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2 HIF063.160

3 HEARING ON ``OVERSIGHT OF THE AMERICAN RECOVERY AND

4 REINVESTMENT ACT: BROADBAND, PART 3''

5 THURSDAY, MARCH 4, 2010

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 10:01 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, Markey,
14 Stupak, Doyle, Matsui, Christensen, Space, McNerney, Welch,
15 Dingell, Waxman (ex officio), Stearns, Shimkus, Buyer, Terry,
16 Blackburn, Barton (ex officio) and Griffith.

17 Staff present: Roger Sherman, Chief Counsel; Bruce
18 Wolpe, Advisor; Amy Levine, Counsel; Tim Powderly, Counsel;

19 Shawn Chang, Counsel; Greg Guice, Counsel; Sarah Fisher,
20 Special Assistant; Michael Perry, Intern; Elizabeth Letter,
21 Special Assistant; Neil Fried, Minority Counsel; Will Carty,
22 Minority Professional Staff; and Garrett Golding, Minority
23 Legislative Analyst.

|
24 Mr. {Boucher.} The subcommittee will come to order.

25 Good morning to everyone, and welcome to our hearing
26 today, our third oversight hearing regarding the \$7.2 billion
27 provided by the Economic Recovery Act for broadband programs.
28 The programs are administered by the U.S. Department of
29 Commerce through the NTIA and the Department of Agriculture
30 through its Rural Utilities Service. It is our pleasure this
31 morning to welcome the NTIA director, Assistant Secretary for
32 Communications and Information, Larry Strickling, and Rural
33 Utilities Service Administrator Jonathan Adelstein, who will
34 discuss the process that they have undertaken for awarding
35 grants for the first round of funding and the standards their
36 agencies have developed that will govern the funding awards
37 during the second round.

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 developed nations and the percentage of our population
42 that uses it. How effectively these goals are met will be
43 determined in large part by the standards that govern the
44 deployment of the program's funds.

45 During our last oversight hearing, I expressed a range
46 of concerns about the standards that had governed the first

47 round of funding and encouraged the agencies to consider
48 modifying those standards prior to publication of the notice
49 of funds available for the second round. I am pleased to
50 note this morning that the rules for round 2 largely address
51 those concerns. For example, in the RUS program, grants of
52 more than 50 percent of project cost are no longer only
53 available to communities that are deemed remote, meaning that
54 those communities are more than 50 miles from a city of at
55 least 20,000 people. That round 1 restriction had
56 disqualified from major grant awards small, isolated
57 communities, typically those ringed by mountains that are
58 located throughout the eastern United States. I am pleased
59 that this remoteness test has been removed from the round 2
60 standards.

61 The rules for round 2 have also been changed so that
62 rural applicants are no longer required to apply first to RUS
63 and be rejected before NTIA can make an award to that
64 applicant, and I am pleased to note that in round 2, RUS has
65 specified a measure of funding that will be available for
66 satellite-delivered broadband services. I very much
67 appreciate the agency's responsiveness to our concerns on
68 these matters and I commend them for the positive changes
69 that they have made in the program rules.

70 I do want to offer this morning a couple of suggestions

71 for round 2. First, I urge the agencies to give round 1
72 applicants whose applications were rejected ample guidance so
73 that they can improve their applications for round 2. For
74 example, round 1 applicants at the present time cannot find
75 out how many points the winning applications scored during
76 round 1 so those who were not successful in round 1 currently
77 really don't know how close they came to receiving an award.
78 Many of those round 1 applicants could have been on the cusp
79 of receiving an award and they may be discouraged from
80 applying in round 2. If they knew they were close, they
81 would be encouraged, they should be aware of that fact, and
82 the agency should give them guidance about how to improve
83 their round 2 applications.

84 I also urge the RUS to give serious consideration to
85 granting waivers of the requirement that projects cost no
86 more than \$10,000 per home passed. Many areas without access
87 to broadband today are among the most difficult and expensive
88 to serve due to terrain--many of these communities are
89 mountainous--and also because of the distances that are
90 involved over which the infrastructures would have to be
91 deployed, and many communities of the eastern United States
92 that are in fact isolated, ringed by mountains, a long way
93 from the nearest metropolitan area will simply not be served
94 if the requirement that the project costs no more than

95 \$10,000 per home passed remains inviolate. And so I would
96 strongly encourage generous waivers to that requirement where
97 the situation merits those waivers.

98 I want to commend NTIA and RUS for the tremendous work
99 that they have done on the broadband program to date. The
100 agencies have had to crease these programs out of whole
101 cloth. You have had to hire staff and train that staff over
102 a short period of time and then begin to make grant awards,
103 and I believe you have done an outstanding job of that and
104 you have this committee's thanks for the fine work that you
105 have both performed and that your staffs have performed. You
106 have done so under short time frames and with a lot of
107 uncontrollable events, like the snowstorm that I know was a
108 major impediment but didn't slow you down, and so
109 congratulations for that performance.

110 Mr. Strickling, Mr. Adelstein, thank you for joining us
111 this morning. I look forward to your comments on the matters
112 that I have raised and matters that other members will raise.

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

114 ***** COMMITTEE INSERT *****

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115 Mr. {Boucher.} At this time I am pleased to recognize
116 our ranking member, the gentleman from Florida, Mr. Stearns.

117 Mr. {Stearns.} Good morning, and thank you, Mr.
118 Chairman. Thank you for holding this hearing, and I want to
119 also thank our witnesses for being here. We look forward to
120 their testimony.

121 Mr. Chairman, before we go any further, I would like to
122 recognize the newest member of our Subcommittee on
123 Telecommunications, and the Internet, Mr. Parker Griffith
124 from Alabama. So welcome. We are delighted to have you on
125 the subcommittee.

126 I think, Mr. Chairman, your terms when you said you have
127 a range of concerns, I like that terminology that you used.
128 That was diplomatic and also pointing out there are some
129 legitimate feelings here on both sides. We feel that the
130 NTIA and RUS broadband stimulus programs are not working as
131 well as they could. There are a number of cases that we want
132 to bring up to question the effectiveness of the programs,
133 and I know many on that side particularly touted that this
134 would be a huge stimulus and start sort of a new
135 technological revolution, which ultimately I believe it can.
136 I think honestly done right, this can move towards huge
137 opportunity for everybody.

138 But let me just, for example, give you a case where it
139 has come to my attention there have been some specific
140 complaints about the overbuilding of existing networks. In
141 north Georgia, NTIA awarded a \$33.5 million grant to an area
142 that already has extensive broadband service. According to a
143 letter from the incumbent provider Windstream, 90 percent of
144 the homes and businesses in the project already have access
145 to broadband. All Americans should have access to broadband,
146 robust broadband, but if the goal of the stimulus was to
147 bring broadband to areas without any access, then this \$33.5
148 million could have been better spent. We all agree on that.

149 Now, supporters of the stimulus promise that it would
150 create millions of new jobs and that all Americans would have
151 access to fast and affordable broadband, yet here we are a
152 year later. I am not sure we see the huge change and the
153 early reviews don't bear that out.

154 Now, during the markup, as I mentioned, all of us were
155 hopeful that this would create more jobs. In fact, many
156 people talked about it would spark sorely needed economic
157 development and creation. I mean, those are the exact words
158 of some people on the other side. It appears that some of
159 this money may be going to pay for duplicate services and
160 facilities where consumers already have broadband access. If
161 that is the case, the money will not be bringing access to

162 unserved areas. Moreover, it will make it much more
163 difficult for the existing providers to operate their
164 businesses in the face of a government-subsidized competitor.

165 For the United States to achieve ubiquitous broadband
166 deployment, the private sector will have to shoulder the bulk
167 of the financial burden. To the extent that any government
168 money will be spent on financing broadband deployment, such
169 money should be made available in areas that are otherwise
170 uneconomic to serve. The broadband stimulus programs
171 violated, I think, this central tenet.

