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3 HEARING ON OVERSIGHT OF THE AMERICAN RECOVERY AND

4 REINVESTMENT ACT: BROADBAND, PART 2

5 THURSDAY, SEPTEMBER 10, 2009

6 House of Representatives,

7 Subcommittee on Communications, Technology, and the Internet

8 Committee on Energy and Commerce

9 Washington, D.C.

10 The subcommittee met, pursuant to call, at 10:05 a.m.,  
11 in Room 2123 of the Rayburn House Office Building, Hon. Rick  
12 Boucher [Chairman of the Subcommittee] presiding.

13 Members present: Representatives Boucher, Eshoo,  
14 Stupak, Inslee, Butterfield, Matsui, Christensen, Space,  
15 McNerney, Welch, Waxman (ex officio), Stearns, Shimkus,  
16 Walden, Terry, Blackburn and Barton (ex officio).

17 Staff present: Roger Sherman, Chief Counsel,  
18 Communications, Technology, and the Internet; Pat Delgado,

19 Policy Director, Communications, Technology, and the  
20 Internet; Tim Powderly, Counsel; Amy Levine, Counsel; Shawn  
21 Chang, Counsel; Greg Guice, FCC Detailee; and Matt Weiner,  
22 Special Assistant.

|  
23           Mr. {Boucher.} Good morning to everyone. Today our  
24 subcommittee conducts a second oversight hearing regarding  
25 the \$7.2 billion provided by the Economic Recovery act for  
26 broadband programs. The Act requires that the programs be  
27 administered by the U.S. Department of Commerce through the  
28 NTIA and by the Department of Agriculture through the Rural  
29 Utilities Service.

30           It is our pleasure this morning to welcome the NTIA  
31 director, Assistant Secretary for Communications and  
32 Information, Larry Strickling, and the Rural Utilities  
33 Service Administrator, Jonathan Adelstein, both of whom are  
34 well known to members of this subcommittee. They will  
35 discuss the process they have undertaken for the first round  
36 of funding and the standards that their agencies have  
37 developed that will govern the funding awards.

38           The Recovery Act's broadband program presents an  
39 historic opportunity for increasing the availability of  
40 broadband and elevating the standing of the United States  
41 among the developed nations in the world in the percentage of  
42 the population that uses broadband. But the program will  
43 only be as effective as the standards that govern the grant  
44 awards and the loans as those standards enable it to be. I  
45 have some concerns which I will express this morning that the

46 standards that have governed the first round of funding need  
47 to be modified for the upcoming rounds, and I will encourage  
48 the agencies to consider modifying them accordingly.

49 My first concern regards access to grant funding for  
50 rural applicants. In many circumstances involving very small  
51 communities that lack broadband, only through grant funding  
52 as distinct from loan funding can broadband access be  
53 achieved. While in some situations loan funding can be  
54 sufficient, for communities with very small populations that  
55 are isolated by mountains, the cost of building broadband can  
56 be great, and with populations of as few as 100 homes, that  
57 cost cannot be recovered through the revenues to be realized  
58 from the broadband service itself. In those situations which  
59 are commonly found only through the award of grants can  
60 broadband infrastructure be built. In the RUS program, a  
61 grant of between 80 percent and 100 percent of project costs  
62 is only available to communities that are determined to be  
63 remote, and any community that is within 50 miles of a city  
64 of at least 20,000 in population is considered to be non-  
65 remote, disqualifying that community from receiving grants of  
66 more than 50 percent under the RUS program. Almost the  
67 entire eastern United States is disqualified from the 80  
68 percent to 100 percent grants by what I think is a very  
69 inappropriate standard, and in mountainous terrain, the

70 standard of being within 50 miles or something less than 50  
71 miles of a city of 20,000 is not a reasonable yardstick for  
72 determining need. In Virginia, in West Virginia and in other  
73 States in the Appalachian region, hundreds of communities in  
74 isolated mountain valleys may be within only a few miles of a  
75 city but because of the high cost of building the fiber  
76 optics or wireless links in those challenging topographies,  
77 and given the very small size of the population to be served,  
78 only through grants of 80 percent or more of a project cost  
79 can these communities receive broadband. The previously  
80 existing RUS Community Connect program is well suited to the  
81 need that I have described but that program is very small  
82 with only \$13 million having been available for grants on a  
83 nationwide basis in one recent year. I would urge that in  
84 round 2, the definition of ``remote'' be changed to qualify  
85 more truly isolated communities that may be close to a city.  
86 In the circumstances I have described, that proximity is  
87 functionally irrelevant.

88 My second concern is that for rural applicants to be  
89 considered for the NTIA program, which has more flexible  
90 rules for making grants of 80 percent to 100 percent, the  
91 application must first go to RUS and be rejected by RUS  
92 before NTIA can make an award to that applicant. As a  
93 practical matter, I wonder if by the time RUS has reviewed

94 and rejected an application as not qualified under RUS rules,  
95 if there is time remaining within that funding cycle for NTIA  
96 to review the application and consider it on an equal footing  
97 with applications that are initially directed to NTIA, and in  
98 the next funding round I hope that you will consider allowing  
99 applicants to designate the funding agency that will be  
100 primary for purposes of considering an applicant's  
101 application.

102 My third concern relates to the standards that are used  
103 to determine areas that are underserved. They appear to be  
104 highly restrictive. One of three standards would have to be  
105 satisfied for an area to be deemed underserved. The first of  
106 these is that no more than 50 percent of homes could have a  
107 broadband connection greater than 768 kilobits per second.  
108 That is a very slow data rate that many would not consider to  
109 be true broadband. A speed of at least 1.5 megabits per  
110 second might be more appropriate. A second standard that  
111 independently could qualify an application for underserved  
112 funding is that no provider advertises download speeds of at  
113 least 3 megabits per second in the area, but I would suggest  
114 that advertising is not a truly reliable measure of genuine  
115 broadband availability since advertised speeds frequently  
116 exceed the real data rate that subscribers receive. The  
117 third standard is that the rate for household subscribership

118 is 40 percent or less in areas that have broadband. The  
119 national take rate, I would note, is 55 percent, and we are  
120 told that few places where broadband is found have take rates  
121 of 40 percent or less, and so I am concerned that these  
122 standards will result in many communities finding that the  
123 program is less helpful to them than we intended for it to  
124 be.

125 My final concern is that apparently the States have been  
126 handed NTIA's entire basket of applications for initial  
127 review. We intended for NTIA to have final decision making  
128 over its applications, and I am looking for assurance that  
129 NTIA in fact will have that final decision making. We have  
130 recently heard, in our case, from the State of Virginia, that  
131 they were somewhat surprised to have received the entire  
132 group of applications directed to NTIA from Virginians and  
133 had anticipated only receiving a selected group of  
134 applications that had been prescreened through NTIA, and  
135 frankly, the State doesn't feel prepared to undertake that  
136 challenge and so I would appreciate your response as to why  
137 that happened and also some suggestion that we are looking  
138 for that you are going to retain final decision making with  
139 regard to these.

140 I have exceeded my time rather substantially and the  
141 Chair intends to be very generous with other members who want

142 to express their concerns or make their comments with regard  
143 to these matters.

144 [The prepared statement of Mr. Boucher follows:]

145 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
146           Mr. {Boucher.} The gentleman from Florida, the ranking  
147 Republican on our subcommittee, Mr. Stearns, is recognized  
148 for his opening statement.

149           Mr. {Stearns.} Good morning, and thank you, Mr.  
150 Chairman, and thank you for holding this hearing, and let me  
151 first of all congratulate Secretary Strickling on his  
152 confirmation as Commerce Assistant Secretary for  
153 Communications and Information. I believe this is your first  
154 opportunity to testify, so welcome. I also want to welcome  
155 Administrator Adelstein, who has testified before this  
156 committee before, in fact a number of times in different  
157 roles, so you are to be commended for being adaptable. From  
158 broadband deployment to spectrum policy, both of you  
159 certainly will have your hands full, and I appreciate your  
160 public service here.

161           These issues are of tremendous importance to the  
162 telecommunications sector, and in fact, when you talk about  
163 that sector, you are talking about the entire economy. The  
164 American Recovery and Reinvestment Act of 2009 provides a  
165 total of \$7.2 billion for broadband, \$2.5 billion of which  
166 will go to the Rural Utilities Service and the remaining \$4.7  
167 billion will go to the National Telecommunications and  
168 Information Administration. In addition, the Federal

169 Communications Commission will consult with the NTIA and RUS  
170 and develop a national broadband strategy. Making sure these  
171 programs are administered fairly, efficiently and  
172 transparently is one of their top priorities and my top  
173 priority also. All of us agree that broadband has the  
174 opportunity to transform everyday lives from how we work, how  
175 we receive medical information, telemedicine in the future  
176 and how we are entertained. What is needed, my colleagues,  
177 is a long-term investment in broadband infrastructure that is  
178 based upon free market principles and not just a government-  
179 run and operated system. We have a remarkable opportunity to  
180 start another technological revolution, and I hope we don't  
181 squander this opportunity.

182         So I applaud the folks on this type of transformational  
183 infrastructure. This can be only transformational if done  
184 right and provides enormous long-term economic benefit.  
185 Unfortunately, the haste, I believe, with which the stimulus  
186 package was drafted and enacted and the very short time frame  
187 it gives the NTIA and RUS to implement the program creates  
188 sort of a risk in my mind that taxpayers' dollars will not be  
189 used effectively. Dispensing this sort of money, this amount  
190 of money entrusted to the NTIA and the RUS in a manner that  
191 is fair and efficient, that will be a significant challenge  
192 to both of you gentlemen. We are going to have to commit

193 ourselves to vigorous oversight and so, Mr. Chairman, I  
194 recommend at a later time we do have further hearings to look  
195 into oversight, how much of this huge billions and billions  
196 of dollars that are going to be going out in a short amount  
197 of time, how it is being used to ensure that the NTIA and the  
198 RUS would prioritize grants and States that have completed  
199 broadband maps so that we know that the grants are well  
200 targeted. This can also help to ensure that requests are  
201 made and provide a valuable incentive to complete maps in the  
202 remaining States as thoroughly and quickly as possible. In  
203 fact, I believe that no money should be spent until mapping  
204 is complete and the FCC broadband plan is finished, which I  
205 think will be early next year. This national broadband plan  
206 will set forth goals and policies on how to best improve  
207 broadband access, so it just makes sense that we should know  
208 where to spend the money before it is actually spent, and why  
209 not have these studies complete first.

210 In addition, the NTIA and the RUS should prioritize  
211 grants in unserved areas before underserved areas. We should  
212 ensure that everyone gets firsts before others are allowed to  
213 seconds and thirds. Allocating funds to underserved areas  
214 first could distort the marketplace because companies will be  
215 forced to compete with government-subsidized competitors.  
216 This will also spread the subscriber base thin in what is

217 already a difficult market to serve, providing each company  
218 with even less revenue to upgrade their facilities.

219         And finally, the funds should be targeted to projects  
220 that demonstrate they can exist without government continued  
221 subsidizing into the future so that in 3 to 4 years we do not  
222 need to have them come back and say we need a bailout because  
223 we cannot meet our continued development. The NTIA and the  
224 RUS should not be in the business of funding projects that  
225 will impose new and expansive demands on the Universal  
226 Service Fund tomorrow. How they recognize these projects  
227 will be a difficult task.

228         I am also concerned about the use of the stimulus  
229 funding process to expand on the FCC broadband policy  
230 statement obligations. I have been a skeptic of net  
231 neutrality, and these obligations strike me as another  
232 unjustified step down the slippery slope towards regulation  
233 of the Internet. I doubt that these non-discrimination rules  
234 will benefit consumers, expand broadband adoption or drive  
235 network availability in areas that simply lack broadband  
236 access. I fail to see how the imposition of these  
237 obligations dovetail with the rationale for the stimulus  
238 package in the first place, the near-term creation of jobs.  
239 If done right, we have a tremendous opportunity to boost our  
240 economy and transform the way we live but if we throw money

241 indiscriminately at the problem only to say we are doing  
242 something, I don't think we will accomplish our long-term  
243 economic goals and also will not provide broadband investment  
244 the best means of deployment.

245         So we cannot let this opportunity pass. I welcome this  
246 hearing, and Mr. Chairman, I look forward to further  
247 discussions and talking to our witnesses. Thank you.

248         [The prepared statement of Mr. Stearns follows:]

249 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
250           Mr. {Boucher.} Thank you very much, Mr. Stearns, and  
251 let me assure you that we will be having further hearings on  
252 the broadband stimulus program.

253           The gentleman from Michigan, Mr. Stupak, is recognized  
254 for 2 minutes.

255           Mr. {Stupak.} Thank you, Mr. Chairman, and thank you  
256 for holding this second oversight hearing on the American  
257 Recovery and Reinvestment Act. Welcome, Mr. Strickling and  
258 Mr. Adelstein, to our committee. I look forward to your  
259 testimony today.

260           I also wish to thank John Morabito with the NTIA along  
261 with John Claffee and Jessica Sufilo with the RUS for  
262 speaking at our rural caucus staff briefing on the stimulus  
263 package that we hosted in July. It was great help to us all  
264 of us and to our staffs.

265           Broadband access is of high interest for rural  
266 communities that wish to be part of today's 21st century  
267 economy. This interest was demonstrated in real numbers when  
268 2,200 entities filed applications to link 28 billion in  
269 requests with the Departments of Commerce and Agriculture for  
270 broadband grants and loans this August. A quick search on  
271 Broadband USA shows northern Michigan alone accounts for 54  
272 of these applicants, totaling more than \$100 million in

273 requests in middle mile, last mile and remote projects. Of  
274 course, these numbers far exceed the actual amount Congress  
275 appropriated towards expanding broadband access but we all  
276 knew that the demand would outpace the funding. The  
277 Broadband Technology Opportunities Program and the Broadband  
278 Initiative Program represent opportunities for the federal  
279 government to demonstrate that the American Recovery and  
280 Reinvestment Act can permanently improve the quality of life  
281 for rural communities.

