request for Information (RFI) very shortly to gather such information. Our next steps will be guided by the input we receive during this process. We will make necessary changes based on these suggestions and our experience.

We will continue to ensure that implementation of the ARRA broadband initiative is a collaborative and coordinated effort with our partners at the NTIA and in the Administration. We are also committed to making 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 \$7.2 billion in ARRA broadband budget authority by September 30, 2010.

This week we are celebrating our 60 year anniversary of financing telecommunications infrastructure, which has evolved from delivering voice to distance learning, telemedicine 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.