172 Congress attached strings to the NTIA program in the
173 form of network neutrality and interconnection obligations
174 that dissuaded experienced providers from participating in
175 the program. In addition to driving away the companies most
176 likely to help us achieve ubiquitous broadband deployment,
177 NTIA is now actually subsidizing broadband competition rather
178 than extending coverage to unserved areas.

179 During the first round of funding, NTIA set up a process
180 whereby providers only had 30 days to identify applications
181 that would grant funding in areas they already served and to
182 contest such applications. The consensus is that 30 days has
183 not been enough time. And NTIA has granted applications that
184 appear to subsidize broadband competition rather than extent
185 services to unserved areas. Now NTIA has actually proposed

186 to shorten the window for contesting applications to 15 days.
187 Now, I just can't conceive of how a 15-day window will ensure
188 that NTIA is not subsidizing broadband competition rather
189 than extending service to rural areas. In fact, during the
190 stimulus markup we had a Republican amendment that would have
191 ensured that unserved areas would get priority over
192 underserved. Unfortunately, this amendment failed on a
193 party-line vote. This program would have really benefit if
194 our amendment had been adopted.

195 If the NTIA and RUS broadband programs were subsidizing
196 areas where existing providers are already offering service,
197 the programs will harm deployment and cost jobs rather than
198 promote broadband and stimulate the economy. Further
199 deployment in areas that already have access will not expand
200 broadband availability and providers in high-cost sparsely
201 populated areas already have difficulty covering the cost of
202 deployment. Splitting their subscribers based upon
203 subsidizing a new competitor will only make it harder to
204 recover broadband investments, putting jobs in jeopardy
205 rather than creating them.

206 So those, Mr. Chairman, are my range of concerns and I
207 appreciate you having the hearing. I look forward to our
208 witnesses.

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

210 ***** COMMITTEE INSERT *****

|
211 Mr. {Boucher.} Thank you very much, Mr. Stearns.

212 The gentleman from Massachusetts, Mr. Markey, is
213 recognized for 2 minutes.

214 Mr. {Markey.} Thank you, Mr. Chairman, and thank you
215 for having this very important hearing.

216 You know, we had a very bad period of time during the 8
217 years of the Bush Administration where we dropped from second
218 in broadband deployment and adoption to 15th in the world.
219 It was not a good record. And since broadband deployment is
220 for all intents and purposes a proxy for kind of determining
221 how rapidly our economy is advancing. We obviously need a
222 plan to make sure that we get back on the road where we don't
223 allow Luxembourg and Finland and other countries to pass us,
224 which they have done over the last 8 years.

225 So that is really what this is all about, and the
226 Recovery Act was a significant step forward in increasing
227 deployment and adoption levels and unleashing the power of
228 broadband to create jobs, improve health care. Actually
229 looking right across the whole board including public safety
230 tools and the national broadband plan which I inserted
231 language into the stimulus bill to require the Administration
232 to produce a national broadband plan is due back on March
233 17th, and to the Irish, that is a very lucky day, you know,

234 not only for the Irish but for the whole country when this
235 broadband plan is produced, and I look forward to that plan
236 being released in the next couple of weeks.

237 In addition, there is non-discrimination in network
238 interconnection obligations that was built into the stimulus
239 bill, and I was proud to be able to write that language in as
240 well because that is central to ensuring that all of those
241 applications, all those new gadgets that are out there have
242 an incentive to be developed because they will have access to
243 this network. That is the whole key. It is competition. It
244 is to ensure that we do have that set of incentives, and the
245 broadband mapping plan so that we know where we have to go,
246 what we have to do. All of that is central as well, all of
247 that in legislation.

248 So Mr. Chairman, this is about as important a hearing as
249 we can have for our country long term in economic growth. I
250 thank you for having it. I look forward to our witnesses.

251 [The prepared statement of Mr. Markey follows:]

252 ***** COMMITTEE INSERT *****

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253 Mr. {Boucher.} Thank you very much, Mr. Markey.

254 The ranking Republican member of the Energy and Commerce
255 Committee, the gentleman from Texas, Mr. Barton, is
256 recognized for 5 minutes.

257 Mr. {Barton.} Thank you, Mr. Chairman, and thank you
258 for holding this hearing. Thank you to our witnesses. I am
259 used to seeing Mr. Adelstein as part of the FCC. It is a
260 little bit difficult to recognize him in his new role, but we
261 appreciate you being here.

262 I am going to submit my written statement for the
263 record, Mr. Chairman. The concern that myself and I think
264 most of the minority have is that we really feel this money
265 should have gone to unserved areas before going to areas that
266 are already served, and there appears to be quite a bit of
267 evidence that a number of the projects that have been awarded
268 have gone to areas that are already being served, and in
269 round 2, there doesn't appear to be any requirement at all
270 that they discriminate between served and unserved. So that
271 would our big objection, that we really try to target these
272 projects to areas that don't have broadband before we begin
273 to give awards to areas that do.

274 And with that, I will yield back.

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

276 ***** COMMITTEE INSERT *****

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

278 The gentleman from Michigan, Mr. Stupak, is recognized
279 for 2 minutes.

280 Mr. {Stupak.} Thank you, Mr. Chairman, for holding this
281 hearing.

282 One provision in the ARRA that has generated excitement
283 in rural communities is the broadband funding. In the coming
284 months, due to a broadband stimulus grant from the Rural
285 Utilities Service, 14 townships in Michigan's Upper Peninsula
286 with populations ranging from 5,000 to as few as 175 people
287 will begin to realize the benefits of high-speed broadband
288 access for the first time ever. The private company that
289 received the funding estimates that during construction of
290 the broadband project, approximately 170 jobs will be created
291 in the area. My office has received numerous letters from
292 constituents in the area asking one simple question: will
293 this project finally give me broadband services? While I
294 wish I could respond to every single letter with an emphatic
295 yes, the project will only benefit residents in three of the
296 31 rural counties in my district, so more work remains.

297 The NTIA will also provide a loan and grant for a
298 Michigan company to build a fiber optic network which will
299 run through nine counties in the northern Lower Peninsula.

300 This project will for the first time in Michigan's history
301 connect the Upper and Lower Peninsula with fiber at the
302 Mackinaw Bridge. An immediate impact of this fiber
303 connection will be that Michigan Tech University will have
304 access to the Internet to high-speed network and will be
305 connected to 210 educational institutions, 70 corporations
306 and 45 nonprofit and government agencies. These projects
307 never would have happened without the stimulus broadband
308 funding, so I have a special appreciation for the benefits
309 that the NTIA and RUS programs will provide for rural
310 communities.

311 However, I want to caution both NTIA and RUS to be
312 diligent in distributing this funding in a timely manner but
313 not to rush it out the door without ensuring it is going to
314 where it will do the most good. I am specifically concerned
315 with NTIA's rule change from 30 days for incumbent rural
316 broadband providers to inform the agency of a proposed
317 project that overlaps with their service area. I want this
318 proceed to succeed. I do not want us to look back and talk
319 about waste, fraud and abuse at the end of this year.

320 Mr. Chairman, thanks for holding this hearing. I look
321 forward to discussing these issues with our witnesses, how we
322 can work together to maximize broadband deployment throughout
323 rural America.

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

325 ***** COMMITTEE INSERT *****

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

327 The gentlelady from Tennessee, Ms. Blackburn, is
328 recognized for 2 minutes.

329 Mrs. {Blackburn.} Thank you, Mr. Chairman, and again, I
330 welcome our witnesses. I had the opportunity to visit with
331 them before the hearing started, and I think that they know
332 we are all interested in seeing how quickly broadband is
333 going to get to our State. We do know, as Secretary
334 Strickling mentioned, we have had two awards in Tennessee and
335 we know that there will be more that are going to come
336 forward.

