

**Statement of Jonathan Adelstein
Administrator, Rural Utilities Service
United States Department of Agriculture**

**Before the Communications, Technology and the Internet Subcommittee
U.S. House of Representatives
March 4, 2010**

Chairman Boucher, Ranking Member Stearns, 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 continued guidance and support as we implement this critical program is deeply appreciated.

The Obama Administration and Secretary of Agriculture Tom Vilsack share your goal of improving access to affordable broadband service. As members of this Committee know, broadband connectivity lays the foundation for economic development. Broadband can level the economic playing field, particularly for rural areas, and provide access to national and international markets, and help new, small and home-based businesses to thrive. It delivers health care services through telemedicine and offers educational opportunities through distance learning.

Building better networks to improve access to affordable high speed Internet service is not only central to jumpstarting our rural economy by creating urgently needed jobs now, but it will enhance the quality of life for rural families and businesses for years to come. On behalf of Secretary Vilsack, I am here to say that USDA stands prepared to fulfill its rural broadband mandate outlined by Congress and the President.

Economic uncertainty has been the hallmark of this past year. The programs Secretary Vilsack, the Administration and this Congress have put into place—renewable energy, expansion of local and regional food systems, regional collaboration and investment in broadband—are key pillars of USDA’s focus toward rebuilding and revitalizing economic growth in rural America.

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 broadband access nationwide. Assistant Secretary Lawrence Strickling has been an outstanding and visionary partner throughout this process. And the Federal Communications Commission has been an active contributor to this effort as well. Together, we have made significant advances since this new program was enacted last February. We recognize that there is much work left to do still.

Status of Awards

Under the first funding notice, RUS and NTIA received over 2,200 proposals from applicants wanting to improve broadband service. Applicants requested over \$28 billion in funding. Of this total, 401 applications were BIP-only requesting a total of \$4.974 billion; another 833 applications were joint applications to BIP and BTOP totaling \$12.791 billion.

In December, we began announcing the awards under the first round of Recovery Act broadband funding. To date, RUS has announced over \$895 million in funding for 55 projects in 28 states and 1 territory and expects to announce additional awards shortly. We are enthusiastic about potential of the projects announced thus far. Funding has been awarded to a diversity of providers – from small telecommunications companies, wireless providers, rural electric and telephone

cooperatives to cable providers - to build out our rural networks, creating urgently needed jobs in rural America. These projects feature a variety of internet technologies - from wireline to wireless - providing quality internet connectivity to hundreds of thousands of homes, businesses and key anchor institutions in rural communities.

On January, 15, 2010, RUS and NTIA announced their second NOFAs for the BIP and BTOP programs, opening the windows for accepting applications on February 16th. In the interest of ensuring that Recovery Act funding is made available in the most equitable manner, RUS extended its deadline for application submissions from March 15 to March 29, 2010. We wanted to give applicants the maximum opportunity to apply and to strengthen the quality of their applications.

As of March 1, RUS had sent over 1000 letters to non-selected NOFA 1 applicants, providing them with an opportunity to reapply under NOFA 2. These notifications also supplied applicants with information as to why their applications were not successful under NOFA 1. The most common reasons applicants were not funded were that they applied as proposing to serve “remote” areas, when in fact the areas they were proposing to serve did not meet the remote definition. The second reason was that applicants requested a grant amount greater than the 50 percent allowed for non-remote applicants. Both of these provisions have changed in the second NOFA, and we are encouraging those applicants not funded to resubmit their applications.

The applications and associated proposed maps of coverage areas have been and will continue to be posted on www.broadbandusa.gov for public review and comment.

The challenges that RUS encountered while reviewing the applications for the first round of funding, as well as feedback we received from you and others, resulted in development of alternative approaches to simplify the application process. After hearing concerns raised by members of this Committee and others, we made significant changes in the second BIP NOFA. We have addressed all of the major concerns that were raised, and believe this is a strong NOFA that will effectively address the needs of rural America.

Changes in NOFA II

The first NOFA was published jointly by USDA and the Department of Commerce. The NOFA required that all “rural” applications had to be filed with USDA or jointly with USDA and Commerce. Both USDA and Commerce received comments from the public and Hill over the “joint” application process. As a result, in the second round, USDA and Commerce published separate, but coordinated, NOFAs. Applicants must choose between BTOP and BIP.

Under the first NOFA, USDA offered either a 100 percent grant product for “remote” rural areas or 50/50 loan/grant product for non-remote areas. USDA now offers one product, which is a 75/25 grant/loan combination with incentives for higher loan components and greater outside leverage.

For the second NOFA, USDA eliminates the separate funding bucket for “remote” projects, as suggested by many members of this Committee. Instead, USDA offers higher points for projects in the most rural areas. USDA also allows applicants to request a grant amount greater than the

standard 75 percent grant, up to 100 percent grant. This waiver process will allow USDA to make viable awards to the most rural areas and those areas with density issues, low median income, and high unemployment.

