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**Before the Subcommittee on Communications, Technology and the Internet
Committee on Energy and Commerce
U.S. House of Representatives September 10, 2009**

Mr. Chairman, Ranking Member Stearns, and distinguished members of the Subcommittee, thank you for the opportunity to testify on the U.S. Department of Agriculture's Broadband Initiatives Program (BIP). Having testified before this Subcommittee in my previous capacity as a member of the Federal Communications Commission, I have had the pleasure of working with many of you over the years to promote the deployment of affordable quality broadband service in rural America, and throughout the country.

Secretary Vilsack has made improving quality of life for families in rural communities a centerpiece of USDA's overall mission. The Secretary 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, and broadband, the subject of your hearing today.

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 America. Last month, 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 having access to online course offerings for students in remote areas and the availability of telemedicine and telehealth services which has helped reduce transportation costs for patients in rural areas who would otherwise need to travel to urban areas for urgent care. In addition, the farm sector is increasingly more dependent on internet transactions and on online sales, which makes broadband a critical part of their business.

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.

Since 1935, beginning with the Rural Electrification Administration, we have been a premier lender for rural infrastructure investment, currently with a \$54.1 billion loan portfolio. This portfolio now includes federal financing for water and wastewater, telecommunications, broadband, electric and renewable energy infrastructure projects. The telecommunications program was initiated in 1949 and has a current portfolio--built up over 60 years--of \$4.1 billion.

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 60 years to obligate the funds over the next year that will build the next generation broadband facilities.

Our goal is to recreate the successes we have achieved in financing the nation's electric grid toward building new broadband networks in rural communities.

Through the American Recovery and Reinvestment Act (ARRA), Congress and the Administration entrusted the Rural Utilities Service with nearly \$4 billion in stimulus funds for infrastructure investment to get the rural economy back on its feet.

Given our historical expertise in providing affordable loan financing opportunities, the Recovery Act dedicated \$2.5 billion rural broadband deployment and \$1.38 billion for rural water infrastructure projects.

I appreciate the faith that Congress placed in USDA to participate in this important initiative, given our long and productive history in providing loan, grant and loan/grant funding throughout rural America.

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), the

Federal Communications Commission and the White House to fulfill the President's vision for promoting ubiquitous broadband access across the nation. I am grateful for this Committee's continued leadership and guidance as we work towards accomplishing this mandate.

To date, the RUS and NTIA have received more than 2,200 applications for over \$28 billion in funding requests. Applications came from a wide range of parties including state, local and tribal governments, non profits, industry and public sector organizations in all 50 states, 5 territories, and the District of Columbia

This is a clear demonstration of the high degree of interest in our respective loan and grant programs and the great demand and need for broadband in rural America. Based on this level of interest, federal funds dedicated to meeting this demand will make real progress in achieving the President's vision.

USDA's Historic Role in Telecommunications Infrastructure Investment

In 1935, our predecessor agency, the Rural Electrification Administration, began issuing loans to build an electricity grid across rural America. Based on our success in this area, in 1949 Congress authorized the agency to provide loans to fund the build out of telecommunications facilities in rural areas. 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, the RUS since 1995 started requiring that all new telecommunications infrastructure for both new construction and upgrades of existing systems be capable of supporting at least 1 Mbps in both directions. As technology continues to evolve, we are continuously seeking new ways to deliver next generation services and facilities to end users in rural and high cost areas in a technology neutral manner.

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 provided 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.

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 to improve our existing track record. Once these

regulations are approved and published we will launch a national outreach effort to help guide the American public on the new requirements and how to apply for funding.

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. Within weeks of my arrival at RUS, I met with most of our GFRs and State Directors, who are among our most effective resources in reaching rural Americans.

Rural Development has hundreds of experienced field professionals who work with the community every day in every way. Through the outstanding local outreach performed by our field staff in all 50 states, 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). Of the \$2.5 billion in budget authority we received in the Recovery Act for broadband, we will be able to deliver a total \$7 to \$9 billion in loans, grants and loan grant combinations to prospective applicants, thanks to our ability

to leverage our existing 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. 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 achieve the President's vision of universal access, ensure that every community has a fair opportunity to compete for available funding, and leverage taxpayers' dollars to the greatest extent possible.

To implement this coordinated program, in March the USDA and NTIA initially published a joint Request for Information in the Federal Register soliciting public comment on implementation of the ARRA broadband program. We held six public meetings to provide an opportunity for 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 that this is an economic stimulus package and 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 different 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 also promoted the effort through the USDA/Department of

Commerce joint ARRA broadband website (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 nation wide.

Workshop locations were: Prince Georges County, MD, Boston, MA, Charleston WV, Birmingham, AL, Memphis, TN, Billings, MT, St. Paul, MN, Albuquerque, NM, Los Angeles, CA, and Lonoke, AR. At each event, NTIA and RUS staff provided a general overview of BIP and BTOP program requirements and the application process. Break out sessions offered more detailed information on the BIP and BTOP application process, and included compliance and reporting requirements. In addition to the supplied Application Guides, attendees had the opportunity to meet our program staff and ask questions throughout the event.

The Application Process

The application window opened on July 14th and the electronic application system went live on July 31st. We acknowledge that the volume of applications and the compressed timeframe led to a number of application processing problems. To deal with these issues 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 provided the notice of extension to applicants by posting it on the BroadbandUSA.gov joint website as well as the respective agency websites. We also provided legal notice in the Federal Register and by actual notice to each applicant by e-mail. The help desk hours and staff were increased to provide service and 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 19th 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 evaluating applications and expect to issue awards in early November. The first NOFA made available up to \$2.4 billion in program level funding out of the anticipated \$7-9 billion in total anticipated BIP investment. Well over half of the total investment projected under the BIP program has been reserved for subsequent funding rounds.

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 until we have completed the evaluation of first round projects, but it is important to note that this is not a static process.

We welcome input from everyone on this Subcommittee as well as your constituents on how best to move forward and apply the lessons learned in Round One toward the work ahead of us in Round Two. To that end, RUS and NTIA plan to seek formal written comments on ways to better meet the requirements of the Recovery Act. Our next steps will be guided by the input we receive during this process and we will make the necessary changes based 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 opportunity. To date, we are on track to obligate the \$7.2 billion in ARRA broadband budget authority by September 30, 2010.

We are at a pivotal point in our nation's history, similar to where we were in the 1930's when our country was faced with an economic crisis that eventually led to a new wave of innovation and American ingenuity. Then as now, RUS is tasked with helping to improve the quality of life for all rural citizens by bringing universal access to advanced technology.

This October, we will be 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 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.