337 As we go forward on the Recovery Act, which so many of
338 us have really been skeptical of in the first place, and we
339 talked about that, it is troubling to hear a steady flow of
340 stories that much of the money being spent is duplicative.
341 Furthermore, when these grants are subsidizing areas that
342 already have broadband service, which in essence is
343 government-subsidized competition, there is the opportunity
344 for lost jobs and overbuilding, which defeats the purpose of
345 these funds. It seems odd that we have put aside all this
346 money for broadband deployment, have instructed the
347 Administration to send the money out to the States without
348 the staff to execute or a reasonable timetable in which to do

349 it and to top it all off, we are doing all of it before we
350 even have the mapping plan. And as I mentioned to you in our
351 conversation, this is something that our constituents are
352 aware of. The creative community that is headquartered in my
353 State is watching this very closely and they are very
354 conversant on this issue and come to us regularly, and we are
355 going to look forward to drilling down a little deeper on
356 these issues with you, and we are so appreciative of your
357 time of coming before us.

358 And Mr. Chairman, thank you for the hearing.

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

360 ***** COMMITTEE INSERT *****

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

362 The chairman of the Energy and Commerce Committee, the
363 gentleman from California, Mr. Waxman, is recognized for 5
364 minutes.

365 The {Chairman.} Thank you, Chairman Boucher, for
366 holding this hearing to continue our committee's oversight of
367 broadband programs created by the Recovery Act.

368 The broadband funding in the Recovery Act is dedicated
369 to building essential digital infrastructure for the 21st
370 century throughout the United States and it is creating jobs
371 for today and tomorrow. This is the subcommittee's third
372 oversight hearing to review this important Recovery Act
373 program, and it will likely not be the last. Although I am
374 confident that the National Telecommunications and
375 Information Administration and the Rural Utilities Service
376 have been managing this program diligently, the committee
377 will continue to fulfill its oversight role going forward.

378 I know that the Obama Administration is also committed
379 to conducting rigorous oversight of Recovery Act programs
380 including broadband funding. In addition to unprecedented
381 transparency, the President's 2011 budget proposes to
382 reallocate funds to allow specifically for continued NTIA
383 oversight, monitoring grant evaluation and reporting

384 essential to meet the highest standards for transparency and
385 accountability in this program.

386 At our first oversight on this matter, I stated NTIA and
387 RUS have the difficult task of spending the taxpayers' money
388 quickly yet wisely. They would have to act in a decisive
389 manner but so in ways that were fair, open and transparent to
390 the taxpayers. As the first funding cycle for the Broadband
391 Technology Opportunities Program and the Broadband
392 Initiatives Program comes to a conclusion, I believe the
393 agencies have met this difficult challenge. To date, the two
394 agencies have awarded over 60 projects totaling over \$1.25
395 billion in grants and loans. The NTIA has also awarded
396 nearly \$100 million in broadband mapping grants to almost
397 every State and several territories. The projects are
398 touching every corner of the country and range from the
399 creation of a fiber optic network throughout Maine to
400 broadband connectivity in 65 communities in southwestern
401 Alaska to digital literacy training throughout southern
402 California. BTOP and BIP projects will not only extend and
403 enhance broadband offerings in the United States, they will
404 also serve the Recovery Act's central objective of creating
405 and preserving jobs. I want to commend Assistant Secretary
406 Strickling and Administrator Adelstein for their efforts, not
407 to mention the staff at NTIA and RUS, in rising to this

408 challenge. NTIA and RUS also merit praise for being open to
409 suggestions for improvements.

410 I am encouraged by the changes made in the second Notice
411 of Funds Availability issued late last year. The reduced
412 administrative burdens on applicants streamline the
413 application process and now allow satellite providers to play
414 a role in providing broadband service to rural areas. I am
415 particularly pleased with NTIA's emphasis on so-called middle
416 mile projects and a commitment to provide the best services
417 at the best value to the American taxpayer.

418 I look forward to your testimony today and I appreciate
419 the participation and the active role of our subcommittee.
420 Thank you, Mr. Chairman.

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

422 ***** COMMITTEE INSERT *****

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

424 The gentleman from Nebraska, Mr. Terry, is recognized
425 for 2 minutes.

426 Mr. {Terry.} Thank you, Mr. Chairman.

427 I must admit, Mr. Chairman, that the entire process of
428 establishing a policy that will spur broadband deployment in
429 this country seems to be a little backwards. Soon we will
430 have a document submitted to Congress by the FCC that will
431 provide us with a national broadband plan. I support the
432 efforts of the FCC and everyone involved in creating such a
433 document but I find it odd and backwards that the FCC was
434 instructed to create a national broadband policy within the
435 same legislation that appropriated over \$7 billion to build
436 out broadband. If we acknowledge that our broadband
437 infrastructure in America is in need of a national policy to
438 make us more competitive with the rest of the world, then
439 would it have not made more sense to give the FCC to
440 community the national broadband plan and then legislate
441 policy that would stimulate our economy by creating these
442 incentives needed to build more broadband. Instead, Congress
443 rushes to spend money and we have the hope that they get it
444 right.

445 While I hope to stand corrected, I am sure that we got

446 the broadband stimulus right. I am growing increasingly
447 concerned that NTIA and RUS are finding entities that want to
448 build broadband networks over existing broadband networks.
449 The term ``underserved'' is too subjective and it is an
450 excuse to use taxpayer dollars to build networks that the
451 government wants to build under their terms and conditions.

452 Mr. Chairman, over a year ago before the stimulus passed
453 Congress, this subcommittee had the opportunity to use its
454 sacred taxpayer dollars to build networks for Americans that
455 have no broadband today. Delivering broadband to unserved
456 Americans will stimulate our economy and create jobs. That
457 should have been the focus of the federal broadband stimulus
458 program. Today I look at the list of projects funded under
459 the first round and I see \$7.5 million to the city of Los
460 Angeles, \$1.9 million to the city of Boston and \$25 million
461 to a fund network in Maine that completely overlaps existing
462 fiber network yet many unserved areas received nothing.

463 Yield back.

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

465 ***** COMMITTEE INSERT *****

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

467 The gentleman from Pennsylvania, Mr. Doyle, is
468 recognized for 2 minutes.

469 Mr. {Doyle.} Thank you, Mr. Chairman.

470 Well, we have given you guys a pretty tough task. From
471 hearing our members here today, want you to have all this
472 money deployed yesterday, but we also want you to do your due
473 diligence to make sure that you are not putting projects out
474 there that are later going to embarrass you and embarrass all
475 of us. So it is a tough balancing act that we have given you
476 but I think you are up to the task.

477 I would say to some of my friends, I support deploying
478 broadband in areas that don't have it. That is what we want
479 to do and that is the key to the future, but I would also say
480 to my friends that many of us who represent urban areas and
481 especially poor urban areas have many communities that are
482 underserved. The private sector has not put broadband or not
483 sufficient, you know, the up-to-date broadband in these areas
484 and people are falling behind, and as a result, these people
485 aren't going to have access to the jobs of tomorrow if we are
486 not able to serve these underserved areas also. So I don't
487 think it should be an either-or proposition. Obviously we
488 need to do both, and I support both.

489 The projects in Pennsylvania so far, the two projects
490 that have been awarded, I am happy to see the Pennren project
491 that is going to create a high-speed middle-mile network to
492 connect anchor institutions like schools and libraries and
493 universities, community colleges and hospitals and more to
494 each other while helping these last-mile companies connect to
495 that high-speed network. The other project, which invests in
496 wireless and wireline backhaul, provide wholesale access over
497 an existing public safety wireless network in my State. Both
498 of these projects I think they make sense. They leverage
499 existing revenues and both serve areas that are in need of
500 broadband.

501 So with that being said, I look forward to asking some
502 questions on the sustainable broadband adoption grants that
503 are coming up in round 2. I would just say it is one thing
504 to have connectivity but it is another thing to use it and
505 use it effectively to promote education, economic development
506 and improve health care. Broadband is the dial tone of the
507 21st century, Mr. Chairman, and I am looking forward to the
508 testimony of our witnesses and the questions to follow.
509 Thank you.