282         Now, that is not to say that the funding distributed so  
283 far has not been a necessary investment in our rural  
284 infrastructure, but at the end of the day, it is access to  
285 broadband that will make rural America's economy competitive  
286 for years to come. That leaves an enormous challenge for our  
287 witnesses and the agencies they represent. There is a lot of  
288 questions on how the applications will be handled and what  
289 mechanisms will be put in place to ensure the public money is  
290 distributed fairly. I look forward to hearing from our  
291 witnesses today.

292         Thank you, Mr. Chairman, for holding this hearing. I  
293 yield back the last 7 seconds.

294         [The prepared statement of Mr. Stupak follows:]

295 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
296 Mr. {Boucher.} Thank you very much, Mr. Stupak.

297 The gentleman from Illinois, Mr. Shimkus, is recognized  
298 for 2 minutes.

299 Mr. {Shimkus.} Thank you, Mr. Chairman. How generous  
300 of Mr. Stupak with those 7 seconds. I will try to be as  
301 courageous and bold.

302 I want to thank you for the hearing and also for Ranking  
303 Member Stearns. You know, we are spending and plan to spend  
304 a huge chunk of taxpayers' dollars and actually increase  
305 indebtedness for this program, and this oversight hearing and  
306 the next oversight hearings that the chairman has promised  
307 are very, very important in this process. As an opponent of  
308 the stimulus bill, I am receptive to being proved wrong in  
309 certain areas. During the district work period, I went to  
310 Carlyle Lake, a Corps of Engineer lake, and really 50 percent  
311 of their backlog of unmet needs are being filled by some  
312 stimulus dollars. So where I still would have voted no, I am  
313 willing to say there are some positive things that might be  
314 going on and highlight that.

315 So that is the importance of the oversight, to really  
316 make sure that taxpayers' indebtedness, there is a good  
317 return on that, and that is the importance of the job that  
318 you all are doing. When we had our first oversight hearing,

319 we had the California Public Utilities commissioner here, and  
320 the question I posed, which I think is already kind of  
321 precedent based upon some of the comments have been made is,  
322 she testified that they would have spent money poorly had  
323 they not had done broadband mapping first, and so I would  
324 like to encourage that. I would not go as far as the ranking  
325 member of this committee saying no money should be doled out  
326 before that but I do think that those areas that have done  
327 broadband mapping and have already invested should also be  
328 taken into consideration when we look at where this money  
329 should go. Connect Southern Illinois has been trying to do  
330 that in southern Illinois. That is modeled after the  
331 Kentucky program. We have had numerous hearings on that. I  
332 would hope that that would be taken into consideration. And  
333 Commissioner Adelstein, we talked prior to the hearing about  
334 911 and PSAPs. That is my part of my opening comment. The  
335 public safety aspect of this is really critical as we look at  
336 the importance of the broadband delivery system to emergency  
337 services communications. And, you know, in rural parts of  
338 the country, they just are not at the point of major  
339 metropolitan areas.

340         And so I did not live up to Bart Stupak's time  
341 commitment. I apologize, and I yield back my time, Mr.  
342 Chairman. Thank you.

343 [The prepared statement of Mr. Shimkus follows:]

344 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
345 Mr. {Boucher.} Thank you very much, Mr. Shimkus.

346 The gentlelady from California, Ms. Matsui, is  
347 recognized for 2 minutes.

348 Ms. {Matsui.} Thank you, Mr. Chairman, and thank you  
349 very much for your leadership on this very important issue  
350 and for calling the second hearing. I would also like to  
351 thank Mr. Strickling and Mr. Adelstein for being with us here  
352 today and I look forward to your testimonies.

353 We are here today to examine the efforts of NTIA and RUS  
354 in carrying out the broadband programs established by the  
355 Recovery Act. The broadband package included a \$7.2 billion  
356 investment in our Nation's broadband system. This investment  
357 will help expand broadband access to more and more Americans  
358 across the Nation. I am particularly interested to hear how  
359 the broadband program is helping households, schools,  
360 libraries, health facilities, among others, in urban  
361 underserved communities to achieve greater access to  
362 broadband services. In the current economic climate, more  
363 and more hardworking families need access to the Internet to  
364 find a new job, manage their finances during this difficult  
365 period, obtain news alerts, apply to college. The broadband  
366 stimulus package will help build out the infrastructure to  
367 many more communities throughout this Nation. Moving

368 forward, I believe it is critically important that we address  
369 affordability of Internet access for all. In doing so, it  
370 would truly help close the digital divide for millions of  
371 Americans, and that is why I will soon be introducing  
372 legislation that will expand the Universal Service Fund's  
373 Lifeline Assistance program for universal broadband adoption.  
374 The legislation will help more lower income Americans living  
375 in urban and rural areas with assistance in subscribing to  
376 affordable broadband services.

377 I thank you, Mr. Chairman, for holding this very  
378 important hearing today and I yield back the balance of my  
379 time.

380 [The prepared statement of Ms. Matsui follows:]

381 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
382 Mr. {Boucher.} Thank you, Ms. Matsui.

383 The gentleman from Nebraska, Mr. Terry, is recognized  
384 for 2 minutes.

385 Mr. {Terry.} Thank you, Mr. Chairman. Gentlemen, thank  
386 you for being here today.

387 I am concerned that the goal of improving the broadband  
388 access to those Americans without it today was not fulfilled  
389 in this first round of stimulus problems funding. During the  
390 passage of the stimulus bill, the minority was assured that  
391 telecommunications carriers serving rural America would have  
392 access to stimulus dollars to deploy networks to their  
393 unserved customers throughout the RUS. Somewhere between  
394 passage and the RUS and the NTIA releasing the rules for the  
395 first round of most of rural unserved America was left out.  
396 What we have today are rules that prohibit an applicant from  
397 receiving anything higher than 50 percent grant to serve a  
398 remote area. By definition, a remote area is a 50-mile  
399 radius from a population center of 20,000 or more. I am not  
400 sure if it was the intent to exclude most of rural America  
401 but that is exactly what happened. In Nebraska, you may have  
402 to drive a couple hundred miles to find a town that big. As  
403 a result of the ``remote'' definition coupled with the  
404 burdensome regulation on the network, the three largest

405 carriers in Nebraska decided not to apply for stimulus  
406 broadband money. If the carriers that were shovel-ready are  
407 not willing to apply, then I am concerned that the NTIA and  
408 RUS may award money to applicants who do not have the  
409 expertise or business to sustain networks in rural high-cost  
410 America.

411 I want to associate myself with the chairman's remarks,  
412 particularly about the speed, and hope to learn in today's  
413 hearing more about how the applications will meet America's  
414 remote areas and rural needs.

415 [The prepared statement of Mr. Terry follows:]

416 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
417 Mr. {Boucher.} Thank you very much, Mr. Terry.

418 The chairman of the full Energy and Commerce Committee,  
419 the gentleman from California, Mr. Waxman, is recognized for  
420 5 minutes.

421 The {Chairman.} Thank you, Chairman Boucher, for  
422 holding this timely hearing. I want to welcome Assistant  
423 Secretary Strickling, who is appearing before our committee  
424 for the first time as the administrator of the National  
425 Telecommunications and Information Administration, NTIA, as  
426 well as Jonathan Adelstein, who left the Federal  
427 Communications Commission after 7 years of service as a  
428 commissioner to lead the Rural Utilities Service. I welcome  
429 you both. I also want to congratulate both of you on your  
430 recent confirmations and we look forward to working with you.

431 As you are well aware, the overriding purpose of the  
432 American Recovery and Reinvestment Act of 2009 was to  
433 stimulate the economy by creating and preserving jobs. NTIA  
434 and RUS deserve high praise for issuing the initial  
435 application guidelines in a timely fashion while  
436 incorporating enhanced transparency and accountability  
437 measures, and I am pleased that the Notice of Fund  
438 Availability broadly reflects the objectives of the Recovery  
439 Act in stimulating the economy, creating and saving jobs and

440 extending broadband to hard-to-reach and underserved  
441 communities. You and your staffs have worked around the  
442 clock to get the program up and running so that Recovery Act  
443 funds might have an immediate impact, and thank you for your  
444 ongoing efforts.

445         There are many skeptics who said you could not get it  
446 done and there were those who said that Congress placed so  
447 many conditions on these funds, there would be too few  
448 applicants to make this effort worthwhile. Contrary to these  
449 fears, the response to the NOFA has been overwhelming. It is  
450 clear that the public interest obligations that attach to  
451 this public money have not deterred interest or innovation,  
452 and it is clear that with 2,200 applications seeking over \$28  
453 billion in funds, there is a keen interest across the  
454 telecommunications and technology sector in providing all of  
455 our citizens with access to advanced broadband networks. I  
456 am confident that broadband stimulus funds will lead to new  
457 and innovative offerings that benefit our Nation.

458         While we understand that your work is just beginning,  
459 now that you have established the framework for releasing  
460 these funds, you must make certain they are released wisely,  
461 transparently and efficiently. I think most members of this  
462 committee and the American public recognize that this overall  
463 program is an unprecedented endeavor in scope and speed. We

464 understand that you will want to refine certain details to  
465 improve performance and maximize the benefits of the public's  
466 investment in these efforts, and I know you will be  
467 interested in receiving constructive suggestions from both  
468 sides of the aisle.

469 I look to hearing your testimony and I thank you for  
470 being here today and I thank the chairman for convening the  
471 hearing.

472 [The prepared statement of Mr. Waxman follows:]

473 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
474 Mr. {Boucher.} Thank you very much, Chairman Waxman.

475 The gentlelady from Tennessee, Ms. Blackburn, is  
476 recognized for 2 minutes.

477 Mrs. {Blackburn.} Thank you, Mr. Chairman. I want to  
478 welcome both of you. Mr. Adelstein, it is going to be a  
479 pleasure to continue our ongoing conversation about broadband  
480 and intellectual property. Mr. Strickling, congratulations.  
481 I have enjoyed my visit with you and look forward to more. I  
482 think all of you know that I am very concerned about  
483 broadband and the effect that that has on my constituents in  
484 Tennessee's 7th Congressional District and I am also going to  
485 look forward to hearing from you all not only about how we go  
486 about with that broadband deployment and the program that is  
487 before us and the oversight we need to do on this, addressing  
488 the applications, addressing spectrum relocation, how to best  
489 achieve our shared goal of universal access, and the  
490 development of a broadband map, the use of those maps. There  
491 are all topics that you have heard from others.

492 This morning I do want to touch on one thing I don't  
493 think anyone has touched on, and that is non-discrimination  
494 in Internet content, and I support the policy goal of  
495 ensuring that all Americans do have access to broadband.  
496 Universal broadband access can greatly increase economic

497 opportunity for all Americans. Indeed, many times we have  
498 talked about the need for this in the rural part of my  
499 district. They look at economic jobs recruitment and  
500 retention. So it is important not only to me but to all of  
501 us. The Internet, though, should not--it is not and should  
502 not be neutral with respect to unlawful content. I fear that  
503 misguided non-discrimination regulations that fail to  
504 distinguish between legal and illegal content would undermine  
505 broadband adoption.

506         So I know I am out of time but I do want to highlight  
507 that with you all. I am also going to want to look at how  
508 you spend the \$7 billion in the broadband stimulus funds,  
509 where that is going to go, how those are going to be vetted,  
510 how we are going to go about vetting those applications. I  
511 have got a couple of concerns that I want to highlight on  
512 that.

513         Thank you, Mr. Chairman. I look forward to the  
514 discussion.

515         [The prepared statement of Mrs. Blackburn follows:]

516 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
517 Mr. {Boucher.} Thank you very much, Ms. Blackburn.

518 The gentleman from Ohio, Mr. Space, is recognized for 2  
519 minutes.

520 Mr. {Space.} Thank you, Chairman Boucher and Ranking  
521 Member Stearns and to our witnesses today. Assistant  
522 Secretary Strickling and Mr. Adelstein, thank you for taking  
523 the time out of your busy schedules to be here and I would  
524 like to congratulate you both on your recent appointments.

525 The task Congress presented to NTIA and RUS at the  
526 beginning of the year was daunting. I commend both of your  
527 teams for taking on the challenges of the statute and  
528 implementing a number of innovative approaches. Streamlining  
529 the application process to eliminate duplicity and promote  
530 efficiency in time and resources seems to have warranted  
531 praise from many sectors, and the efforts you have taken in  
532 holding public forums and workshops are to be commended as  
533 well. Furthermore, I hope that your commitment to  
534 transparency remains as we move ahead.

535 I do believe that following the completion of the first  
536 round of funding, there is some room for improvement.  
537 Fortunately, the process is structured to allow for such  
538 changes to be made before progressing with the second round  
539 of funding. Specifically, I am concerned that the RUS's

540 definition of ``remote'' may exclude regions of the country  
541 very worthy of seeing those Recovery Act dollars. The State  
542 of Ohio in particular remains essentially ineligible for  
543 these funds, and I think some of my constituents in  
544 Appalachia would argue that they live in truly remote areas.  
545 I do look to forward to working with you both as part of this  
546 ongoing process, and of course, I share your support for  
547 providing broadband access and the seemingly infinite  
548 benefits that such access affords to all Americans.

549 Thank you, and I yield back my time.

550 [The prepared statement of Mr. Space follows:]

551 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
552 Mr. {Boucher.} Thank you very much, Mr. Space.

553 The gentlelady from the Virgin Islands, Ms. Christensen,  
554 is recognized for 2 minutes.

555 Mrs. {Christensen.} Thank you, Mr. Chairman, and thank  
556 you for holding this hearing. You know, when it came to  
557 deciding my second subcommittee, I was torn, but your  
558 leadership, Mr. Chairman, and the importance of the work of  
559 this subcommittee to, as the President said last night, not  
560 just dealing with crisis but to building a future, has  
561 reaffirmed that I made a good choice, the right choice.

562 I also want to welcome Assistant Secretary Strickling  
563 and Administrator Adelstein this morning. I am not going to  
564 use my opening remarks to lay out concerns. I will get to  
565 some of those in the questioning period, but I share some of  
566 them that have already been expressed. Today I just want to  
567 commend both agencies for the way you have worked together  
568 and have reached across the country and for your commitment  
569 to simplifying the process, to bringing broadband to every  
570 person in this country and to using the federal dollars that  
571 have been entrusted to you efficiently, effectively and  
572 responsible.

