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**Before the Small Business & Entrepreneurship Committee  
U.S. Senate  
April 27, 2010**

Chairman Landrieu, Ranking Member Snowe, 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 and guidance as we implement this critical infrastructure program is deeply appreciated. The Obama Administration and Secretary of Agriculture Tom Vilsack share your goal of improving access to affordable broadband service. Under the American Recovery and Reinvestment Act of 2009, USDA's broadband program is designed to both deliver broadband service to unserved and underserved areas and help create jobs.

As members of this Committee know, broadband connectivity lays the foundation for economic development. Broadband can diminish the geographic challenges of time and distance to help rural areas compete in the global marketplace. Broadband can help new small and home-based businesses thrive and provide access to new markets. For example, livestock auctions, which used to require ranchers to travel long distances to bid, are now widely conducted over the internet. Broadband connections to the ranch are often necessary for full market participation. Not only does broadband permit ranchers to follow the market more closely from remote locations, but the Internet can bring in those who otherwise could not participate to create a more robust and competitive marketplace. The USDA Economic Research Service study published August, 2009

noted that rural businesses use broadband to increase market ranges, sales and customer service through e-commerce. Nonfarm employment growth is significantly related to broadband lines per capita. Broadband also delivers, for example, health care services through telemedicine and offers educational opportunities through distance learning, among many other benefits.

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 will also enhance the quality of life for rural families and businesses for years to come. This is a centerpiece of USDA's overall mission. 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.

The programs Secretary Vilsack, the Administration and this Congress have put into place—infrastructure investment, renewable energy innovation, local and regional food system expansion, regional collaboration and building out broadband—are key components of USDA's efforts to rebuild and revitalize economic growth in rural America.

We have worked closely with the National Telecommunications Information Administration (NTIA) and the Federal Communications Commission in our efforts to fulfill the President's vision for delivering broadband access nationwide. Assistant Secretary Lawrence Strickling has been an invaluable partner throughout this process. Federal Communications Commission, led so ably by Chairman Julius Genachowski, has made significant advances toward the broadband program with the release of the National Broadband Plan, as well as its ongoing efforts. Yet, we all recognize that there is much work ahead of us.

## **Status of Program**

Under the first funding notice, RUS and NTIA received over 2,200 proposals from applicants wanting to improve broadband service nationwide.

For the first funding round, 401 applications were BIP-only requesting a total of \$4.974 billion; another 833 applications were joint applications to BIP and NTIA's Broadband Technology Opportunities Program (BTOP) totaling \$12.791 billion.

Small and disadvantaged businesses have been active participants in both funding rounds. Based on information collected during the first funding round, approximately 181 applications requesting \$2.9 billion from BIP came from small businesses, minority owned firms, Indian Tribes, and Native Alaskan and Native Hawaiian entities.

As of March 30, RUS completed funding awards under the first funding round and notified those applicants not awarded funds of the reasons. 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 major reason was that applicants requested a grant amount greater than the 50 percent allowed for non-remote applicants. Based on stakeholder feedback from the Request for Information, and input from Congress, RUS made changes to both of these provisions in the second Notice of Funds Availability (NOFA), and we have urged applicants not funded to apply for the second funding round.

At the conclusion of the first round, RUS awarded \$1.067 billion for 68 broadband projects, reaching more than 529,000 households and 96,000 rural businesses and anchor institutions, such

as schools, libraries and other community facilities. These broadband projects span 31 states, 1 territory, and include 17 Tribal Land areas in rural unserved and underserved communities.

Funding was awarded to a diverse group of providers – from small telecommunications companies, wireless providers, rural electric and telephone cooperatives to cable providers - to build out our rural networks and create urgently needed jobs in rural America. Over \$50 million was awarded to small and disadvantaged businesses, Indian Tribes and a Native Alaskan entity. In total, these organizations represent approximately 10 percent of awards and include projects in Alaska to benefit subsistence-level Alaska Native communities. These projects feature a variety of internet technologies, from DSL broadband to fiber optic cable to wireless, to be deployed in rural areas nationwide.

Among the small business awardees, for example, The Tohono O'odham Nation service area of this wireless and wireline project covers 4,341 square miles of remote lands with rugged mountains and broad desert valleys within the Sonoran Desert—an area roughly the size of the State of Connecticut. This area comprises the entire Tohono O'odham Reservation. Commerce and job opportunities are very limited. The percentage of residents living below the poverty level is over 50 percent in most of the area.