510 [The prepared statement of Mr. Doyle follows:]

511 ***** COMMITTEE INSERT *****

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512 Mr. {Boucher.} Thank you very much, Mr. Doyle.

513 I would like to add the subcommittee's welcome to the
514 gentleman from Alabama, Mr. Griffith, and Mr. Griffith, you
515 are recognized for 2 minutes.

516 Mr. {Griffith.} Thank you, Mr. Chairman, and I have no
517 comment, and I appreciate so much the opportunity to
518 participate in the committee. Thank you.

519 [The prepared statement of Mr. Griffith follows:]

520 ***** COMMITTEE INSERT *****

|
521 Mr. {Boucher.} Thank you, Mr. Griffith. We will add 2
522 minutes to your questioning time for this distinguished panel
523 of witnesses.

524 The gentleman from California, Mr. McNerney, is
525 recognized for 2 minutes.

526 Mr. {McNerney.} Thank you, Mr. Chairman. I want to
527 thank you for holding today's hearing to discuss the current
528 status of the broadband grants provided by the American
529 Recovery and Reinvestment Act. As we all know, expanding
530 broadband access is crucial to promoting American innovation
531 and improving our economy.

532 I do hope to learn today about how the NTIA is
533 progressing with its Broadband Technology Opportunities
534 Program now that the agency is accepting a second round of
535 funding distribution proposals. I understand that some
536 changes have been made to improve the application process and
537 I am anxious to see how these changes have resulted in
538 positive outcomes. It is crucial to fully understand where
539 to focus our energies as we continue working to expand
540 broadband services and I am eager to see the results of the
541 broadband mapping grants.

542 Again, I want to thank the panelists, Mr. Strickling and
543 Mr. Adelstein, for coming today and I look forward to working

544 with you to improve the grant process.

545 Thank you, Mr. Chairman.

546 [The prepared statement of Mr. McNerney follows:]

547 ***** COMMITTEE INSERT *****

|
548 Mr. {Boucher.} Thank you very much, Mr. McNerney.

549 The gentleman from Illinois, Mr. Shimkus, is recognized
550 for 2 minutes.

551 Mr. {Shimkus.} Thank you, Mr. Chairman, and I want to
552 welcome Secretary Strickling and of course Jonathan
553 Adelstein, who we worked with a long time ago.

554 It is unfortunate that we are doing this and we still
555 don't address what is underserved and what is unserved. We
556 have been trying to get a definition of underserved. The
557 opening statements are part of this debate. In bills, we try
558 to define that. We weren't allowed to get a definition of
559 that, and that is why we are going to continue to have this
560 frustration about where does the money go and are people
561 being incentivized by the fact that we have gone into
562 additional debt. That is what we have done with ARRA. We
563 have gone into additional debt to help an undefined purpose,
564 whether it is unserved or underserved, and the definition of
565 underserved, what is that?

566 So, Mr. Chairman, I would recommend we clarify this to
567 help us as we move forward, and if anything, that should be
568 part of the oversight hearing. If we are incentivizing
569 people who already have broadband access with taxpayers'
570 dollars and there are areas of our country that have no

571 service, shame on us. And that is simplistic and that is
572 clear, and we should get it straight.

573 Now, to be on the nicer side, I would like NTIA to come
574 in so we can talk about E911, the digital platform, where do
575 we move next, but this is key in this whole debate. If 911
576 services are going to go over a broadband platform, we better
577 have broadband deployment in areas where there is not
578 broadband deployment now. And as the commissioner from the
579 State of California said in testimony here, if we are giving
580 out money before we have a plan, we are going to waste money,
581 and I fear that is where we are going. Thank you, Mr.
582 Chairman.

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

584 ***** COMMITTEE INSERT *****

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

586 The gentlelady from the Virgin Islands, Ms. Christensen,
587 is recognized for 2 minutes.

588 Mrs. {Christensen.} Thank you, Mr. Chairman, and I want
589 to again thank you, Chairman Boucher, and Ranking Member
590 Stearns for holding this third oversight hearing on the
591 broadband programs and initiatives created under the ARRA and
592 for your commitment to exercising our oversight
593 responsibilities on these programs. The ARRA is making a
594 positive difference in many, many areas and we just want to
595 ensure that the same is true for broadband reaching unserved
596 and underserved areas. As Mr. Stupak said, the programs and
597 initiatives are particularly important to rural areas, and
598 although people don't think of the Virgin Islands as a rural
599 area, I understand that we are just second to Puerto Rico in
600 the lack of Internet access. We are very, very much un- and
601 underserved.

602 I want to applaud both NTIA and RUS, though, for what I
603 see as a continuing great collaboration between the two
604 agencies as well as for the outreach you have done, the
605 technical assistance you provided, for extending the
606 deadlines, for the simplification and streamlining of the
607 process and the other changes that have you made to assist

608 applicants and to better meet your mandate. Obviously there
609 are several concerns and I look forward to hearing your
610 testimony and being able to interact with you during the
611 question-and-answer period.

612 Thank you, Mr. Chairman. I yield back the balance of my
613 time.

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

615 ***** COMMITTEE INSERT *****

|
616 Mr. {Boucher.} Thank you very much, Mrs. Christensen.

617 The gentleman from Indiana, Mr. Buyer, is recognized for
618 2 minutes.

619 Mr. {Buyer.} Thank you very much.

620 I also would like to welcome Dr. Griffith. I welcome
621 you to the Republican Party. I welcome you to the committee.
622 I think your expertise is going to be very valuable to the
623 committee. I also want to note that as you go into the next
624 Congress, I am not going to be here so I am going to bring
625 this to your attention. Since you are sitting way down at
626 the bottom of the dais, what happened in this committee was
627 something that we had not seen here in Congress for a very,
628 very long time, and it was the distortion of the committee
629 ratios, and this committee's ratio got distorted because we
630 had a new President who said he is going to deliver change
631 that America can believe in, and what we have learned in
632 order to deliver the change that he thinks America needs, he
633 needed a process that he could jam it through. In order to
634 do that, you control the process by manipulating it. So they
635 distorted the ratio on this committee so they could actually
636 achieve the goal of passing a climate change bill and passing
637 health care which Americans said they don't want. So what
638 has happened is, some of the Democratic colleagues have

639 folded over onto this side of the aisle. So Republicans,
640 which I believe are going to take control of the next
641 Congress, do not be upset when you are sitting back on the
642 Democrat side of the aisle, okay? I just want to alert you
643 ahead of time.

644 The other is, I am going to call you Dr. Griffith. I am
645 going to call you Doctor because you understand triage. You
646 take care of the worst patients first. We are dealing with
647 what I call a policy of shame, a policy of shame because we
648 aren't even waiting for the maps to be done and we are
649 pushing the money out. Why? To make sure money gets to
650 underserved instead of unserved. So we are actually leaving
651 people out. So your premise as a doctor in how you view the
652 world, you are going to have some challenges here because we
653 are actually exercising policies of shame and I think it is
654 absolutely wrong, and I am very, very bothered that we are
655 doing that in this committee and I welcome your dimension.

656 With that, I yield back.

657 [The prepared statement of Mr. Buyer follows:]

658 ***** COMMITTEE INSERT *****

|
659 Mr. {Boucher.} Thank you very much, Mr. Buyer.

660 The gentleman from Ohio, Mr. Space, is recognized for 2
661 minutes.

662 Mr. {Space.} Thank you, Mr. Chairman, and thank you,
663 Ranking Member Stearns for holding this hearing this morning.

664 Before I begin, I would like to welcome my colleague
665 Parker to the committee. It is not how I envisioned you
666 ascending to this committee but it is good to see you here,
667 Parker.