573 The U.S. Virgin Islands and I have had a long  
574 relationship with RUS and so I know of your long experience

575 in carrying out technology across the country, and we  
576 appreciate not only that you don't forget us but that you  
577 always include the territories, and we applaud your ability  
578 to have leverage of \$2.5 billion to over \$7 billion. NTIA,  
579 when you were here before, you convinced me that you were not  
580 only aware of the territories but embraced the fact that your  
581 responsibility extended to us, and being a representative  
582 both in my district and as a racial minority of those who are  
583 referred to in your testimony and your priorities as our most  
584 vulnerable populations, I applaud the goal to close the  
585 broadband gap and bring maximum broadband benefits to  
586 communities that are often left out and left behind.

587         Speaking on behalf of my own and other providers, we  
588 also appreciate that stimulating broadband demand is also one  
589 of the priorities, so I look forward to the discussion after  
590 your presentations. I know the devil is in the details, but  
591 thank you once again for your aggressive approach to building  
592 for our future.

593         [The prepared statement of Mrs. Christensen follows:]

594 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
595           Mr. {Boucher.} Thank you very much, Ms. Christensen.

596           The gentleman from California, Mr. McNerney, is  
597 recognized for 2 minutes.

598           Mr. {McNerney.} Thank you, Mr. Chairman. I do want to  
599 thank you for your leadership on this issue, and especially  
600 holding this hearing this morning. I want to thank Mr.  
601 Strickling and Mr. Adelstein for your work in developing the  
602 definitions and putting together a framework for releasing  
603 the funds. I understand that a large number of applications  
604 have been received, far larger than what was predicted, and  
605 so it is critically important that we distribute those monies  
606 in a way that creates jobs and improves broadband service  
607 throughout the country.

608           So with that in mind, I look forward to working with you  
609 all to make sure that we meet those goals, and with that, I  
610 just yield back the balance of my time.

611           The prepared statement of Mr. McNerney follows:]

612 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
613 Mr. {Boucher.} Thank you, Mr. McNerney.

614 The gentlelady from California, Ms. Eshoo, is recognized  
615 for 2 minutes.

616 Ms. {Eshoo.} Thank you, Mr. Chairman. It is great to  
617 be back, and I want to welcome the two outstanding people  
618 that are here today, Assistant Secretary Strickling and, of  
619 course, the new administrator, Jonathan Adelstein. It is  
620 wonderful to see you in your new position, and I congratulate  
621 you.

622 I am really pleased that we have this opportunity to  
623 talk not only about your roles in the broadband stimulus  
624 program, because we are really depending on you on both, NTIA  
625 and the RUS, to ensure that the recovery funds really spur  
626 growth and speed economic recovery in our country. It is why  
627 the language and the dollars were placed in that very large  
628 package, and I think one of the most important parts of it.  
629 So I know that you are going to work hard to meet these  
630 priorities.

631 Assistant Secretary Strickland--Strickling. We had a  
632 Strickland on our committee so I am sorry for the slip of  
633 tongue. You have taken over NTIA at a time when it is really  
634 shifting gears and readjusting its priorities. You have gone  
635 from handing out DTV coupons to reviewing broadband

636 applications in the space of a few weeks, so that is a big  
637 shift, and we want to see you prosper in this. In May of  
638 this year, Representative Markey and I wrote to Secretary  
639 Lock and Secretary Vilsack to urge the prioritization of  
640 broadband projects under the Recovery Act based on advanced  
641 capabilities and speeds. Improved access to distance  
642 learning, telemedicine, economic growth and job creation are  
643 dependent upon network construction that delivers capacity  
644 for high-bandwidth applications. We don't want to start out  
645 moving like a turtle. When this is implemented, we want it  
646 at the highest speeds possible. That is really how we are  
647 going to define success, in my view, anyway. The recovery  
648 funds should go toward this goal as well as projects aimed at  
649 unserved areas.

650 I know that the first round of applications brought  
651 forward some complaints from software breakdowns to onerous  
652 application questions that might reveal proprietary  
653 information. There are concerns that the program doesn't  
654 encourage higher speeds in underserved markets or spur anchor  
655 institutions but focuses instead on lower speeds in rural  
656 regions. Rural regions should not be subjected to lower  
657 speeds, period. This is the United States of America. I  
658 think we should have the highest standards and the highest  
659 speeds across the entire country. Just because they are

660 rural should not equate to low speeds. Thankfully, we are  
661 only in the first round of the process and the funds remain  
662 available to achieve all of Congress's priorities and goals.  
663 I hope you have a plan to encourage projects that utilize the  
664 most advanced highest bandwidth. I also hope you have a plan  
665 for addressing concerns about the application process and  
666 improving it during the next round.

667         So again, thank you for taking on the jobs that you  
668 have. I am sure that we are going to be working closely with  
669 one another and tracking this because it really is so  
670 important for the future of our country. So congratulations  
671 again and I look forward to not only working with you but  
672 also questioning you as well. Thank you, Mr. Chairman.

673         [The prepared statement of Ms. Eshoo follows:]

674 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
675 Mr. {Boucher.} Thank you very much, Ms. Eshoo.

676 The gentleman from North Carolina, Mr. Butterfield, is  
677 recognized for 2 minutes.

678 Mr. {Butterfield.} Thank you, Mr. Chairman.

679 Mr. Chairman, thank you for holding the second part of  
680 this very important hearing. This is an opportunity to hear  
681 testimony from Mr. Strickling as well as Administrator  
682 Adelstein. I want to sincerely congratulate both of you for  
683 your respective appointments and I certainly look forward to  
684 working with you to better serve the people of my state,  
685 which is the state of North Carolina, the 1st Congressional  
686 District. My district is a rural district. In fact, we have  
687 the fourth poorest district among the Congressional districts  
688 in the country.

689 As you know, \$3.8 billion was made available through the  
690 first of two Notices of Funds Availability for broadband  
691 deployment across the United States, and these are critically  
692 important funds needed to help ensure that our struggling  
693 communities are able to join the global economy. America's  
694 unserved and underserved communities are decades behind our  
695 technologically advanced areas of the country. I know  
696 because I represent many of these communities. Access to  
697 broadband is something many of us take for granted yet it is

698 still out of reach for nearly half of all U.S. households.  
699 We have a responsibility to make certain that funding for  
700 broadband deployment be distributed to those communities with  
701 the greatest need. It is vitally important that these funds  
702 be distributed quickly and efficiently so that access to  
703 broadband technology will be realized throughout the country.  
704 Last January, during the full committee markup, I strongly  
705 advocated for Congress, not NTIA, to have the discretion to  
706 define unserved and underserved. While NTIA's definitions do  
707 identify a number of needed communities, many deserving  
708 communities are still being left behind.

709         While broadband access may be available to just over 40  
710 percent of households, it is certainly not affordable for  
711 low-income populations, and this is the situation in my  
712 hometown of Wilson, North Carolina. Since 2008, through a  
713 public effort, my city has spent \$30 million in an effort to  
714 provide broadband service to every household. The city has  
715 been proactive in deploying broadband to households and aims  
716 to provide broadband services at reduced cost to every home  
717 within the city. While this city of Wilson is partially  
718 served by high-priced broadband service providers, the city's  
719 service called Green Light provides a fiber to home  
720 alternative. Unfortunately, without additional assistance,  
721 the city will be unable to continue to deploy affordable

722 broadband access to low-income sections of the city.

723 Mr. Chairman, I see that my time is expired. I ask

724 unanimous consent that the entire statement be included in

725 the record.

726 [The prepared statement of Mr. Butterfield follows:]

727 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
728           Mr. {Boucher.} Without objection, and the Chair thanks  
729 the gentleman for his comments, and we welcome now our  
730 witnesses for this morning, and I want to add my voice to  
731 those of the subcommittee--oh, I am sorry. I did not see Mr.  
732 Barton arrive, so my welcome to you will have to be  
733 postponed. At this time I am pleased to recognize the  
734 ranking member of the full Energy and Commerce Committee, the  
735 gentleman from Texas, Mr. Barton.

736           Mr. {Barton.} Mr. Chairman, normally I wouldn't  
737 interrupt but my staff's feelings are going to be hurt if I  
738 don't read at least some of their excellent opening  
739 statement.

740           Let me thank you, Mr. Chairman, for calling this  
741 hearing. Let me welcome Assistant Commerce Secretary  
742 Strickling and congratulate him on his recent appointment,  
743 and to our other witness, you have a new job now. I am used  
744 to seeing you as the FCC commissioner and now you have moved  
745 over, so we are glad that you are here.

746           I am glad we got the DTV transition behind us, Mr.  
747 Chairman. You know, all of those worries of Armageddon  
748 turned out not to be true. The biggest problem was that I  
749 never got around to asking for a coupon so I still have  
750 television sets that are inoperable, and it is the Congress's

751 fault, you know. But I am going to take it up with my  
752 Congressman at the appropriate time with the appropriate  
753 letter of strong condemnation.

754 Let us simply say that in terms of broadband  
755 implementation, my staff indicates that over 2,000 requests  
756 have been received for \$28 billion. That is four times the  
757 amount of money that the Congress has allotted, so let me  
758 tell you two gentlemen, as long as you fund the applications  
759 in my Congressional district, we won't have a lot of  
760 problems, and I guess Mr. Boucher and Mr. Shimkus and Mr.  
761 Terry, I am looking on the other side, my friends over there,  
762 you know, fund the ones that are here in attendance when the  
763 gavel sounds and we will be okay.

764 We do think that projects should be prioritized where  
765 the mapping is already complete. There is nothing in the  
766 statute that would prevent you from taking that. My  
767 understanding is that maps have been completed in at least 10  
768 States and there are 10 other States where they almost  
769 completed. This is an opinion and not necessarily a fact,  
770 but I believe that there should be some prioritization for  
771 areas that are totally unserved as opposed to underserved  
772 because underserved is in the eyes of the beholder but  
773 unserved is unserved and there is no--you know, that is an  
774 either/or digital decision. They either have service or they

775 don't.

776 I guess with that, Mr. Chairman, I will yield back and  
777 submit my formal statement for the record, but again, I  
778 welcome our two witnesses and we look forward to hearing your  
779 testimony. Thank you, Mr. Chairman.

780 [The prepared statement of Mr. Barton follows:]

781 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
782 Mr. {Boucher.} Thank you very much, Mr. Barton.

783 And now I am pleased to welcome our two witnesses and  
784 congratulate both of them upon their appointments to head  
785 their respective agencies. This subcommittee is very  
786 familiar with both of these gentlemen, who have appeared  
787 before us previously. Mr. Strickling was at one time head of  
788 the common carrier bureau at the FCC, and Mr. Adelstein for a  
789 number of years served as a commissioner at the FCC, and I  
790 would say that both of these agencies are certainly fortunate  
791 to have your services as is the United States government.

792 Mr. Strickling is now the assistant secretary for  
793 communications and information of NTIA. Mr. Adelstein is the  
794 administrator for the Rural Utilities Service at the U.S.  
795 Department of Agriculture, and I want to commend both of you  
796 for the way in which you have coordinated your work as the  
797 standards for making grants and loans under the broadband  
798 program have been developed. I think it is commendable that  
799 you have worked together this well and that you have a  
800 seamless program for all intents and purposes. I think that  
801 serves our purposes in terms of making sure the program is  
802 effective and I commend you for that coordination that you  
803 have undertaken.

804 Without objection, your prepared written statements will

805 be made a part of the record and we would welcome your oral  
806 presentation of approximately 5 minutes. Mr. Strickling, we  
807 will be pleased to begin with you.

|  
808 ^STATEMENTS OF LAWRENCE E. STRICKLING, ASSISTANT SECRETARY  
809 FOR COMMUNICATIONS AND INFORMATION, NATIONAL  
810 TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION; AND  
811 JONATHAN S. ADELSTEIN, ADMINISTRATOR, RURAL UTILITIES SERVICE

|  
812 ^STATEMENT OF LAWRENCE E. STRICKLING

813 } Mr. {Strickling.} Thank you very much, Chairman Boucher  
814 and Ranking Members Stearns and Barton. I want to thank all  
815 of you for the invitation to testify today on behalf of the  
816 NTIA on the implementation of the Broadband Technology  
817 Opportunities Program and the development of the national  
818 broadband map as set forth in the Recovery Act. I welcome  
819 this opportunity to come before you early in my tenure as  
820 assistant secretary to begin this dialog in collaboration on  
821 our shared priorities of fostering innovation and growth in  
822 the communications and information sectors and ensuring that  
823 all of our citizens are able to participate in today's  
824 Information Age. I am also very pleased to appear here today  
825 with Jonathan Adelstein, who oversees the Broadband  
826 Initiatives Program at the U.S. Department of Agriculture.  
827 Our two agencies, as has been noted, have worked hand in hand  
828 the last several months to implement the broadband provisions

829 of the Recovery Act, and the result has been a highly  
830 coordinated and well thought out approach that takes  
831 advantage of the individual expertise of the two agencies.

832         The message we bring to you today is that we have put  
833 our programs in place. We have receiving an overwhelming  
834 response to our initial round of funding and we look forward  
835 to the challenge of awarding grants later this fall to a  
836 diverse set of grant recipients. I want to assure you that  
837 these funds will be well spent. We expect to leverage these  
838 programs into significant and lasting improvements in  
839 America's technological innovation and economic health, which  
840 will allow us to take a significant step forward to achieve  
841 President Obama's vision of bringing the benefits of  
842 broadband to all Americans.

843         Today we are in the thick of reviewing the initial  
844 applications we received in late August. Between our two  
845 agencies, we received over 2,200 applications requesting  
846 nearly \$28 billion in funding, which was seven times the  
847 funding available in the first round. When we include the  
848 over \$10 billion in matching funds that our applicants have  
849 committed, these applications represent more than \$38 billion  
850 in proposed broadband projects. At least one application was  
851 filed for each State, each territory and the District of  
852 Columbia. The applicant pool is diverse and include States,

853 tribal nations, local governments, nonprofit organizations,  
854 telephone, cable and wireless companies and anchor  
855 institutions such as schools, libraries and hospitals. I am  
856 very encouraged by this extremely high interest level shown  
857 by the applicants in our first round and I urge all of you to  
858 take a look at our website, [BroadbandUSA.gov](http://BroadbandUSA.gov), which is now up  
859 and running with a searchable database containing  
860 descriptions of all the applications we have received. Soon  
861 we will be posting the maps of the geographical areas of  
862 coverage proposed by our first round applicants.