With separate NOFAs and no joint applications, USDA and Commerce have elected to concentrate on specific types of projects. Commerce will focus on Middle Mile projects that connect community anchor institutions and USDA will focus on Last Mile projects, which are urgently needed in many rural communities and which directly connect to homes, businesses and key community anchor institutions. USDA will finance Middle Mile projects for current RUS borrowers and grantees.

The second NOFA also provides more flexibility. For example, USDA can add priority points for projects that provide significant assistance to essential community facilities, promote rural economic development, and support persistent poverty counties or chronically underserved areas. In addition, in the unexpected event that we receive an insufficient number of high scoring applications, RUS can elect a “second review” of meritorious applications which meet Recovery Act objectives. USDA may also accept an application from Commerce which it cannot fund but appears meritorious under USDA’s BIP program.

Streamlining the application process

USDA received many comments on how to improve the application process. These suggestions led to the decision to issue separate but coordinated applications and to increase efficiency by eliminating the two-step application.

In addition, applicants previously had to list all Census blocks in their application. USDA's mapping tool now does this for them.

Additional Funding Opportunities

To ensure that all Recovery Act BIP funds are judiciously utilized, additional funding opportunities will be offered to ensure the long term benefits of the program in rural America.

The second NOFA allows satellite providers to compete for approximately \$100 million to provide equipment and installation to rural premises—customers—that remain unserved after all other Recovery Act funds are obligated.

Awardees of both NOFAs, and applicants under NOFA 2, can apply for Technical Assistance grants for the development of a USDA-approved regional broadband plan. This will further broadband deployment and rural economic development beyond projects funded by the Recovery Act. Indian Tribes are encouraged to apply for the Technical Assistance grants whether they are awardees under both NOFAs or applicants under NOFA 2.

Awardees under either NOFA may also apply for grant funds to provide broadband connectivity to rural libraries funded by USDA's Community Facilities program.

Modification of Eligible Service Areas

In this second NOFA, RUS refocused efforts on rural economic development and unserved rural areas. As a result, any rural area where at least 50 percent of the premises in the area lack access to broadband service at the rate of 5 Mbps (upstream and downstream combined) will qualify for funding. USDA has determined that these areas lack high speed broadband service sufficient to facilitate rural economic development as required by the Recovery Act. Service offerings must still be within proposed funded service areas which are at least 75 percent rural as required by the Recovery Act.

Cost Effectiveness

To effectively leverage Recovery Act broadband funds for Last Mile projects, RUS will limit Federal assistance to no more than \$10,000 per premise passed, unless a waiver is granted. In review of waiver requests, RUS will consider whether the application provides assistance to a significant number of critical community facilities, supports a recognized rural regional development plan, supports public safety projects, enhances broadband service to rural libraries, or supports persistent poverty counties or substantially unserved areas, including Indian country. If the waiver request is denied, any award may be made contingent on improving cost

effectiveness, or the application may be placed in the second review process and the Applicant will have an opportunity to revise its proposal.

Outreach Efforts

Outreach to the general public continues to focus on distribution of information to national, regional and local print and broadcast media. Additional information for the public has been provided in testimony before various Federal committees, such as this hearing. USDA staff have also participated as both panelists and keynote speakers for associations, state and regional governments, and at inter-agency functions.

Following the announcement of the second NOFA, RUS and NTIA conducted nine additional workshops for the general public to help prospective applicants better understand the mission, scope, process and requirements of the BIP and BTOP programs. The FCC was also invited to participate to provide information for prospective applicants regarding broadband technology and licensed spectrum. RUS and NTIA also jointly hosted six Pre-Workshop Outreach Events targeted toward vulnerable populations, including minority groups and tribal entities who otherwise might not fully participate in the Recovery Act broadband programs.

Our goals continue to be to modernize our nation's infrastructure, create or save jobs and begin addressing many of these long-neglected challenges. Secretary Vilsack directed the USDA's Economic Research Service (ERS) to examine the economic effects of having broadband access in rural communities. The result of this effort was the publication about six months ago of a report titled "Broadband Internet's Value for Rural America." This report concluded that employment growth was higher and non-farm private earnings greater in counties with a longer

history of broadband availability. In addition, this report found key benefits of broadband access in rural communities, such as access to online course offerings for students in remote areas and the access to telemedicine and telehealth services for patients living in rural areas in need of urgent and often specialized care. Agricultural producers and farm based businesses rely 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 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. That is also where our years of expertise with a variety of technologies have a distinct advantage.

With the over \$895 million in funding awarded by RUS, we have funded a diversity of technologies and a diversity of applicants to build out these broadband networks. This program is proof that leadership, policy support, resources, and community support overcome barriers to broadband expansion.

We welcome input from the Members of this Committee as we turn our attention to NOFA 2. . We will continue to ensure that implementation of the Recovery Act broadband initiative is a collaborative and coordinated effort with our partners at the NTIA, and we will continue to work to make this process as transparent and 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

remain on track to obligate the \$2.5 billion in broadband budget authority by September 30, 2010.

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.