668 To date, the State of Ohio has received a total of six
669 awards under the Recovery Act for the broadband programs,
670 four of which are RUS programs, two NTIA, and all are worthy.
671 However, the NTIA programs deal primarily with--one deals
672 with state mapping, one deals with awareness, both of which
673 are very important. The RUS programs deal kind of on a
674 microcosm basis, small programs covering no more than three
675 or four counties, and I don't want to forget that these are
676 very important projects and we are supportive of all of them.
677 However, we haven't seen what we believe is necessary in
678 terms of providing a regional approach, in Appalachian Ohio
679 in particular where regardless of how you define underserved
680 or unserved, we will meet that definition. The counties that
681 I represent, and I represent 16, almost all of them fall

682 within Appalachia proper and we are missing out on the hope
683 that broadband provides, both with respect to economic
684 development but pertaining to quality-of-life issues as well,
685 health care access, educational access, all areas where we
686 find ourselves at a disadvantage, and we know that broadband
687 fulfills and will fulfill the promise of bridging those
688 divides.

689 We have been working with stakeholders in the district,
690 and I am optimistic that in spite of the successes that the
691 NTIA and RUS have had thus far, you understand and are fully
692 appreciative that there is much more work to be done, and I
693 certainly hope that some of that work will be done in
694 Appalachian Ohio.

695 Again, thank you gentlemen for being here today and for
696 your hard work in your capacities.

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

698 ***** COMMITTEE INSERT *****

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

700 We welcome now our witnesses for this morning, a
701 distinguished panel consisting of the two individuals who are
702 responsible for administering the \$7.2 billion stimulus fund
703 enacted through the American Recovery Act. Mr. Larry
704 Strickling is the Assistant Secretary of Communications and
705 Information at NTIA, the U.S. Department of Commerce. Mr.
706 Jonathan Adelstein is the Administrator of the Rural
707 Utilities Service and the U.S. Department of Agriculture.
708 From 2002 until 2009, he served as a commissioner on the
709 Federal Communications Commission. We welcome both of you.
710 This is your third appearance, as I recall, before our
711 subcommittee, and we thank you for taking the time to share
712 your views with us this morning on round 1 and your plans for
713 round 2.

714 Without objection, your prepared written statements will
715 be made part of the record. We would welcome your oral
716 summary and ask that you keep that to about 5 minutes.

717 Mr. Strickling.

|
718 ^STATEMENTS OF LAWRENCE E. STRICKLING, ASSISTANT SECRETARY
719 FOR COMMUNICATIONS AND INFORMATION, NATIONAL
720 TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION; AND
721 JONATHAN S. ADELSTEIN, ADMINISTRATOR, RURAL UTILITIES
722 SERVICE, USDA

|
723 ^STATEMENT OF LAWRENCE E. STRICKLING

724 } Mr. {Strickling.} Thank you, Chairman Boucher and thank
725 Ranking Member Stearns and thank members of the subcommittee
726 for the invitation to testify today on our programs to expand
727 broadband access and adoption pursuant to the Recovery Act.
728 I am also very pleased to make what is now the sixth
729 appearance with Administrator Adelstein as we make the rounds
730 of oversight hearings among the various committees that are
731 interested in this topic, and I think that points out how
732 important this topic is to so many people.

733 I am pleased to report that by the end of this week, we
734 at NTIA will have awarded over \$1 billion in grants to build
735 broadband infrastructure, to equip public computer centers,
736 to increase the adoption of broadband services, and to have
737 the States collect data for the national broadband map.
738 These investments will help bridge the technological divide.

739 They will create jobs. They will improve health care and
740 education in communities across America.

741 When I testified here before the subcommittee last
742 September, we had just received the first round of
743 applications and were starting our review of more than 1,800
744 applications that had been submitted. I want to assure you
745 that projects that we have funded to date, for those projects
746 the money is well spent and I report to you today that the
747 projects we have selected for funding constitute a major
748 investment in upgrading our Nation's infrastructure, creating
749 new jobs and improving our economic health.

750 As I indicated, by the end of this week we will have
751 awarded over \$1 billion in grants. We have awarded grants in
752 all 50 States and in several of the territories. This
753 includes 54 broadband mapping grants totaling about \$100
754 million and 49 BTOP grants worth more than \$960 million. We
755 are funding four types of projects, and I would like to give
756 you a brief update on each of those.

757 First, the infrastructure projects. These are funds to
758 build out improved infrastructure or new infrastructure in
759 unserved and underserved areas, and I look forward to
760 clearing up what is obviously a misunderstanding about
761 exactly what the difference is between unserved and
762 underserved. We will do that in the question-and-answer

763 period. But the point I want to make is that our
764 infrastructure projects are what we call comprehensive
765 community infrastructure projects. We bring high-speed
766 middle-mile infrastructure into communities or regions and
767 then connect key community anchor institutions--the
768 libraries, the hospitals, the community colleges. This core
769 infrastructure once it is built is available to any service
770 provider in the area under our open network requirements.
771 This feature, which is required of all of our projects and
772 indeed the Recovery Act, enables companies who are already
773 present in the area who offer broadband to homes and
774 businesses to improve their service offerings and reach
775 neighborhoods that are not adequately served today. We would
776 need to come back to this in the questions and answers, but
777 it is fundamentally not the case that we are subsidizing
778 competitors here. These projects benefit the existing
779 providers because they have access to these facilities to
780 reach customers that perhaps for economic reasons they
781 haven't been able to adequately serve before this project is
782 built.

783 So let me give you some examples. In Michigan, we have
784 funded Merit Network to build a 955-mile advanced fiber optic
785 network through underserved counties in Michigan's Lower
786 Peninsula. This project will build direct connections to 44

787 anchor institutions like libraries, universities, community
788 colleges, but as I noted, this infrastructure is available to
789 all the providers in the area which means that this
790 investment can lead to new or improved broadband service for
791 more than 886,000 households, 45,000 businesses and 422
792 anchor institutions. In north Florida, we awarded \$30
793 million to the North Florida Broadband Authority, a
794 collaboration of 14 north Florida county governments who had
795 assessed that they had a need for these services in those
796 counties. It is a 1,200-mile fixed wireless broadband
797 network that will directly 300 anchor institutions, but
798 again, existing service providers will be able to use this
799 network to offer broadband to an estimated 150,000 households
800 and 27,000 businesses. Overall, the infrastructure projects
801 we are funding in round 1 will result in the construction of
802 20,000 miles of broadband networks. They will build
803 connections into more than 5,000 community anchor
804 institutions and they will enable existing providers to offer
805 new or improved broadband services to an estimated 10 million
806 households.

807 The Recovery Act also directs us to award grants to
808 public computer centers. These grants are important for
809 communities where residents cannot easily subscribe to
810 broadband at home due to its unavailability or affordability.

811 They can be a vital link to give people access to jobs,
812 health and educational information and to gain the skills
813 they need to get jobs and compete in the 21st century
814 economy. The 18 projects we have selected for funding will
815 all significant increase the ability of thousands of
816 Americans to get access to high-speed Internet services at
817 their local libraries, their community centers and other
818 local institutions. For example, our \$6 million grant in
819 South Carolina will enable a computer center to be open to
820 the public in every community college in the South Carolina
821 Technical College system, will serve 21,000 new users per
822 week. Rhode Island, a \$1.2 million grant will serve an
823 additional 7,000 users per week. Michigan, we awarded a
824 \$900,000 grant to Michigan State University to upgrade
825 computer centers at public libraries, serve an additional
826 13,000 users per week across the State.

827 Our third group of projects is sustainable broadband
828 adoption. These focus on how we can spend a dollar to
829 increase the adoption rate for broadband services. Last
830 month, we issued a report analyzing data collected by our
831 sister bureau, the Census Bureau, on the levels of broadband
832 subscription across the country. We asked folks why do they
833 not use broadband, and the reasons they gave us were, one,
834 they didn't need or understand the service, or two, they

835 found it too expensive. So our sustainable broadband
836 adoption projects have therefore focused on addressing the
837 reasons people have given for not subscribing. So for
838 example, just this week we awarded \$18 million to the
839 Cleveland-based organization One Community for a largely Ohio
840 project that will reach over 330,000 people with an awareness
841 campaign. It will train 33,000 people in both urban and
842 rural areas and provide households with discounted computers.
843 For all these adoption projects, our key focus is on the
844 ability of the grantee to measure the level of subscribership
845 in the target communities both before the program and at
846 various times throughout the program. We want to make sure
847 that the dollars are well spent, and it is imperative that we
848 be able to measure the program impact to determine which of
849 these approaches to increasing adoption actually work.