863 In our evaluation of these applications, first at least  
864 three expert reviewers will grade each application against  
865 established criteria including the proposed project's  
866 purpose, benefits, viability and sustainability. These  
867 reviewers have been selected based on their expertise and  
868 background and we are carefully screening them for any actual  
869 or apparent conflicts of interest. The reviewer's scores for  
870 each application will be averaged and those applications  
871 considered the most highly qualified will advance for further  
872 consideration. Mr. Chairman, you made a comment raising a  
873 concern about the sequencing of our review, and I want to  
874 assure you that we are going to be looking at all of the  
875 applications that we have received and will not be waiting to  
876 review the joint applications submitted to both of our

877 agencies until the Department of Agriculture has completed  
878 its review, so everything will be looked at in sequence  
879 without any delay.

880         Each State and territory will be given the opportunity  
881 to prioritize and comment on the applications relevant to its  
882 jurisdiction. Again to clear up any misconception, the  
883 States are not reviewing the applications in lieu of the  
884 reviews that we are conducting, and as always we retain the  
885 decision as to which grants will be awarded. However, the  
886 Act does recognize that State and territorial officials have  
887 a unique perspective on broadband needs within their  
888 jurisdictions, and we look forward to their input.

889         For those applications that merit further consideration,  
890 we will engage in additional due diligence, which will  
891 include our requesting supplementary information from  
892 applicants. NTIA staff will review and analyze this  
893 information and prepare recommendations as to which projects  
894 should be funded. Those recommendations will be presented to  
895 me and I will make the final selections consistent with the  
896 statutory directives established in the Recovery Act. We  
897 expect to begin announcing grant awards in November and hope  
898 to complete the first round of awards by the end of the year.

899         I would also like to update the subcommittee on our  
900 progress to develop the national broadband map. Under the

901 State broadband data and development grant program for which  
902 Congress appropriated \$350 million, I am pleased to report  
903 that we received an application from every State, territory  
904 and the District of Columbia. We will also be awarding  
905 grants to States to support their own planning efforts for  
906 broadband just as the Recovery Act allows. With respect to  
907 those planning grants, 52 applicants requested a total of \$26  
908 million in funding for that planning project. As with the  
909 broadband grants, there will be review by technical experts  
910 followed by a second review performed by our own staff. We  
911 hope to award a broadband mapping grant to every State and if  
912 necessary we will work with the States to revise and refine  
913 their proposals so that each proposal meets our standards.  
914 We expect to announce the first mapping awards by the end of  
915 September. We expect to receive a substantially complete set  
916 of State-level availability data by November followed by a  
917 complete verified set of all requested data by next spring.  
918 We will complete that map by February 2011 as required by the  
919 Recovery Act.

920       Even in the middle of all this activity to review the  
921 broadband applications and the mapping applications, we are  
922 constantly thinking about ways to improve the program. For  
923 example, our experience with this first round is leading both  
924 of our agencies jointly to explore the option of holding just

925 one more round of funding. This may have the potential of  
926 yielding benefits for all stakeholders. First, it would  
927 enable us to complete the entire grant-making process in the  
928 summer of 2010 as opposed to next September, and expedite the  
929 stimulative benefits for the economy and job creation that  
930 the Recovery Act promises. Combining the second and third  
931 rounds into a single funding round would also allow us to  
932 adjust the next application deadline, giving additional time  
933 first to the stakeholders to provide us their views as to how  
934 the first round worked for them and to our agencies so we can  
935 learn from our experience and adjust those aspects of the  
936 process that need to be improved. Finally, combining the two  
937 rounds may also save administrative expenses.

938         With respect to the mapping program, we announced  
939 yesterday that we will initially fund the State data  
940 collection efforts for a 2-year period as opposed to the 5-  
941 year period originally contemplated. Again, this approach  
942 allows us to assess lessons learned, determine best practices  
943 and investigate opportunities for improved data collection  
944 methods prior to awarding funds for subsequent years. Based  
945 on what we have received, we expect that the funding for 2  
946 years will cost approximately \$100 million, far less than the  
947 \$350 million appropriated by Congress, and in no way will  
948 this change affect our ability to publish a comprehensive map

949 by the February deadline.

950           For both the broadband grants and the mapping grants, we  
951 are devoting substantial efforts to meeting our oversight  
952 obligations for the program. We are committed to ensuring  
953 that taxpayers' money is spent wisely and efficiently. Since  
954 the passage of the Act, we have been working with the  
955 Department of Commerce's inspector general to design the  
956 program in a manner that minimizes the risk of waste, fraud  
957 and abuse. Just last week we met with the inspector  
958 general's office to kick off its audit of the program as  
959 called for in the Recovery Act. As we move forward and begin  
960 to make awards, we will ramp up our auditing and monitoring  
961 responsibilities including site visits to grantees. We are  
962 working extremely hard to ensure that the projects funded by  
963 the Recovery Act serve as valuable inputs to our long-term  
964 broadband strategy. I look forward to working with all of  
965 you in the months ahead to ensure that the Nation's policies  
966 benefit our communications and information industries and  
967 American consumers.

968           Thank you again for the opportunity to testify, and I  
969 look forward to answering your questions.

970           [The prepared statement of Mr. Strickling follows:]

971 \*\*\*\*\* INSERT 1 \*\*\*\*\*

|

972 Mr. {Boucher.} Thank you very much, Mr. Strickling.

973 Mr. Adelstein.

|  
974 ^STATEMENT OF JONATHAN ADELSTEIN

975 } Mr. {Adelstein.} Thank you, Mr. Chairman, Ranking  
976 Member Stearns, Ranking Member Barton and members of the  
977 subcommittee, and thank you for inviting me back to testify.  
978 Mr. Chairman, I especially appreciate your longstanding  
979 leadership in support of our mission to serve rural America.  
980 In my previous capacity in the FCC, I worked closely with  
981 many of you to promote broadband against America in rural  
982 areas as well. Increasing broadband deployment and adoption  
983 rates in rural areas is a top priority for President Obama,  
984 for USDA Secretary Vilsack and all of us at RUS. I know it  
985 is for the subcommittee and for this Congress as well. It is  
986 a special honor to appear with my good friend, Larry  
987 Strickling, who has done such an outstanding job of leading  
988 the NTIA through this period. Our challenge is clear.  
989 Broadband continues to lag in America and it continues to lag  
990 in rural America, and we can't allow this to continue.

991 A recent USDA study that we provided to the committee  
992 documented how rural communities with access to broadband  
993 create more jobs and have higher earnings. Those which lag  
994 are economically handicapped. You have given us an historic  
995 opportunity through the Recovery Act to address this

996 challenge and at the same time provide urgently needed  
997 stimulus to our economy. RUS has long and highly successful  
998 experience since its beginnings as the Rural Electrification  
999 Administration in 1935 in the deployment of electric,  
1000 telephone and water service in rural areas. We are now  
1001 applying this expertise to a newer technology, to broadband.  
1002 We have been on the cutting edge. Since 1995, we have  
1003 required all new telecommunications capacity that we finance  
1004 to be broadband capable. We have also had great success with  
1005 our Community Connect and distance learning and telemedicine  
1006 programs. The USDA broadband loan program created by the  
1007 2002 Farm Bill has provided over \$1.1 billion in loans to  
1008 more than 90 broadband projects in rural communities spanning  
1009 42 States, so we have got experience.

1010       The Recovery Act marks a major new chapter in this  
1011 effort. Since its enactment, we have worked side by side  
1012 with our partners at NTIA, as Assistant Secretary Strickling  
1013 indicated, with our partners at the FCC, my former  
1014 colleagues, and with the White House to fulfill the  
1015 President's vision for promoting broadband access across the  
1016 Nation. The collaboration between RUS and NTIA has been  
1017 unprecedented. Our departments have traditionally performed  
1018 very different roles but I have been thrilled to join forces  
1019 with someone of Secretary Strickling's caliber as well as his

1020 talented staff to bring broadband across the United States.

1021         As Mr. Strickling indicated, we have received an  
1022 overwhelming demand for funding. The volume of applications  
1023 demonstrates very clearly the still unmet need for broadband  
1024 in rural America. RUS received nearly \$18 billion in  
1025 requests for \$2.4 billion in funding in this round, and  
1026 applications came from a wide array of partners including  
1027 State and local tribal governments, nonprofits, industry and  
1028 public sector organizations in all 50 States and all  
1029 territories. We are now evaluating them and we expect to  
1030 begin awarding grants in November. We estimate that the \$2.5  
1031 billion in budget authority entrusted to the RUS could  
1032 translate into as much as \$7 to \$9 billion in grants, loans  
1033 and loan-grant combinations to applicants. The first NOFA  
1034 made available \$2.4 billion of this total. This leaves  
1035 around three-quarters of the total funds left for subsequent  
1036 rounds. So any potential applicant that as unsuccessful in  
1037 the first round or missed the opportunity to apply will still  
1038 have ample opportunity to compete. As we did with the first  
1039 NOFA, we ran intensive outreach efforts to open this process  
1040 to as many potential applicants as possible.

1041         We will take what we learned in the first round, and  
1042 your concerns, as many of you have articulated them today, to  
1043 heart in developing our next round of funding. We are aware

1044 of the concerns that many of you and others have raised  
1045 regarding a wide range of issues. These include the  
1046 definition of rural and remote areas, eligibility standards  
1047 for unserved and underserved areas, scoring weights for  
1048 various factors and concerns regarding satellite service.  
1049 Without speculating about specific changes, we will be guided  
1050 by your counsel and of course by the evaluation of the  
1051 experience and the feedback from the first round of projects.  
1052 We are prepared to make changes accordingly. This is a  
1053 thoroughly collaborative process with our partners at NTIA.  
1054 We will avoid duplication. It will exploit the synergies  
1055 between NTIA, which is running a grant program, and the loan  
1056 and grant authority available to the RUS. We are committed  
1057 to very careful stewardship of taxpayers' dollars. We will  
1058 make this process as transparent and as efficient as  
1059 possible. In fact, yesterday we posted on the Web all of the  
1060 applications in a searchable database. I see that  
1061 Congressman Stupak has already looked at it and seen how many  
1062 he has in his district, and I encourage all of you to look at  
1063 that. You will be able to see exactly what has been proposed  
1064 in your districts. There is a man right there Congressman  
1065 Terry has. We plan to post maps of their service areas very  
1066 shortly.

1067 So on behalf of all of us at USDA, we thank you again

1068 for your support for this critical mission. Your work has  
1069 made possible this historic opportunity to restore economic  
1070 prosperity and improve the quality of life in rural America.  
1071 It is an honor to work with you on behalf of the 65 million  
1072 Americans who live in our rural communities. I would be  
1073 happy to answer any questions that you have.

1074 [The prepared statement of Mr. Adelstein follows:]

1075 \*\*\*\*\* INSERT 2 \*\*\*\*\*

|  
1076 Mr. {Boucher.} Thank you, Mr. Adelstein, and thanks to  
1077 both witnesses for your fine presentations here this morning.

1078 You heard my concerns expressed in my opening statement  
1079 about the definition of remote, and I was pleased to hear  
1080 you, Mr. Adelstein, say that that is one of the things that  
1081 may be reconsidered with regard to the standards for the  
1082 second round. Let me get you to elaborate just a bit on  
1083 whether or not you share the concern that I have expressed.  
1084 There are areas that are truly isolated that could be fairly  
1085 close to a city. I saw a map yesterday that shows that  
1086 virtually the entire eastern United States is disqualified  
1087 from your highest level of grant, which is 80 percent to 100  
1088 percent, by virtue of the remote requirement, and any area  
1089 that is within 50 miles of a city of at least 20,000  
1090 population is considered non-remote and therefore not  
1091 qualified. This is the map. I don't know if you can see it.  
1092 It is fairly small but as you can see, these dark areas  
1093 around the eastern United States are the unqualified areas  
1094 based upon your definition of remote. There are some places  
1095 in the West that are qualified, but in the East, not, and in  
1096 the Appalachian region we have these very small pockets of  
1097 communities that are in mountainous areas that could be  
1098 within 5 or 10 miles of a city but be for all practices

1099 purposes inaccessible. It is difficult to build the fiber  
1100 links or wireless facilities that can serve such a community,  
1101 very expensive, and if you have got 100 homes, the revenues  
1102 that would be derived from a service that expensive serving  
1103 that small a population would not be sufficient to repay a  
1104 loan or perhaps encourage a private sector partner to apply  
1105 for a grant that could only be 50 percent of project cost,  
1106 and yet that is the maximum grant to which under your rules  
1107 such a community would be eligible.

1108         So that is the concern broadly stated, and I would just  
1109 welcome your response, either of you. Mr. Adelstein, it is  
1110 more in your territory, so let me start with you.

1111         Mr. {Adelstein.} Well, I certainly understand your  
1112 concern. All of these issues are under consideration as we  
1113 review the results of the first NOFA. We are going to go out  
1114 for comments shortly in October and we will make a decision  
1115 based on our experience of the current applications in the  
1116 round of data that we are getting from that. The RUS in the  
1117 past has been criticized for being too urban, for going too  
1118 close to urban areas with our funds, and we want to restore  
1119 our mission to being as rural as possible, to go into remote  
1120 areas, and that was the impetus behind really forcing the  
1121 largest amount of grant funds into the most remote parts of  
1122 the country. We set aside \$400 million for remote grants and

1123 saw a huge demand. Some people thought that there wouldn't  
1124 be interest because of the narrow number of areas that are  
1125 eligible--

1126 Mr. {Boucher.} But let just ask you if there was a  
1127 geographic weighting with regard to where those applications  
1128 came from. I will bet most of them came from the western  
1129 United States, didn't they?

1130 Mr. {Adelstein.} I can do an evaluation and supply that  
1131 for the committee.

1132 Mr. {Boucher.} Well, it would be interesting to see the  
1133 geographic breakdown of where that came from. Well, I hear  
1134 you say you understand the concern we have expressed and that  
1135 you are willing to consider it. Let me move on to some other  
1136 issues.