This project would make broadband service available to nearly 3,000 households, offices and businesses in the Tribal Nation's capital city. In addition to home-based and other businesses, the project will make broadband service available to fire/ambulance departments that provide first responder service in the area. Home health providers will benefit from the ability to transmit real-time patient information from the field. Two of public school districts serving 1,400 students will benefit from broadband service to facilitate learning at home. Telemedicine will also benefit from

the availability of broadband service to the reservation enabling "virtual" hospitals and clinics and aiding visiting nurses who need real-time access via broadband connectivity. The availability of such jobs would encourage many young members to obtain a high school diploma and utilize their broadband network to obtain degrees in higher education.

In Iowa, the Eastlight, LLC wireless project will bring broadband to 144,000 rural residents in 111 communities and will offer service to more than 32,000 businesses and 370 public institutions, including town and village halls, police departments, volunteer and community-funded fire departments, EMS and local health care centers, day care and pre-schools and libraries. Many of these community institutions were previously unserved or underserved with broadband Internet.

The Big Island Broadband/Aloha Broadband Inc., wireless project will bring broadband to a remote and geographically diverse area. Because of the extreme rural nature of The Big Island, there are only a few community anchor institutions located within the service area, which includes 600 households and businesses. As broadband infrastructure becomes available, more institutions are likely to move into these communities.

The experience RUS gained from reviewing the applications for the first round of funding, as well as feedback we received from this Committee and others, resulted in a number of changes for the second NOFA.

## **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, RUS and NTIA issued separate but coordinated NOFAs to better promote each agency’s distinct objectives. Applicants had to choose between BTOP and BIP. In addition, USDA now offers one product, which is a 75/25 grant/loan combination with incentives for higher loan components.

For the second NOFA, USDA eliminated the separate funding category for “remote” projects, as suggested by many members of this Committee. Instead, USDA offers higher points for projects in the most rural areas and has flexibility to increase the standard 75 percent grant to up to 100 percent grant to the most rural areas and those areas with density issues, low median income, and high unemployment.

USDA and Commerce have elected to concentrate on specific types of projects. Commerce will focus on Middle Mile projects 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, after the initial review of complete applications, RUS can elect a “second review” of meritorious applications that need additional work but which might otherwise meet Recovery Act objectives.

USDA may also accept an application from Commerce which it cannot fund but appears meritorious under USDA’s BIP program. And, we 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, including Tribal Lands.

### **Streamlining the application process**

USDA received many comments on how to improve the application process. These suggestions led to the decision to issue separate NOFAs 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 focused 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.

## **NOFA II Applications**

On January 15, 2009, RUS and NTIA announced their second NOFAs for the BIP and BTOP programs, with the windows for accepting applications opening on February 16<sup>th</sup>. This funding window for BTOP infrastructure applications closed March 26, 2010, at 10 p.m. EDT, and the window for BIP applications closed March 29 at 10 p.m. EDT.

RUS received approximately 776 applications for nearly \$11.2 billion in program authority—in excess of \$7 billion in budget authority-- under this second funding notice.

From preliminary data, we estimate that approximately 4 percent of the applications were submitted by public entities. Nearly 76 percent of applications were submitted by for-profit corporations. About 430 of these applications—almost 60 percent of the total—were from small businesses and disadvantaged firms, and another 21 applicants were submitted by Indian Tribes.

While more than one-half of the round 2 applicants did not apply in round 1, approximately 25 percent of round 1 awardees submitted a round 2 application; over 40 percent of those not awarded funds during the first round submitted a round 2 application. Most applicants submitted one application for broadband funding; just over 60 applicants submitted multiple applications to deliver broadband service in rural areas.

The focus for RUS during this second funding round was for last-mile projects, and accordingly, 746 applicants submitted applications to build last-mile projects. The remaining applications were for middle-mile projects. The applications and associated proposed maps of coverage areas have been and will continue to be posted on [www.broadbandusa.gov](http://www.broadbandusa.gov) for public review and comment.

Our goals continue to be to modernize our nation's infrastructure, create or save jobs and work toward rural economic development goals. USDA's Economic Research Service (ERS) studied 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 rural patients 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. Specifically, rural businesses use broadband to increase market ranges and sales through e-commerce and reduce marketing costs. The report noted that total nonfarm employment growth was significantly related to broadband lines per capita.

The report also clearly notes that areas with low or dispersed populations, or demanding terrain, generally have difficulty attracting broadband service providers. These characteristics 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.

We welcome input from the Members of this Committee as we begin review of the applications from round 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.

This program is proof that leadership, policy support, resources, and community support overcome barriers to broadband expansion. Rural communities will always face challenges in competing economically. But rural communities are stronger today because of the partnership forged with USDA's Rural Development. Our ability to fund rural infrastructure to encourage the development of locally owned businesses and help grow rural economies is a result of your work. It is an honor and privilege to work with you and our federal partners throughout the Obama Administration to make 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.