850 Our last category, broadband mapping. By the end of
851 this week, we will have awarded 54 out of a possible 56
852 grants to States and territories totaling approximately \$100
853 million. They will use these funds to collect and verify
854 broadband subscription and infrastructure data, and we are
855 expecting the first data by the end of the month. This will
856 be used to create the national broadband map, and assuming
857 the carriers follow through on their promises to supply the
858 data, we hope to use it in our review of the second round

859 applications for infrastructure projects.

860 Very quickly, I will just talk about round 2. Earlier
861 this week we announced an extension of our March 15th
862 deadline for all infrastructure projects to March 26th. Our
863 deadline for public computer center and sustainable adoption
864 projects remains March 15th. In round 2, we will continue
865 our focus on funding comprehensive community infrastructure
866 projects, and Administrator Adelstein at the RUS will be
867 focusing on rural last-mile projects. I tell you that I am
868 confident that we will continue to meet the challenges we
869 face between now and the statutory deadline of September
870 30th, and I expect that by the end of this year, as the
871 Recovery Act requires, our program will have benefited every
872 State to the extent practicable.

873 So thank you for the opportunity to testify, and I look
874 forward, I really look forward to your questions.

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

876 ***** INSERT 1 *****

|

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

878 Mr. Adelstein.

|
879 ^STATEMENT OF JONATHAN S. ADELSTEIN

880 } Mr. {Adelstein.} Mr. Chairman, Ranking Member Stearns
881 and members of the committee, it is great to have the
882 opportunity to testify. It is great to be back. I certainly
883 appreciate the leadership of this committee in promoting
884 rural broadband deployment and deployment across the country.
885 This committee has been really on top of bringing this back
886 to the national agenda where it belongs. As Congressman
887 Markey indicated, it was left behind for too long and I
888 appreciate your resources and leadership.

889 On behalf of our secretary, Secretary Vilsack, and our
890 Under Secretary, Dallas Tonsager, I do want to express the
891 high priority that the USDA places on getting this job done
892 and getting it done right. Broadband is one of the central
893 pillars of the Secretary's view of supporting the future of
894 rural America, and it is a special honor to appear with my
895 friend and partner in this, Larry Strickling. He is such an
896 outstanding leader. We work hand and glove on every aspect
897 of this and will continue to until we complete this effort.

898 Today I am happy to announce that the USDA is awarding
899 \$254 million for 22 outstanding projects in 18 States. This
900 brings our total to date of awards to over \$895 million for

901 55 projects in 29 States and territories. These awards are
902 going to bring broadband to hundreds of thousands of homes,
903 businesses and key community anchor institutions.

904 Just in terms of this committee alone today, there have
905 been previous awards made to members of this committee's
906 districts but today's announcement includes an \$11.4 million
907 loan-grant combination in Congressman Hill's district that
908 will serve 52,000 homes, 11,000 businesses and 135 community
909 facilities. Today's announcement also includes an \$8.3
910 million in Congressman Upton's district that will provide
911 fiber to over 1,400 homes and it provides \$2.3 million in
912 Congressman Space's district that will deliver broadband to
913 11,000 homes that currently lack service, and I know this is
914 our second award in your district. Also, we had the
915 Consolidated Electric Cooperative get an award recent in
916 Appalachian Ohio. It should also be of interest to Chairman
917 Markey because it connects all of the substations of CEC's
918 electric grid so they can provide smart grid, a real model
919 for the future of rural electric cooperatives.

920 Now, in this first round, the number of applications, as
921 you know, is higher than expected, and they underwent a very
922 rigorous review process. We had to ensure that taxpayer
923 funds were invested wisely. Applicants that didn't receive
924 funding received a letter explaining why, and we have

925 streamlined and refined the application process for the next
926 round which should speed the assessment process. As you
927 know, we have indicated that we announced our NOFA on January
928 15th. On February 16th, we opened the window. We are giving
929 applicants more time this round to apply and to be notified
930 about what the rules are the second time around. The
931 original application deadline was March 15th, as Secretary
932 Strickling noted. We have extended that. We went until
933 March 29th in order to encourage applicants that were
934 notified late in the process to reapply and also to give
935 everyone time to submit the best possible materials.

936 We have also recently issued clarifications regarding
937 the extension of service to Native American lands, which
938 remains a very high priority for this Administration because
939 they are among the most underserved in the country.

940 Now, in response to your feedback and issues raised by
941 stakeholders, as you indicated, Mr. Chairman, we have made
942 major changes in our second NOFA. First, RUS and NTIA
943 published separate but very coordinated NOFAs so applicants
944 now can choose which program better suits their needs. Under
945 NOFA 1, the only applicants eligible for 100 percent grants
946 were those that were remote or 50 miles away from a city or
947 town, although their applicants were limited to a grant of no
948 more than 50 percent of the project cost. And as you noted,

949 Mr. Chairman, in response to concerns raised by this
950 committee, among others, and you, we eliminated the special
951 funding category for remote projects. We heard you and we
952 responded. RUS now offers a 75/25 grant-loan combination as
953 a base instead of our 50/50 loan-grant combination, so we
954 spilt the difference between 100 percent grant for remote
955 areas and the 50 percent for non-remote areas, and to stretch
956 our funds and our impact, we provided incentives for higher
957 loan components and higher contributions of outside capital.
958 Now, we can increase that grant amount up to 100 percent for
959 areas where it is needed most, the most rural areas or the
960 areas that are hardest hit by the economic downturn. RUS
961 will focus on last-mile projects that are really urgently
962 needed in many rural communities. They connect directly to
963 homes, businesses and key community anchor institutions.

964 NOFA 2 allows us to have more flexibility to award
965 points for projects that target essential community
966 facilities, promote rural economic development and support
967 persistent poverty counties or chronically underserved or
968 unserved areas, and we are offering additional funding
969 opportunities in the second NOFA. We are allowing satellite
970 providers to compete for around \$100 million to provide
971 equipment and installation for rural premises that remain
972 unserved after all other Recovery Act funds are obligated,

973 and awardees of either NOFA can apply for technical
974 assistance grants, to develop a regional broadband plan or to
975 provide broadband to rural libraries.

976 We are on track to obligate the \$2.5 billion the
977 broadband authority provided to us by September 30. There
978 was almost \$900 million awarded to date by RUS. We have
979 funded a wide range of technologies from wireless to wireline
980 and we have funded a broad range of applicants from wireless
981 broadband companies to cable companies to incumbent telecoms.
982 Our ability to offer these programs with these great economic
983 opportunities for the future is really a result of your work
984 and your support. It is an honor to work with you on behalf
985 of the 50 million Americans in our rural communities, and I
986 appreciate your continued oversight and how carefully you
987 have overseen this program and look forward to your
988 questions. Thank you.

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

990 ***** INSERT 2 *****

|
991 Mr. {Boucher.} Thank you very much, Mr. Adelstein.

992 Mr. Strickling, we appreciate your sharing those
993 thoughts with us this morning.

994 I have a question for both of you. I think to the
995 extent that you provide guidance to the applicants from round
996 1 who were not successful, it might improve the quality of
997 the applications you get for round 2 and those that were
998 particularly close that almost made the award in round 1
999 should know that fact so they are encouraged to apply again,
1000 and those might be some of the best applications you get. So
1001 Mr. Strickling, Mr. Adelstein, what are your plans to provide
1002 that kind of guidance?