1137 Mr. Strickling, I would like to get your further  
1138 elaboration on the concerns we have just had expressed to us,  
1139 at least by my State of Virginia, perhaps some other States,  
1140 that unexpectedly they have now received your basket of  
1141 applications whereas in the past they have been given to  
1142 understand that you were going to do the prescreening and  
1143 that only maybe the final applicants would be sent to them  
1144 for their comments, and they feel unprepared from a resource  
1145 standpoint to review the entire basket of applicants. So  
1146 what is your response to that? Why did that happen? And

1147 what is it you are looking for from these States?

1148           Mr. {Strickling.} Thank you. Let me start with the  
1149 second part of your question because I think the burden on  
1150 the States is not as great as perhaps they fear it is. What  
1151 we are looking for from them is their sense of prioritization  
1152 of the applications they have seen. We are specifically  
1153 interested in understanding what areas of their States they  
1154 believe are the ones in greatest need where we should look  
1155 the most closely at applications. We are not asking them to  
1156 review the applications the way we are going to look at them  
1157 at NTIA to the extent of is it a viable project, is it a  
1158 sustainable project. They are welcome to do that. That is  
1159 not what we are asking them to do. In terms of what they  
1160 have been given, they have been given obviously the same  
1161 public access to the searchable database that everyone has.  
1162 In addition, they will have access to the executive  
1163 summaries, which is about a 5-page description of each  
1164 project. That will be available to them, we hope starting  
1165 next week. Beyond that, if they want more information from  
1166 the applications, we will facilitate getting them more  
1167 information but we are not sending them the full applications  
1168 for their review.

1169           Mr. {Boucher.} Well, let me ask this. You in the end  
1170 are going to retain final decision making with regard to all

1171 of these applications, are you not?

1172 Mr. {Strickling.} Absolutely.

1173 Mr. {Boucher.} And so you are looking to the States for  
1174 comments and you will consider those comments along with  
1175 other matters in order to make those final decisions?

1176 Mr. {Strickling.} That is correct.

1177 Mr. {Boucher.} One additional question that I want to  
1178 ask of you. You have said that you will be reviewing  
1179 applications that are directed to both agencies where that  
1180 box is checked on the application saying that it is to be  
1181 considered by both agencies. You will be reviewing those  
1182 applications simultaneously--

1183 Mr. {Strickling.} Yes.

1184 Mr. {Boucher.} --with RUS reviewing those applications?

1185 Mr. {Strickling.} Yes.

1186 Mr. {Boucher.} And you will not be waiting until RUS  
1187 makes a decision with regard to whether or not that  
1188 application is qualified before you start your review so it  
1189 would not have to be rejected first at RUS before you begin  
1190 to review it. Is that correct?

1191 Mr. {Strickling.} That's correct, but we--

1192 Mr. {Boucher.} So here is my follow-up question. While  
1193 I understand that answer, as a practical matter, let us  
1194 suppose that in the funding cycle RUS doesn't get around to

1195 really rejecting that application until fairly late in the  
1196 cycle. Now, in theory, at least, it will have been reviewed  
1197 in your office already, but by then you well may have made  
1198 your prioritization of the applications you intend to fund.  
1199 So would that application with the rejection from RUS coming  
1200 so late in the process potentially mean that that application  
1201 still as a practical matter would be considered on equal  
1202 footing with the applications that were primarily directed to  
1203 you?

1204 Mr. {Strickling.} Yes, sir, I think we will be able to  
1205 handle that. We will obviously be in coordination and in  
1206 contact with RUS through the review process, so I would hope  
1207 to avoid the situation where there is a last-minute rejection  
1208 on their part of a grant that we would like to fund if we  
1209 know they are not going to fund it, and I think that through  
1210 the coordination we expect to have, we should be able to  
1211 avoid that problem.

1212 Mr. {Boucher.} So as I interpret your answer, you would  
1213 be prioritizing all of the applications you receive whether  
1214 they are directed solely to you or directed both to you and  
1215 RUS at the same time and you would not be preparing one  
1216 priority list just of the applications directed to you. Any  
1217 application you receive, whether only to you or to you and  
1218 RUS, would be eligible for that initial priority list so that

1219 if the rejection comes late, that application would in fact  
1220 still be on equal footing with those directed just to you.

1221 Is that correct?

1222 Mr. {Strickling.} Yes, sir.

1223 Mr. {Boucher.} All right. Thank you, Mr. Strickling.

1224 My time is expired. The gentleman from Florida, Mr.

1225 Stearns, is recognized for 5 minutes.

1226 Mr. {Stearns.} Thank you, Mr. Chairman. Just to  
1227 review, the stimulus package had \$7.2 billion of which \$4.7  
1228 the NTIA is going to spend and the RUS is going to spend \$2.5  
1229 billion. Now, it is my understanding that the bill indicates  
1230 that you have to spend all of this by September of next year.

1231 Is that roughly your understanding, both of you?

1232 Mr. {Strickling.} Yes.

1233 Mr. {Adelstein.} Yes, sir.

1234 Mr. {Stearns.} Now, when you set the criteria to  
1235 determine who is going to get awarded this, are you going to  
1236 also put this on the webpage so that the applicants have an  
1237 understanding when they compete with others what is the  
1238 criteria, what is the minimum acceptable requirements for  
1239 proposed projects? Mr. Strickling, you start first.

1240 Mr. {Strickling.} Congressman Stearns, I would suggest  
1241 that that has already been provided to the applicants in--

1242 Mr. {Stearns.} Is that on the website?

1243           Mr. {Strickling.} On the Notice of Funds Availability  
1244 issued in July, which is on the website, as well as guidance  
1245 to applicants, which was a separate set of materials, as well  
1246 as through our workshops. We have taken folks through all of  
1247 the criteria for the project, most of which are drawn  
1248 directly from the legislation, so folks should have a clear  
1249 understanding of that. We also expect that as awards are  
1250 made later this fall, that they will also provide a lot of  
1251 guidance to applicants in terms of seeing what it takes to be  
1252 a successful applicant and people will be able to match up  
1253 against the winning grants.

1254           Mr. {Stearns.} So they will know if they didn't get  
1255 awarded and someone else did, they will be able to determine  
1256 the reason why they didn't get awarded?

1257           Mr. {Strickling.} That is right, and they will have the  
1258 examples of the ones that did get awards to see, because  
1259 those applications will be posted. A lot of information will  
1260 be made available on those so people can learn from those if  
1261 they want to come back in the second round and reapply.

1262           Mr. {Stearns.} Mr. Adelstein?

1263           Mr. {Adelstein.} Yes, that is right. I agree with that  
1264 analysis, and we are going to post information about the  
1265 winning applicants and how they scored on--

1266           Mr. {Stearns.} And that will be on the web page, of

1267 your web page?

1268 Mr. {Adelstein.} We will put that on the web page. The  
1269 applications are up now so people can see a project  
1270 description but we are going to put much more data up as we  
1271 go through the process.

1272 Mr. {Stearns.} Let me ask each of you, will the actual  
1273 score that you come up with be on the web page so the person  
1274 can see how they are scored and how the people who won are  
1275 scored?

1276 Mr. {Strickling.} We will not post the scores. In our  
1277 view, this first round is to determine a finalist pool, all  
1278 of whom we would say would be worthy projects of funding.

1279 Mr. {Stearns.} Do you agree with that too, that you are  
1280 not going to post the scores?

1281 Mr. {Adelstein.} We haven't determined that yet.

1282 Mr. {Stearns.} Because I think as much transparency  
1283 that you have here, the better, so we don't look into, you  
1284 know, people complaining that it is either politically or it  
1285 is done for reasons they are not clear about.

1286 Now, is it possible that a lot of people who apply will  
1287 be subpar? I mean, are you under the obligation that you  
1288 have to spend all this money by next September? Is it  
1289 possible you could say by golly, you know, 20 or 30 percent  
1290 of these applicants are not qualified; if we give them the

1291 money, they can't make the project go, or two, they are going  
1292 to need to come back for more money.

1293 Mr. {Strickling.} The measure of success of this  
1294 program in my mind is how many of these projects are still  
1295 operating 5 years from now.

1296 Mr. {Stearns.} That is good.

1297 Mr. {Strickling.} They need to be sustainable. We will  
1298 not fund a project unless we have a high confidence level  
1299 that it is a sustainable project that will deliver lasting  
1300 benefits.

1301 Mr. {Stearns.} Would you agree then this morning that  
1302 if you don't find qualified people you won't spend the money  
1303 and you will give it back to the taxpayers?

1304 Mr. {Strickling.} As a theoretical matter, I agree with  
1305 that, but I would also say we have received \$28 billion in  
1306 requests. I am reasonably confident without having looked at  
1307 a single application we have got a lot of high-quality  
1308 applicants in front of us.

1309 Mr. {Stearns.} Mr. Adelstein, is that how you feel too,  
1310 that you will give the money back if there are subpar  
1311 applicants?

1312 Mr. {Adelstein.} Absolutely. If we don't get qualified  
1313 applicants for all of the funds, we will not use those funds  
1314 and we will return those to the Treasury. I think we have

1315 long experience in carefully evaluating these projects to  
1316 ensure they are feasible, and one of the scoring criteria we  
1317 have is the feasibility of it, and we have spent years with a  
1318 less than 1 percent default rate in our telecommunications  
1319 programs--

1320 Mr. {Stearns.} That is a good point.

1321 Mr. {Adelstein.} --ensuring that we do not--

1322 Mr. {Stearns.} Now, Mr. Adelstein, you had indicated  
1323 when I talked to you yesterday that you have a leverage of 14  
1324 to one for \$500 million that you are going to take off the  
1325 top. Do you have also a plan of any leverage here that you  
1326 are using?

1327 Mr. {Adelstein.} No, sir. Under the legislation, RUS  
1328 has a preexisting ability to make loans. All of our projects  
1329 will be funded as full grants.

1330 Mr. {Stearns.} Mr. Boucher talked about and showed this  
1331 map here, and you heard from my opening statement a concern  
1332 that the fact that the mapping is not done. I think only 10  
1333 States have completed it and 10 more in the process and that  
1334 the FCC has in place a broadband policy and none of this will  
1335 be made available to you before, Mr. Strickling you talked  
1336 about in early December that you will have already spent \$1.6  
1337 billion, I think you said. Is that correct?

1338 Mr. {Strickling.} By the end of the year, we--

1339 Mr. {Stearns.} So does that concern you at all that,  
1340 you know, the actual mapping of this for the underserved and  
1341 the people that have never been served is not even available  
1342 so that you can make a decision?

1343 Mr. {Strickling.} I am not sure that is fully accurate,  
1344 Congressman.

1345 Mr. {Stearns.} Okay. I would appreciate if you would  
1346 tell me.

1347 Mr. {Strickling.} --be to award a grant in an area if I  
1348 didn't know it was unserved or--

1349 Mr. {Stearns.} Well, how will you know if it has not  
1350 been mapped for you?

1351 Mr. {Strickling.} Well, one way we will know if there  
1352 is credible information from a previous State mapping effort,  
1353 and as a practical matter, if such a map does exist and if  
1354 the information on it is good, those applications will get  
1355 additional consideration simply by that fact. However, we  
1356 have asked all the applicants to provide that information for  
1357 their areas as well and we will be evaluating that for its  
1358 credibility and veracity, and if there is good information  
1359 coming from the applicants which will be subject to a public  
1360 review, then we feel we can rely on that information in  
1361 determining whether an area is unserved or not.

1362 Mr. {Stearns.} Would it be safe to say that those

1363 States that have mapped that to use those as a priority?  
1364 Will you take into account that some maps have already been  
1365 made for 10 States and use that as a priority in your  
1366 decision process?

1367 Mr. {Strickling.} It receives additional consideration.  
1368 I don't know enough to say it is a priority.

1369 Mr. {Stearns.} Mr. Adelstein, what would you say?

1370 Mr. {Adelstein.} I think it is very valuable  
1371 information. I know that Commissioner Chong testified before  
1372 your committee that it was very helpful in California to have  
1373 the map first, and I think it would be helpful here. Of  
1374 course, the purpose of this project being stimulus in some  
1375 sense, we are moving ahead, but the mapping that we are  
1376 putting up on the Web as soon as today or tomorrow is going  
1377 to allow anybody in the public to take a look at the service  
1378 areas being proposed for our project and challenge that, say  
1379 that in fact there is service in an area where somebody says  
1380 there isn't and that will be a great way for us to evaluate  
1381 that particular application in terms of whether that area is  
1382 served or underserved.

1383 Mr. {Stearns.} Mr. Chairman, I just have one last  
1384 question, and this is for Mr. Strickling. Your latest report  
1385 indicates that you have roughly about \$318 million in DTV  
1386 money left over as of August 19. Now, if you take and

1387 extrapolate the redemption rate, 55 percent redemption rate  
1388 in the remaining months of this program, you could have as  
1389 much as \$380 million left over. My question to you is, are  
1390 you intending and will you return this, and this is ironical  
1391 in the fact that Mr. Barton and I had a DTV fix bill which  
1392 would have avoided the need for this costly delay, knowing  
1393 that you are giving almost \$380 million back. So the  
1394 question is, do you plan to give this money back?

1395 Mr. {Strickling.} As I understand it, Congressman, the  
1396 money goes back. We don't have the option under the current  
1397 legislation to keep the money.

1398 Mr. {Stearns.} And when will that come back?

1399 Mr. {Strickling.} As you know, there are still coupons  
1400 outstanding. I think folks have until November to use those  
1401 coupons if they haven't already used them. Following that,  
1402 we will be closing out the program so I can't give you a  
1403 direct date today as to when that program will be closed out  
1404 and all the accounting will be done but I would hope it would  
1405 be early next year.