1003 Mr. {Strickling.} Thank you, Mr. Chairman. So in terms
1004 of round 1 feedback, first off, we did not use a point system
1005 to decide whether we would fund or not. We used it to screen
1006 applications, and then once projects went into due diligence,
1007 we worked with the applicant to see if the project met our
1008 goals, did it deliver the benefits, was is sustainable, did
1009 it have experience management. So about 400 applications
1010 went into due diligence. Fewer than 100 will be funded. But
1011 I will tell you, that would be the group that you would call
1012 having been near the goal line, and through their discussions
1013 with us through the due diligence process, they have learned

1014 a tremendous amount about their applications, the strengths
1015 and weaknesses.

1016 Mr. {Boucher.} So you have already given them that kind
1017 of guidance just as a part of the round 1 process?

1018 Mr. {Strickling.} Yes, they will be well prepared to
1019 come back in round 2, and we hope many of them do.

1020 Mr. {Boucher.} Okay. That is good.

1021 Mr. Adelstein?

1022 Mr. {Adelstein.} We sent out a thousand letters by
1023 February 26th offering reasons, exact reasons why
1024 applications weren't funded. Now, we are still getting
1025 questions about that. We have a help desk that offers more
1026 detailed explanations to those who have questions and we are
1027 striving to answer those calls as quickly as we can. We will
1028 continue to be as responsive as we can. We are going up to
1029 put up materials on the Web, and we have, to explain some of
1030 the issues in the first round. We are really urging
1031 applicants to reapply in round 2. We think it is crucial
1032 they come back to us. We addressed a lot of the major
1033 factors that were affecting applicants in round 1, and round
1034 2 is really a different ballgame, so we want them to focus on
1035 what is in the second NOFA and to get at it that way.

1036 Mr. {Boucher.} All right. Thank you. I mean, if an
1037 applicant, Mr. Adelstein, that was not successful in round 1

1038 has specific questions, do you have somebody they can
1039 interact with? Is there a process for doing that?

1040 Mr. {Adelstein.} There is. We have our help desk, and
1041 we will answer calls, and we have gotten a lot of them about
1042 people trying to ask for an explanation as to what was in
1043 their letter, and we have provided that and explained that to
1044 them. We plan to do more of that.

1045 Mr. {Boucher.} Thank you very much.

1046 Mr. Adelstein, you have a requirement for round 2 that
1047 in order to be eligible for assistance from RUS, the project
1048 must cost no more than \$10,000 per home passed, and let me
1049 just express some real concern I have about that requirement.
1050 I represent and I know that many other members do districts
1051 that are mountainous where communities are a long way from
1052 the nearest municipality and they may be ringed by mountains,
1053 meaning that literally you have to cross mountains with
1054 infrastructure and that necessarily elevates project costs,
1055 and these are some of the communities that really was the
1056 purpose of the stimulus legislation to serve, and I am
1057 concerned they are going to be disqualified. Now, I know you
1058 have a waiver procedure that is attached to this \$10,000-per-
1059 home limitation. Tell me about how generous you intend to be
1060 with that waiver procedure. I am looking for some
1061 reassurance that these very deserving communities that are

1062 just expensive to serve are not going to be disqualified.

1063 Mr. {Adelstein.} We certainly understand your concern.

1064 The goal in the stimulus package is to stretch the tax
1065 dollars you have given us as far as possible, and we aim to
1066 strike a balance between expanding service and encouraging
1067 cost-effective investment. I understand that more remote
1068 areas are more expensive to serve, and that is why we do have
1069 the waivers that you indicated. Now, our waivers do allow
1070 for going above that amount if there are persistent poverty
1071 or chronically underserved areas, for regional development,
1072 which some members have talked about today, connecting rural
1073 libraries, tribal areas, community facilities. So we will be
1074 looking at particular issues like that.

1075 Mr. {Boucher.} All right. But you do intend to apply
1076 some waivers in those instances where the community just by
1077 virtue of distance or terrain can't meet that \$10,000
1078 standard?

1079 Mr. {Adelstein.} We will have to evaluate each waiver
1080 request as it comes in based on the criteria that we put in
1081 the NOFA.

1082 Mr. {Boucher.} Mr. Strickling, let me ask you this
1083 question. Did the non-discrimination and interconnection
1084 requirements that were a part of the NTIA set of standards
1085 discourage applicants from applying for benefits under your

1086 program?

1087 Mr. {Strickling.} There is little evidence of that in
1088 the sense that we received over 2,200 applications between
1089 our two programs in round 1. We did hear from some of the
1090 larger carriers that not just those provisions but I think
1091 the overall complexity of the program, the fact that this was
1092 open to such scrutiny may have discouraged some of them in
1093 round 1. I don't remember hearing any carrier tell me it was
1094 solely because of the interconnection obligations that that
1095 was a reason they didn't apply. I have heard other reasons
1096 from other carriers. Some of them are reconsidering, I know,
1097 in round 2.

1098 But I want to come back on this interconnection issue.
1099 The fact that we require interconnection in our projects I
1100 think is an important one to putting to rest this idea that
1101 we are overbuilding or building duplicative facilities. We
1102 are putting in these high-speed middle-mile facilities that
1103 will serve an entire region and a set of communities, and
1104 again, because they are open to everybody, every provider can
1105 interconnect with them and offer service. So if you are AT&T
1106 or a small incumbent telephone company, if you are the local
1107 cable company, perhaps you haven't been able to serve a large
1108 anchor institution in your community because the anchor
1109 institution didn't have the \$30,000 you were going to charge

1110 to build the fiber out to the hospital.

1111 Mr. {Boucher.} Well, okay, Mr. Strickling.

1112 Mr. {Strickling.} We will pay for it and then the
1113 incumbent can then use that.

1114 Mr. {Boucher.} I understand that completely. You are
1115 going to, I am sure, get questions on that very subject from
1116 some of my colleagues momentarily.

1117 My time has expired. We have a series of recorded votes
1118 pending on the House Floor, three votes in all, and this will
1119 take about 45 minutes. So stay close. We are going to
1120 adjourn until those votes are concluded, and we will pick up
1121 momentarily.

1122 [Recess.]

1123 Mr. {Boucher.} The subcommittee will reconvene. I
1124 thank our witnesses for their patience.

1125 Ms. Christensen from the Virgin Islands, you are
1126 recognized for 5 minutes.

1127 Mrs. {Christensen.} Thank you, Mr. Chairman. I am not
1128 sure I have all my questions together.

1129 Let me ask this, and this would really go to Assistant
1130 Secretary Strickling. I have a letter that is actually dated
1131 yesterday from U.S. Telecom and they were suggesting a
1132 screening process that would again with the intention of
1133 ensuring that broadband really gets to those unserved areas,

1134 a screening process based on the presence of existing
1135 locations where connection to the Internet could be readily
1136 obtain, where they recommend relying on an Internet gateway
1137 and that the middle-mile project funding be focused on
1138 support and construction of new facilities extending from
1139 that gateway to the community institutions and households, et
1140 cetera, but not redundant with facilities or duplicating the
1141 process with those that already exist. When you were doing
1142 your opening testimony, it sounded pretty much like that is
1143 what you are doing. Have you seen this letter or the
1144 proposal?

1145 Mr. {Strickling.} Yes, it came in at the close of
1146 business yesterday. I haven't had time to do anything other
1147 than skim it quickly. There are some interesting ideas in
1148 there, and we do intend to take a look at it. I don't know,
1149 given the fact that our second-round rules are already out,
1150 to what extent we could incorporate those ideas to the extent
1151 they make sense in what we are doing but we will be happy to
1152 take a look at it.

1153 Mrs. {Christensen.} It just sounded like you were
1154 pretty much doing the same thing. You are looking at sort of
1155 a gateway and funding there for the middle mile to move it
1156 out to the households, the businesses and so forth. It
1157 doesn't sound dissimilar.

1158 Mr. {Strickling.} Your description is an accurate
1159 description of what we are doing. I can't confirm that that
1160 is what they are proposing.