1406 Mr. {Stearns.} All right. Thank you, Mr. Chairman.

1407 Mr. {Boucher.} Thank you very much, Mr. Stearns.

1408 The gentleman from Michigan, Mr. Stupak, is recognized  
1409 for 5 minutes.

1410 Mr. {Stupak.} Thank you, Mr. Chairman.

1411 Mr. Adelstein, if I can ask you a few questions, and I  
1412 want to know a little bit more about the funding because I  
1413 think there is some confusion on how the RUS is releasing a  
1414 total of \$2.4 billion in its first round of funding but still  
1415 has adequate resources available for the next round. It is  
1416 my understanding that this is due to the loan-grant  
1417 combination that you have authority over. Can you provide  
1418 some clarification on that?

1419 Mr. {Adelstein.} I would be happy to. Congress gave us  
1420 the authority to provide loans and grant combination and  
1421 loans so that allowed us to leverage our \$2.5 billion in  
1422 budget authority to \$7 billion to \$9 billion in loan-grant  
1423 combinations or loans and grants. Many rural communities can  
1424 be served this way. We can stretch the dollars that we have.  
1425 Because of our sound track record at USDA, we have a 7.24  
1426 percent subsidy rate which means that we can take \$72,000 and  
1427 get \$1 million worth of loans out of that amount of taxpayer  
1428 dollars, which means that we can take \$500 million from the  
1429 top of the \$2.5 billion, have \$2 billion left over for grants  
1430 and do \$7 billion in loans with that amount. So even though  
1431 we are taking \$2.4 billion in this case, the \$2.4 billion is  
1432 of that total \$7 to \$9 billion. It is not of the \$2.5  
1433 billion. This includes the loan amount, which is highly  
1434 leveraged because of our good track record in getting repaid.

1435 Mr. {Stupak.} Let me ask you this then, then underneath  
1436 the stimulus package where you received this money, the \$2.5  
1437 billion, how much more in loans is the RUS issuing than the  
1438 agency would normally do under normal fiscal year under the  
1439 RUS program?

1440 Mr. {Adelstein.} This is a much greater amount of loans  
1441 than we have ever done in a single year by a large factor. I  
1442 mean, we can do--in total we do quite a few. We can do \$1  
1443 billion in telecommunications loans but not broadband loans.  
1444 We have never done that. We have done \$1.1 billion in  
1445 broadband loans since 2002 and now we are going to be doing  
1446 \$7 billion in one year, so it is a huge ramp-up of what we  
1447 have done in the past.

1448 Mr. {Stupak.} Well, you mentioned ramp-up, and putting  
1449 on my oversight and investigations hat, with that much more  
1450 money then, are you going to have to be bringing on more  
1451 staff? And I heard some concerns from Mr. Stearns and others  
1452 about the quality of the loans. In order to make sure you  
1453 can monitor these grants and loans in this program, obviously  
1454 you are going to have to bring on more staff.

1455 Mr. {Adelstein.} We are in fact. We have 114 people  
1456 now that do telecommunications projects but we are going to  
1457 add 50 temporary employees under funding from the stimulus  
1458 act. We also have 470 field offices across the country and

1459 we are drafting people from all those field offices to help  
1460 us including expert, what we call general field  
1461 representatives. We have hired an outside contractor to  
1462 assist in reviewing the first round of applications according  
1463 to objective scoring criteria. Working closely with them, we  
1464 are ultimately going to make the decisions based on their  
1465 assistance. In addition, we have 60 years of experience in  
1466 doing electric and water and telecom, so we are an  
1467 experienced agency. We are just doing a large volume in  
1468 short order.

1469       Mr. {Stupak.} Well, let me ask you this. Stimulus  
1470 funding basically runs out about September of 2010, but the  
1471 loans in that won't be repaid, so you are still going to need  
1472 staff and monitoring of these loans to make sure they are  
1473 repaid well after the stimulus package is basically over,  
1474 correct?

1475       Mr. {Adelstein.} We absolutely will. It is very  
1476 important that we continue to monitor these loans to ensure--  
1477 and the grants to ensure that they are achieving the purpose  
1478 for which they were intended. We do a very good job now with  
1479 our field offices of following up on the loans that we have  
1480 with the larger portfolio that we are going to rapidly  
1481 develop through this. We are exploring our options for  
1482 ensuring continued oversight after the funding expires.

1483           Mr. {Stupak.} Mr. Strickling, same with your agency.  
1484 Are you going to be having more people on to monitor and even  
1485 after 2010 to still look at your loans and portfolios?

1486           Mr. {Strickling.} That is correct, and we are in I  
1487 think a slightly different situation perhaps than RUS because  
1488 they have an existing program. Our program was created by  
1489 the Recovery Act and the authorization for it ends September  
1490 of 2010, so yes, we will need both authorization and  
1491 hopefully some appropriations to be able to carry out our  
1492 oversight responsibilities after all these grants are awarded  
1493 next summer.

1494           Mr. {Stupak.} Well, Mr. Strickling, let me ask you  
1495 this. It is also my understanding the Broadband Technology  
1496 Opportunities Program gives weight to projects that can  
1497 commence immediately upon receiving these funds. One of the  
1498 concerns that I have, being from northern Michigan, if we are  
1499 not going to make our grants until about November, November  
1500 where I am at, the snow is flying by then. It would be hard  
1501 for us to immediately start. It would probably be about  
1502 April or May before we can really get in there because if you  
1503 try to do this in the winter, it will just increase your  
1504 costs tremendously. Will that be weighed somehow so we are  
1505 not having problems with getting this November round because  
1506 we can't start the actual infrastructure until the spring?

1507           Mr. {Strickling.} That is correct. Shovel-ready is our  
1508 evaluation of the project. It is not whether you are shovel-  
1509 ready in the winter. In fact, you may have a shovel-ready  
1510 project in the general scheme of things but we are certainly  
1511 not going to penalize applicants because we are happening to  
1512 be awarding the money in November and someone might say well,  
1513 we can't actually turn when it is under 6 feet of snow.

1514           Mr. {Stupak.} Let me ask you this. With my law  
1515 enforcement background and all that, and in the stimulus--I  
1516 am sorry, Mr. Chairman. I will follow up in writing. I have  
1517 questions on public safety and a reluctant feeling that they  
1518 don't have the expertise to apply. How do we make sure law  
1519 enforcement and the value broadband can provide to them. I  
1520 will follow up later. Thanks.

1521           Mr. {Boucher.} Thank you very much, Mr. Stupak.

1522           The gentleman from Texas, Mr. Barton, is recognized for  
1523 5 minutes.

1524           Mr. {Barton.} Thank you, Mr. Chairman. I just have  
1525 three questions. I will try to be very quick because I see  
1526 we have some votes.

1527           My first one is tongue in cheek, but there is a program  
1528 for people like me who didn't get a coupon? Have we just  
1529 missed the boat or is there some--you know, if you are  
1530 really, really stupid and really, really lazy we will give

1531 you one more chance program?

1532 Mr. {Strickling.} No, sir.

1533 Mr. {Barton.} It is gone, huh?

1534 Mr. {Strickling.} You are out of luck.

1535 Mr. {Barton.} All right. Well, I was afraid that was  
1536 going to be the answer. That is the right answer, by the  
1537 way. It should be that way.

1538 Next question is about the Universal Service Fund. I  
1539 don't think it is any secret to you two gentlemen that I am  
1540 not a big fan of that program, and I am working with Mr.  
1541 Boucher and others, Mr. Markey, to come up with a reform  
1542 program for it. But in terms of this program that you two  
1543 gentlemen are implementing, can we be assured that you are  
1544 only going to award funds to projects that will be  
1545 sustainable without additional federal funds in the future?

1546 Mr. {Strickling.} Yes, sir. I think our philosophy  
1547 will be that there will not be any additional federal dollars  
1548 available for these projects beyond what is in front of us in  
1549 the \$4.7 billion we have been given, so we will be evaluating  
1550 each project for its sustainability past the grant period and  
1551 we are not going to assume oh, yeah, they will get Universal  
1552 Service money or that some other grant program will rescue  
1553 this project. It is got to be sustainable once our monies  
1554 end.

1555 Mr. {Barton.} Mr. Adelstein, do you share that view?

1556 Mr. {Adelstein.} Absolutely. Our scoring criteria  
1557 count project sustainability and project viability among the  
1558 highest categories for awarding funds. We generally look  
1559 very closely at the balance sheets and at the financial  
1560 spreadsheets of these companies with our experience as  
1561 basically a lender. With a \$54 billion loan portfolio, we  
1562 are very experienced at evaluating the financial capability  
1563 of companies and their sustainability. Particularly when it  
1564 comes to the loan component, we want to make sure we get paid  
1565 back.

1566 Mr. {Barton.} Last question. I see some conflicts or  
1567 potential conflicts of interest in the administration of the  
1568 grant program that Mr. Strickling is implementing. The  
1569 statute directs that the NTIA consult with the States about  
1570 which applications to grant but the States themselves are  
1571 eligible for these grants. Secondly, you are going to be  
1572 soliciting volunteers to evaluate the grants but your  
1573 volunteers might also be involved with the industries that  
1574 would benefit from receiving the grants. Mr. Secretary, what  
1575 mechanisms are you putting in place to try to prevent such  
1576 conflicts of interest in these two areas?

1577 Mr. {Strickling.} Yes, sir. With respect to the  
1578 States, the statute specifies that the States should have

1579 this role, so I think if it is a conflict, it is a conflict  
1580 everybody can see, everybody can evaluate, and we will act  
1581 accordingly. With respect to the reviewers, we have very  
1582 strict conflict-of-interest policies, and in fact we have  
1583 already rejected about 10 percent of the experts who have  
1584 come forward to offer their services on either lack of  
1585 expertise or because they have a conflict due to their  
1586 employer, but basically if you work for a company that is  
1587 making a grant application of its own, you will not be  
1588 allowed to review any application in any State in which your  
1589 employer's application might apply and certainly you won't be  
1590 able to review your employer's application. If you work for  
1591 a broadband service provider, you will not--whether or not  
1592 that company has filed an application, you will not be  
1593 allowed to review an application in any State in which your  
1594 employer offers service. So we feel that we can still take  
1595 advantage of the expertise of folks but we are going to  
1596 sequester them away from any application where they would be  
1597 any actual or apparent conflict of interest.

1598 Mr. {Barton.} Thank you, Mr. Chairman.

1599 Mr. {Boucher.} Thank you very much, Mr. Barton.

1600 We now have three votes pending on the Floor of the  
1601 House, and that will probably require at least a half-hour in  
1602 order to accomplish so I am going to recess the subcommittee

1603 and we will return to continue our questions with you as soon  
1604 as this roll call is finished.

1605 [Recess.]

1606 Mr. {Boucher.} We will reconvene, and I want to thank  
1607 Mr. Strickling and Mr. Adelstein for their patience as we  
1608 finished our business on the Floor of the House for the day.

1609 The gentlelady from California is next to propound her  
1610 questions, and she is recognized for 5 minutes, Ms. Matsui.

1611 Ms. {Matsui.} Thank you, Mr. Chairman.

1612 To ensure that more Americans will have access to  
1613 broadband Internet service, we have to address not only the  
1614 populations who don't have access to broadband but those who  
1615 have access but are not able to afford such services. In  
1616 California, an estimated 96 percent of California residences  
1617 have access to broadband but the problem is adoption since  
1618 barely more than half of Californians have adopted broadband  
1619 at home. In most cases, adoption rates are associated with  
1620 income as seen in the recent data from the Public Policy  
1621 Institute of California. We show that only 58 percent of  
1622 Californians earning under \$40,000 a year subscribe to  
1623 broadband at home but 97 percent of those earning \$80,000 or  
1624 more subscribe to this. And so it is clear that millions of  
1625 Americans cannot afford either a computer or Internet  
1626 services. In April, I along with six of my colleagues who

1627 serve on this subcommittee wrote urging the FCC, NTIA and RUS  
1628 to consider low-income populations to be part of the  
1629 definition of underserved as it applied to broadband grant  
1630 programs. To fully close the digital divide, we must address  
1631 the affordability of broadband for lower income families.  
1632 Although these families may have different options for  
1633 broadband access, in my opinion, they are underserved if none  
1634 of these options are affordable.

1635         Mr. Strickling, during your rulemaking process, how much  
1636 of a factor did you consider income and affordability in the  
1637 definition of underserved?

1638         Mr. {Strickling.} As you know, the definition we  
1639 ultimately adopted did not include that as a test but we  
1640 absolutely were thinking about it, and our final judgment was  
1641 that using an adoption rate really got at the issue and might  
1642 be explained--in other words, we have a rate that says if an  
1643 area is showing less than 40 percent adoption, it is  
1644 underserved. We feel there may be any number of explanations  
1645 for that including the factors you described but we chose to  
1646 go right to the heart of the issue which was the adoption  
1647 rate and make that the standard in the definition, and I will  
1648 point out that among the 2,200 applications we received, we  
1649 do have a separate part of our program that is focused on  
1650 sustainable adoption projects. We received over 320

1651 applications from entities that want to perform these sorts  
1652 of sustainable adoption projects and they have asked for  
1653 about \$2.5 billion, so it is an area that we view very  
1654 seriously. We absolutely agree with you that looking at the  
1655 demand side of this equation is just as important as looking  
1656 at the supply side, and we need to understand why folks  
1657 aren't able to adopt these services and we are going to have  
1658 an opportunity now with the monies available in the Recovery  
1659 Act to fund a number of different approaches to increasing  
1660 those adoption rates.

1661 Ms. {Matsui.} I certainly do appreciate that because  
1662 that is going to be a very important factor in moving  
1663 forward.

1664 I would like to also say that many households in  
1665 underserved urban communities either don't have a computer or  
1666 cannot afford Internet service, and now they rely on local  
1667 schools and libraries for their broadband services, and  
1668 especially in these tough economic times, more and more  
1669 people are relying on the computers at their libraries for a  
1670 job, employment services, managing their finances even  
1671 because they can't afford Internet service, so I think it is  
1672 critically important that the schools and libraries serving  
1673 underserved communities be properly considered during the  
1674 grant process. So Mr. Strickling, how are you handling

1675 applications for schools and libraries in urban underserved  
1676 areas?

1677       Mr. {Strickling.} Again, we are very interested in  
1678 receiving those applications because, as you have just  
1679 pointed out, if folks don't have a computer in their own  
1680 home, the ability to go to a local library or go to a local  
1681 school after hours to get access to the Internet on a  
1682 broadband service offered in those institutions is perhaps  
1683 their only ability to go online. So we understand the  
1684 importance of it. In our scoring criteria, the presence in a  
1685 project application of--

1686       Ms. {Matsui.} Mr. Strickling, do you have standards  
1687 that apply to this?

1688       Mr. {Strickling.} I was about to say that we will be  
1689 giving additional consideration to those projects that come  
1690 to us that are able to incorporate working with these  
1691 community anchor institutions as part of the overall project  
1692 design.

1693       Ms. {Matsui.} I would like to follow up with that later  
1694 on too if that is possible.

1695       Mr. {Strickling.} Absolutely.

1696       Ms. {Matsui.} I see I am running out of time, so thank  
1697 you very much.

1698       Mr. {Boucher.} Thank you very much, Ms. Matsui.

1699           The gentleman from Oregon, Mr. Walden, is recognized for  
1700 5 minutes.

1701           Mr. {Walden.} Thank you, Mr. Chairman, and I am sorry I  
1702 couldn't be with you earlier this morning. I had conflicting  
1703 duties that I had to attend to.

1704           First, I would like to ask that my opening statement be  
1705 inserted into the record at the correct place.

1706           [The prepared statement of Mr. Walden follows:]

1707 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
1708 Mr. {Boucher.} Without objection.

1709 Mr. {Walden.} I have questions for both of our  
1710 witnesses. I am troubled that out in the State of Oregon  
1711 that the two largest providers of telecommunications in my  
1712 district cover about 80 percent of the territory, Qwest and  
1713 Century Link. Both have chosen not to apply for grants and  
1714 they cited uncertainty of the consequences of accepting grant  
1715 money, issues about ill-defined network, non-discrimination  
1716 requirements, prohibition of sales of facilities, how all  
1717 that works, the cumbersome application process. How will  
1718 constituents in a district that is vast and underserved as  
1719 mine benefit from the broadband stimulus grant program if the  
1720 rules and regulations of the program scare away the big  
1721 providers, the big folks who can participate and frankly the  
1722 only ones that are poised to participate in a district like  
1723 mine? Are you finding this elsewhere around the country?

1724 Mr. {Strickling.} Well, the first comment I would make  
1725 is, 2,200 applications were filed seeking \$28 billion of  
1726 funding. When we issued our Notice of Funds Availability, we  
1727 heard from all manner of folks that the criteria were too  
1728 strict, that the rules were too confusing, yet 2,200 people  
1729 were able to submit applications who navigated their way  
1730 through the process.

1731 Mr. {Walden.} Do you have a breakout by State or  
1732 district?

1733 Mr. {Adelstein.} I do. Your district has 14  
1734 applications in it, so there were 14 applicants in your  
1735 district, two in Oregon that were able to--

1736 Mr. {Walden.} Right. I know Bend Broadband, I believe,  
1737 is one.

1738 Mr. {Adelstein.} And that is just for our program.  
1739 There may be some additional ones for BTOP as well.

1740 Mr. {Walden.} Could I get that list at some point?

1741 Mr. {Adelstein.} Absolutely. I will get to that you  
1742 immediately.

1743 Mr. {Walden.} One of the issues I raised when this was  
1744 going through is how the process, the timing would work. I  
1745 had concerns that, you know, and I know are going to have  
1746 three tranches of money that goes out, because the mapping in  
1747 Oregon, rough maps will be available in November. The  
1748 complete won't be ready until February so in the first round  
1749 you don't really know, you don't have the mapping done.

1750 Mr. {Strickling.} The national broadband map has a  
1751 deadline of February 2011.

1752 Mr. {Walden.} Right. But in the State of Oregon, for  
1753 example, the first round--we will be done with our mapping by  
1754 February of 2010, so that will work in the second round,

1755 correct?

1756           Mr. {Strickling.} Yes, but again, I don't think the  
1757 presence of a State map is a magic bullet here. We want to  
1758 be awarding grants, the infrastructure grants in the unserved  
1759 and underserved areas, we want to be confident that they are  
1760 that. A map helps us make that judgment if it has credible  
1761 data that went into it but there are other ways to get that  
1762 information as well. Each applicant was required to supply  
1763 that sort of information, and if they have given us credible  
1764 data we will rely on that in making grants.

1765           Mr. {Walden.} So how was the definition of remote and  
1766 rural that is used in the application developed? My  
1767 understanding is the only remote rural areas are eligible for  
1768 100 percent funding from RUS. RUS defines an unserved area  
1769 as remote rural if it is at least 50 miles from a non-rural  
1770 area, and yet I am hearing from some that the projects may  
1771 not be able to meet this criteria, that few, if any, will  
1772 meet this criteria.

1773           Mr. {Adelstein.} We actually set aside \$400 million  
1774 under that category and we received \$3.8 billion in loan  
1775 requests for that \$400 million, so we are well oversubscribed  
1776 10 to one so a number of applicants did find that they were  
1777 in areas that were remote. Now, we haven't verified that in  
1778 fact they were in remote areas but we have an overwhelming

1779 demand for that category. The RUS really wants to serve the  
1780 hardest to reach, more rural areas of the United States and  
1781 that was our goal. The previous Administration was  
1782 criticized for moving some RUS into areas that were too  
1783 suburban or too close to urban areas and we tried to push it  
1784 out, but I certainly understand concerns about that and we  
1785 are looking at that, but there is a lot of interest I those  
1786 as well as people applying for the loan-grant combinations.

1787 Mr. {Walden.} So help me on this definition. If you  
1788 define an unserved area as remote rural if it is at least 50  
1789 miles from a non-rural area, how are those terms defined?  
1790 What is a non-rural area?

1791 Mr. {Adelstein.} A non-rural area is defined as not  
1792 being urban, and an urban area is defined as an area that is  
1793 either 20,000 people or an urbanized area contiguous to a  
1794 city or town of 50,000 or more, so you have to be 50 miles  
1795 from the limit of those two areas.

1796 Mr. {Walden.} I have just one other question that I  
1797 wanted to ask. I believe that the stimulus funding should of  
1798 course go first to those that aren't served, and you were  
1799 here as a commissioner. I mean, you understand that debate,  
1800 that sometimes this money goes out and has in the past to  
1801 areas that have multiple services. And I think it ought to  
1802 go to individuals, businesses, institutions that don't have

1803 access to broadband at all rather than better service to  
1804 those who do. Is that the prioritization NTIA is going to  
1805 use?

1806 Mr. {Strickling.} Well, under the statute we are going  
1807 to focus on unserved and underserved areas, and bear in mind,  
1808 an underserved area is an area that may only have 50 percent  
1809 or fewer of their residents available to sign up for service.  
1810 So there is a large body of people in an underserved area  
1811 that they themselves individually are unserved, so I think  
1812 that in making our grants we are going to be cognizant of  
1813 both of those sets of issues, both the unserved and the  
1814 underserved, which will contain many unserved people.

1815 Mr. {Walden.} All right. Well, let me be the one that  
1816 weighs in on, for the limited amount of government resource  
1817 we have, it ought to go to those who don't have access to any  
1818 service first. That is my own opinion, and I know my time  
1819 has expired.

1820 Mr. Chairman, a unanimous consent request that the  
1821 written statement of Mr. Blunt be included in the hearing.

1822 [The prepared statement of Mr. Blunt follows:]

1823 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
1824 Mr. {Boucher.} Without objection. Thank you very  
1825 much, Mr. Walden.

1826 The gentlelady from California, Ms. Eshoo, is recognized  
1827 for 5 minutes.

1828 Ms. {Eshoo.} Thank you, Mr. Chairman, and thank you to  
1829 our witnesses again and for your patience in waiting for us  
1830 while we completed our work on the Floor for today.

1831 I have some questions and I just want to put my  
1832 questions out and then have you respond to them. I want to  
1833 go back to my opening statement and just reemphasize--it is  
1834 not a question, just to set it down again, that when this  
1835 charge of the Congress to you to implement has been  
1836 completed, that when not only look at the map and see the  
1837 work you have done in underserved and unserved areas, that  
1838 the broadband will be really at the highest level in terms of  
1839 speed, and that is really a top priority for me and I think  
1840 that those communities deserve that and it is going to be in  
1841 your hands to help to see that that happens.

1842 Now, you are in the first round, and whether you are  
1843 just going to do a second round and not have to do a third, I  
1844 mean, obviously that is going to be up to you, but in the  
1845 first round of applications, how many included requests for  
1846 waivers of information? The reason that I ask that is,

1847 because it is my understanding that there were applicants who  
1848 claimed that they were unable to apply due to software issues  
1849 and problems, you know, not being resolved before the  
1850 deadline. So I would like to know, my first question is,  
1851 what steps you are taking to ensure that the process runs  
1852 smoother in the next round? And I would also like to know  
1853 more about the process whereby incumbents can challenge  
1854 applications that seek to serve underserved areas. Now, in  
1855 the BTOP and the BIP, the notice of available funding, it  
1856 provides for existing service providers an opportunity to  
1857 challenge and demonstrate that a project is not unserved or  
1858 underserved. What I want to know make sure of is that there  
1859 is competition, and if the incumbents can just knock out  
1860 people because they don't want any competition to come in, I  
1861 don't really think that is the way for us to go. So does  
1862 this mean that an applicant will have to provide proprietary  
1863 information? That is why I was asking the question about  
1864 requests for waivers. That I think would undercut their  
1865 ability to compete, and other than the most obvious cases  
1866 where there is competition, what is the criteria for  
1867 deciding? How do you weigh in on this and what is the  
1868 administrative process in place for challenges and  
1869 counterchallenges and fact finding?

1870 So you can tell what my questions are, and I also would

1871 like to add a comment to reinforce what Congresswoman Matsui  
1872 raised about anchor institutions. I think it is a very  
1873 important one, and the two of us are going to follow up with  
1874 you with some more questions in writing, but I think that  
1875 these anchor institutions bear that designation in our  
1876 communities because they really are anchors. That is where  
1877 people go when they don't have these tools at home or can't  
1878 afford them. So anyway, those are my questions. I don't  
1879 know who wants to take them on.

1880 Mr. {Strickling.} Let me take each of your issues up.  
1881 First, the speed question. The eligibility requirements to  
1882 apply set the 768 kilobits per second as a threshold to make  
1883 you eligible to apply. I would be very surprised--most of  
1884 these applications are proposing substantially faster speeds,  
1885 and if one has proposed a faster speed, and if one has  
1886 proposed a faster speed, you get additional consideration in  
1887 the scoring of your application.

1888 Ms. {Eshoo.} Oh, good. So the scoring is weighted for  
1889 the higher speeds?

1890 Mr. {Strickling.} That is correct.

1891 Ms. {Eshoo.} That is great.

1892 Mr. {Strickling.} What we didn't want to do at the  
1893 front end of the process was basically--there may be areas of  
1894 this country where the only practical technology to be used

1895 is at roughly 768-kilobit-per-second speed. We didn't want  
1896 to basically determine at the front end of this that nobody  
1897 could apply from those sorts of areas. We wanted to at least  
1898 be able to consider them. And in fact 3G wireless is the  
1899 only option for a given area, we would like to at least be  
1900 able to consider whether or not to fund it. But again,  
1901 higher speeds get more votes and greater scores and should  
1902 rise to the top of the review.

1903 In terms of the application processing, the 2 weeks when  
1904 folks were rushing to put their applications through, it is  
1905 correct that certain applicants experienced difficulties.  
1906 But what I would urge you to consider is that during that  
1907 period both of our agencies were in constant contact with  
1908 each other and we were taking remedial measures to fix the  
1909 problems as they arose, so in the first week it became  
1910 apparent that because of the size of the attachments we were  
1911 getting from many applicants, we didn't have enough server  
1912 capacity. The result was, we, I think, doubled or tripled  
1913 the number of servers that were available to receive the  
1914 information. It later turned out that there was some sort of  
1915 browser incompatibility. Some people using certain older  
1916 browsers were running into some compatibility issues. We  
1917 identified that as a problem, alerted the applicant pool that  
1918 they ought to use a particular browser as a way to avoid that

1919 problem, and again we think that was fixed. We extended the  
1920 deadline so anybody who had started an application by the  
1921 original application date was given an extra, I think, 6 days  
1922 to get their full application in. During that 6 days, we  
1923 many days where people weren't coming on the system, that  
1924 there was plenty of capacity, plenty of opportunity yet we  
1925 still ran into the natural human tendency to wait until the  
1926 last minute, and people did that even though every day we  
1927 were e-mailing the applicant pool saying there is nobody  
1928 online, now is the time to get on and put your application  
1929 in. At the last minute on the last day, there were still  
1930 some people who apparently had some problems getting  
1931 attachments uploaded, and on the last day we alerted those  
1932 people and gave them the option of sending those attachments  
1933 on a thumb drive or on a disc so that we could add them to  
1934 the application. So I think the responses of RUS and NTIA  
1935 during those 2 weeks showed a very strong emphasis on  
1936 supporting the applicants as they were trying to get their  
1937 way through the system. Both of our organizations are  
1938 committed to doing an evaluation of our systems before we do  
1939 the second round, and if there are improvements above and  
1940 beyond the ones we made, we absolutely intend to make them.

1941         On your third point, because I want to give Jonathan a  
1942 chance to weigh in as well, the incumbents do not have a veto

1943 here. As we have been discussing--

1944 Ms. {Eshoo.} Can you describe the way it works?

1945 Mr. {Strickling.} I am sorry?

1946 Ms. {Eshoo.} Can you describe the way it works?

1947 Mr. {Strickling.} Yes. The applicants have indicated  
1948 the areas that they believe are unserved or underserved as  
1949 part of their application. That information will be going up  
1950 on our database, and anyone, but in particular, service  
1951 providers in those areas, will have an ability to say well,  
1952 wait a second, we disagree with that, but if they are going  
1953 to do that, they are going to have to provide a lot of  
1954 information to us in order to overcome the presumption that  
1955 will have been established by the applicant. Beyond that,  
1956 that will then become an issue that if necessary we will have  
1957 to evaluate, either at RUS or at NTIA, before we make a grant  
1958 award, if something has been thrown in dispute, but we will  
1959 have that decision. It won't be made by any incumbent. They  
1960 will not have the ability to veto another applicant from  
1961 being able to offer service in their area. Jonathan, I don't  
1962 know if you want to add anything.

1963 Mr. {Adelstein.} Well, as usual, since we are so  
1964 coordinated, we agree with everything Mr. Strickling had to  
1965 say. I would just say for purpose at RUS, speed does matter  
1966 for us as well. We have additional points for higher speeds.

1967 The 768 is a floor. That was the FCC definition that Mr.  
1968 Copps and I spent years trying to get up from 200.

1969 Ms. {Eshoo.} I know you did. You devoted several years  
1970 of your life to that.

1971 Mr. {Adelstein.} We sure did, and we got it moved up,  
1972 but we don't want that to be the--that is the floor. We  
1973 build from there, so there is rewards for higher speeds. In  
1974 terms of the challenge process, Mr. Strickling is exactly  
1975 right. We are going to demand real substantiation, but we  
1976 also want to ensure that what the applicants are asserting is  
1977 correct. This is an unprecedented transparency that we are  
1978 going to conduct. We are going to put all those maps up on  
1979 the web so anybody can look at them. The entire public is  
1980 our other IG to make sure that people are being accurate  
1981 about they are representing whether or not an area is  
1982 unserved or underserved but the final determination is by RUS  
1983 and NTIA. We are going to make that determination. All  
1984 claims and challenges have to be verified and substantiated.  
1985 We have field offices in every State in the country, many of  
1986 them in California, 470 offices across the country, and we  
1987 are planning on sending our general field representatives out  
1988 to substantiate these things to actually find out what is  
1989 happening in the communities. Our State directors have  
1990 volunteered to help us as well to make sure that we really

1991 get an accurate picture of what is happening in those  
1992 communities, and this can be a useful building block also of  
1993 course for NTIA's map that they are working on to give us  
1994 real data about what is happening in those communities, but  
1995 we are not going to let incumbents just knock people out  
1996 willy-nilly. They are going to have to prove their case.  
1997 But on the other hand, we welcome them to challenge and to  
1998 get to the bottom-line truth as to what is happening in those  
1999 areas to make sure that we are targeting our funds at areas  
2000 that are truly underserved.

2001 Ms. {Eshoo.} Do you have the capacity to make those  
2002 determinations with your staff?

2003 Mr. {Strickling.} It is going to be a challenge. I  
2004 mean, we are having to basically take people that are  
2005 normally doing other work and put them on to this job. But  
2006 given what challenge Congress has put before us, we think  
2007 that is a valuable re-prioritization of our staff and we are  
2008 working with all of our staff to get them ready for that  
2009 process.

2010 Mr. {Boucher.} Thank you, Ms. Eshoo. Your time has  
2011 expired.

2012 Ms. {Eshoo.} Thank you, Mr. Chairman, and I thank our  
2013 witnesses and I thank you for your patience.

2014 Mr. {Boucher.} The gentleman from Vermont, Mr. Welch,

2015 is recognized for 5 minutes.

2016 Mr. {Welch.} Thank you, Mr. Chairman. One of the  
2017 concerns I had, I think, Mr. Chairman, you brought up in your  
2018 opening remarks, and that is, Vermont is a very rural State  
2019 that sometimes under the standards isn't considered rural, so  
2020 I hope that the concerns expressed by the chairman I know  
2021 having been expressed by the chairman will be taken quite  
2022 seriously by you. Thank you for your testimony.

2023 Just a couple of questions. Broadband obviously is big  
2024 everywhere including in Vermont but simply building the  
2025 infrastructure doesn't guarantee that people will use it, and  
2026 one way to help increase the success rate of rural broadband  
2027 projects is to improve the business case by increasing take  
2028 rates, and there was a way, as I understand it, in the first  
2029 round for someone to propose a combination of sustainable  
2030 adoption and the infrastructure project, and I am wondering  
2031 whether the NTIA will consider this in the next rounds.

2032 Mr. {Strickling.} That is not entirely true.

2033 Mr. {Welch.} Inform me. Thank you.

2034 Mr. {Strickling.} We actually encourage people to  
2035 combine project purposes. Our systems require that they in  
2036 effect submit two separate applications, and we are going to  
2037 look for the second round, is there a way to solve the  
2038 administrative issue but we absolutely encourage people to

2039 combine adoption thinking with an infrastructure project, and  
2040 those projects will be considered in tandem as they go  
2041 through the process.

2042         Mr. {Welch.} Great. Thank you. In the second round,  
2043 States like Vermont are going to be focused on filling out  
2044 our remaining broadband service gaps. Those are likely to be  
2045 found of course in smaller and more discontinuous pieces, and  
2046 I am wondering what will NTIA do to help applicants qualify  
2047 who are trying to turn what is essentially a Swiss cheese  
2048 pattern of coverage into blocks of consistent, 100 percent  
2049 coverage.

2050         Mr. {Strickling.} To the extent that we identify that  
2051 as a problem after see the applications we have seen, because  
2052 it may well be that folks have figured out ways to do that as  
2053 we go through these applications and certainly if we get  
2054 those sorts of learnings from the application pool we have,  
2055 we will find a way to make those learnings available to the  
2056 general pool, but if it is a continuing issue, we are going  
2057 to look at how to continue to tweak and refine our outreach  
2058 efforts for the second round to provide whatever guidance we  
2059 can to people to help them navigate their way through those  
2060 issues.

2061         Mr. {Welch.} Last question. One problem we see in  
2062 Vermont is that clusters of served households tend to be

2063 distributed among a number of different neighboring census  
2064 blocks that also in those census blocks contain unserved  
2065 households, and it is making it harder to define the unserved  
2066 areas using census blocks as a measurement, and I am  
2067 wondering whether NTIA will allow applicants a little bit  
2068 more flexibility to define their service areas to better  
2069 conform to essentially relate to the facts on the ground the  
2070 boundaries of served and underserved areas.

2071       Mr. {Strickling.} I frankly would be surprised if that  
2072 is really a problem for folks who understood the process  
2073 because they could define their service area by linking  
2074 together whatever census blocks they wanted to, and in terms  
2075 of meeting our test, all they had to do was either meet the  
2076 unserved test for the entire set of blocks or the underserved  
2077 test, either one, and I would expect that folks who  
2078 understood their neighborhoods and their service areas could  
2079 create those sorts of service areas for the purposes of our  
2080 projects that would have qualified as underserved or  
2081 unserved. There was a misconception early on that you had to  
2082 demonstrate that each census block in your application was  
2083 either unserved or underserved and that is not correct. You  
2084 had to define a service area as a grouping of census blocks  
2085 and then we looked at that in the aggregate to say does that  
2086 satisfy the unserved definition or does it satisfy the

2087 underserved definition, and again, I think, folks, again,  
2088 gauging from the 2,200 applications we received found ways to  
2089 define their services in a way to qualify.

2090 Mr. {Welch.} Thank you very much. I thank the  
2091 witnesses and I think the chairman, and Mr. Chairman, I yield  
2092 back the balance of my time.

2093 Mr. {Boucher.} Thank you very much, Mr. Welch.

2094 The gentleman from Washington State, Mr. Inslee, is  
2095 recognized for 5 minutes.

2096 Mr. {Inslee.} Thank you, and I want to thank the  
2097 chairman for holding this hearing and I look forward to  
2098 discussing with the committee and Mr. Strickling our Spectrum  
2099 Relocation Improvement Act, which we hope to move forward on  
2100 that Mr. Upton and I have introduced and Ranking Member  
2101 Stearns.

2102 I have a couple questions for Mr. Strickling. We heard  
2103 from Washington State that the NTIA's application review  
2104 process has changed so that it would put the first round on  
2105 the States, and could you confirm for us that it has not  
2106 changed and that NTIA is still going to retain the original  
2107 review process?

2108 Mr. {Strickling.} Yes, Congressman. I can confirm that  
2109 that determination, I am not sure how it arose but it is not  
2110 accurate in terms of what the role of the States will be. As

2111 we discussed earlier in the hearing, the States are being  
2112 asked to provide us prioritizations if they wish to. They  
2113 are not being asked to review applications. No decisions  
2114 have been handed over to them. We retain the ultimate  
2115 decision-making authority on those grants. The States will  
2116 provide input to the process just as the legislation expects.

2117 Mr. {Inslee.} I welcome your statement in that regard,  
2118 and that would obviate the problems if we had 50 different  
2119 sets of prioritization rules that could end up, so you don't  
2120 see that as being a problem?

2121 Mr. {Strickling.} No, sir.

2122 Mr. {Inslee.} Thank you very much.

2123 Mr. {Boucher.} Thank you, Mr. Inslee.

2124 I am going to raise one additional concern with each of  
2125 you that has come to my attention since my round of questions  
2126 ended some time ago.

2127 Mr. {Strickling.} Breaking news.

2128 Mr. {Boucher.} And I want to come back to the fact that  
2129 if you are a rural applicant, you basically have to apply  
2130 through RUS. You can apply jointly to be considered by both  
2131 agencies but your application has to be reviewed and acted on  
2132 by RUS before NTIA has an opportunity to act on it. And the  
2133 concern is this: that RUS could review the application and  
2134 decide that it is not eligible for the 80 percent to 100

2135 percent grant because, for example, it is a non-remote area,  
2136 maybe one of these little pockets that is fairly close to a  
2137 city, even if it is isolated, and would be deemed non-remote  
2138 under that definition, which we hope to see changed, and if  
2139 that were to happen, RUS might still find that that  
2140 application could be eligible for a 50 percent grant or for  
2141 some grant-loan combination whereas if NTIA had been looking  
2142 at that application standing on its own, it could have been  
2143 qualified for a grant of between 80 and 100 percent. So  
2144 there is a barrier here that many applicants may face where  
2145 under NTIA's standard a grant of 80 percent to 100 percent  
2146 could be provided but where under RUS the maximum grant is  
2147 only 50 percent, and I would hope that at a minimum as you  
2148 consider modifying these standards for your next round, that  
2149 you would enable applications to be acted upon based upon the  
2150 higher level of funding that could be provided by either  
2151 agency so that the barrier I have just identified would be  
2152 removed. So I guess first let me ask you if I have properly  
2153 interpreted the standards as they have been put forth, and  
2154 secondly, if you would consider some change that would  
2155 address the circumstances, assuming I have properly  
2156 interpreted them.

2157       Mr. {Adelstein.} That could be an issue. However, I  
2158 would respond that if they can qualify for a grant-loan

2159 combination, that would be a wiser use of taxpayer dollars.  
2160 We want to minimize the amount of grant so that we can  
2161 maximize the amount of rural broadband infrastructure that we  
2162 can leverage to get out to the consumers. So if in fact  
2163 there is an application that would be viable that would be  
2164 able to repay that 50 percent, we actually designed the  
2165 system to encourage that. That is one of the reasons the  
2166 system is designed the way it is with the RUS getting that  
2167 first look at it so that we could try to stretch those  
2168 taxpayer dollars as far as we possibly could. Obviously the  
2169 point isn't to maximize the amount of grant that a particular  
2170 applicant gets but rather to give them the minimum amount  
2171 they need in order to provide broadband and have a viable,  
2172 sustainable business.

2173       Mr. {Boucher.} And let me just say, I don't disagree  
2174 with that. I think you are exactly right. To the extent  
2175 that a full project as it is anticipated by the applicant and  
2176 applied for can be built with something less than full grant,  
2177 obviously it is optimal to do so. But in those instances  
2178 where that can't happen and you deem the project ineligible  
2179 for the full grant but offer a 50 percent grant and a grant  
2180 of a higher level could be provided by your sister agency,  
2181 that might enable the full project to be built and built more  
2182 rapidly or in a better way. It seems to me that that

2183 potential should be preserved, and under the existing  
2184 regulation I think it is not.

2185         Mr. {Adelstein.} It could be because a joint  
2186 application, they could apply to us for 50 percent and apply  
2187 to NTIA for 100 percent the way we designed the application  
2188 system. So they would apply to us at 50 percent. If it  
2189 wasn't viable, and we are very good at doing the business  
2190 analysis to determine whether or not that would be viable at  
2191 that rate, we would then kick that to NTIA and say these  
2192 people aren't going to be able to repay that loan, this  
2193 business case can't be made but it is a very good project.  
2194 That would then automatically be kicked over to NTIA which  
2195 had simultaneously been reviewing the process, been reviewing  
2196 that application--

2197         Mr. {Boucher.} So you are saying that if your analysis  
2198 determines that the full project for which the application is  
2199 made can't be built with something less than the higher level  
2200 of grant, then that would be what the applicant receives, but  
2201 it would be your determination that the full project can be  
2202 built for that amount?

2203         Mr. {Adelstein.} Right. If we determine that the full  
2204 project can't be sustained--

2205         Mr. {Boucher.} And if you determine it cannot be, that  
2206 the full project cannot be built for that amount, for the

2207 maximum amount for which under the application they are  
2208 qualified, then NTIA could take it from there and potentially  
2209 fund it at the higher level to fund the full project. Is  
2210 that accurate?

2211 Mr. {Adelstein.} Exactly.

2212 Mr. {Strickling.} Yes, sir.

2213 Mr. {Boucher.} All right. Thank you. I appreciate  
2214 your indulgence. Let me just quickly ask my staff a  
2215 question. She says yes. All right.

2216 I want to thank you. You have been very patient today  
2217 including sitting through a lengthy recess while we finished  
2218 our business on the Floor of the House, and I appreciate the  
2219 thorough answers you have provided to all of our questions.  
2220 As you could hear expressions on a bipartisan basis today,  
2221 there is concern by member about the definition of remote,  
2222 and I very much hope that you will address that before you  
2223 put the NOFA out for the second round of funding. You have  
2224 heard our other concerns and to the extent that you can  
2225 consider and make modifications to accommodate those, that  
2226 would be much appreciated as well.

2227 We will be having, as Mr. Stearns recommended, at least  
2228 another hearing to oversee this program at some appropriate  
2229 time yet to be determined, and we will welcome you back when  
2230 that hearing occurs. Thank you for your testimony and your

2231 participation today, and this hearing stands adjourned.

2232 [Whereupon, at 1:00 p.m., the subcommittee was

2233 adjourned.]