1161 Mrs. {Christensen.} So are all of the funds out? All
1162 of the round 1 funds, have they already been allocated for
1163 sustainable adoption? I guess that is your--

1164 Mr. {Strickling.} No, that would be me also. We are
1165 still looking at, I think, approximately eight adoption
1166 and/or public computer center projects still in round 1.
1167 Those are listed on our websites so everybody can see what we
1168 are still looking at, and so there may be some additional
1169 awards yet this month in that area.

1170 Mrs. {Christensen.} I believe it was RUS that was, or
1171 probably both of you had gone to some of the round 1
1172 applicants and I guess it was one of the other programs or
1173 initiatives and suggested that they reapply. Are they going
1174 to be given preference over new applicants even though they
1175 are reapplying for a second time? Is it a level playing
1176 field?

1177 Mr. {Adelstein.} There is no preference for
1178 reapplications but we certainly are encouraging applicants to
1179 do so. We had some great applications that for many reasons
1180 we weren't able to fund in the first round, and we aren't
1181 giving them preference but they do have the advantage of

1182 having gone through it once and be able to refine their
1183 applications for the next round.

1184 Mrs. {Christensen.} Thank you, Mr. Chairman. I don't
1185 have any further questions.

1186 Mr. {Boucher.} Thank you very much, Ms. Christensen.

1187 The gentleman from Florida, Mr. Stearns, is recognized
1188 for 5 minutes.

1189 Mr. {Stearns.} Thank you, Mr. Chairman. I request
1190 unanimous consent to submit for the record a letter from the
1191 Department of Commerce Inspector General expressing concern
1192 that the NTIA does not have the staff or resources to meet
1193 the September 2010 statutory deadline for completion of the
1194 Broadband Technology Opportunities Program.

1195 [The information follows:]

1196 ***** INSERT 3 *****

|
1197 Mr. {Boucher.} Without objection.

1198 Mr. {Stearns.} Secretary Strickling, did the stimulus
1199 bill provide you with enough time and resources to run the
1200 program right and are you going to meet the statutory
1201 deadline?

1202 Mr. {Strickling.} I fully expect to meet the statutory
1203 deadline. We can meet it with the resources we have. I will
1204 say that it is typical for programs of this nature that
1205 administrative expenses be budgeted at 6 percent of the total
1206 project cost. We are doing it at the statutory mandated
1207 amount of 3 percent, so we could probably do it better if we
1208 had been given the 6 percent. But we will get it done with
1209 what we have.

1210 Mr. {Stearns.} So would I say that you disagree with
1211 the letter I put in the record?

1212 Mr. {Strickling.} Well, I think to be fair to the
1213 Inspector General, they raised it as a concern, but feel that
1214 we have answered that concern and are adequately staffed to
1215 do what we need to do.

1216 Mr. {Stearns.} Also, Mr. Chairman, I request unanimous
1217 consent to submit two letters into the record from the phone
1218 and cable associations to the NTIA and RUS expressing concern
1219 that they are granting awards to projects that are deploying

1220 broadband where it is already available.

1221 [The information follows:]

1222 ***** INSERTS 4, 5 *****

|
1223 Mr. {Boucher.} Without objection.

1224 Mr. {Stearns.} So again, Secretary Strickling, and I
1225 guess, Administrator Adelstein, these two letters point out a
1226 problem. Do you agree with these letters, and what do you
1227 plan to do to make sure you don't grant additional awards
1228 that simply build redundant facilities?

1229 Mr. {Strickling.} I most emphatically disagree with the
1230 letters. They are obviously quite self-serving, and they
1231 don't reflect what is actually happening on the ground.

1232 Congressman Stearns, you mentioned the north Georgia
1233 project in your opening remarks. I would like if I can to
1234 take a minute and let us talk about the north Georgia
1235 project. Windstream claims that they have service available
1236 to 90 percent of the people who live in that area.
1237 Nonetheless, the governor of the State of Georgia rated this
1238 as his most important project to be funded because of the
1239 inadequate service that is being made available in that part
1240 of the State. The project was put together by five counties,
1241 each of which had their economic development agencies work
1242 with the anchor institutions and other people in the
1243 community to identify huge gaps in the adequacy of the
1244 service that Windstream is currently providing there. They
1245 took a survey of the area to determine that fewer than 40

1246 percent of the people in the area actually subscribed to
1247 service, which again, if Windstream has it available to 90
1248 percent and only 40 percent are taking it, that tells us
1249 there is a problem there.

1250 We had the specific example of the university in that
1251 particular region having sent us a note indicating that they
1252 had tried to get adequate service from the incumbent. They
1253 were told they would have to wait 18 months to get it, and
1254 when they did get it, it would cost four times as much as the
1255 same service would have cost in Atlanta. That area in north
1256 Georgia is a perfect example of an area that is not being
1257 adequately served by the existing provider. The people in
1258 those communities came together with a project to solve that
1259 because they suffer from a lack of economic growth.
1260 Companies have been fleeing that region because of a lack of
1261 adequate infrastructure, and our project as recommended by
1262 the governor there as well as others we think will be an
1263 important addition to the overall economy there and will lead
1264 to the growth of new jobs in an otherwise very depressed
1265 area.

1266 So I understand the concerns of a company like
1267 Windstream, but the fact of the matter is, every indication
1268 we have in the record on that project is that they are not
1269 doing their job.

1270 Mr. {Stearns.} Yes, but just--

1271 Mr. {Strickling.} But more importantly, if I could just
1272 finish, Congressman--

1273 Mr. {Stearns.} I can't have you take all my time.

1274 Mr. {Strickling.} Once this infrastructure is built--

1275 Mr. {Stearns.} I know. You know how it is. Windstream
1276 says it is 58 percent, you say it is 40. I don't know. Did
1277 you investigate independently or is this just your--

1278 Mr. {Strickling.} That information, the 58 percent, was
1279 not provided to us in the challenge process.

1280 Mr. {Stearns.} Mr. Adelstein, why don't you answer the
1281 question I also asked.

1282 Mr. {Adelstein.} Yes, we have a major emphasis in our
1283 first and second NOFA to go into areas that are unserved, for
1284 example, give 10 points for the proportion of residents in
1285 unserved areas. We target rural areas. Distance from non-
1286 rural areas is still a factor. We are very carefully
1287 evaluating every complaint that comes in that we are going
1288 into an area where there is service. We independently
1289 evaluate that and ensure that that is not the case. In the
1290 case of one of the concerns that was raised, I mean, 4,600
1291 square miles, almost all of it, no broadband service. So I
1292 would take issue with the letter.

1293 Mr. {Stearns.} Okay. My last question, Secretary

1294 Strickling, in your February 24th remarks before the Media
1295 Institute, you acknowledged that the country's statutorily
1296 set policy was to lead the Internet unfettered--these are
1297 your words--`unfettered by federal or State regulation.'
1298 You said that that policy was once appropriate but now it
1299 should be changed. If the policy was set by statute, doesn't
1300 that mean it is the providence of Congress, not regulators
1301 like yourself, to decide whether it needs to be changed?

1302 Mr. {Strickling.} I did not say it was set by statute.

1303 Mr. {Stearns.} Well, you said that the policy was once
1304 appropriate but should now be changed.

1305 Mr. {Strickling.} I think I raised the question as to
1306 whether it should be changed, and I pointed out in those
1307 remarks--

1308 Mr. {Stearns.} Okay. Well, let us just take your words
1309 today. Do you think it should be changed?

1310 Mr. {Strickling.} I think there is a role for
1311 government to play to preserve trust on the Internet.

1312 Mr. {Stearns.} Do you think administrators should make
1313 that change or Congress?

1314 Mr. {Strickling.} I think the type or intervention or
1315 facilitation, I talked about in my remarks which was to serve
1316 as a convener and a facilitator--

1317 Mr. {Stearns.} Just yes or no.

1318 Mr. {Strickling.} --to bring parties together does not
1319 require any intervention from Congress.

1320 Mr. {Stearns.} So you can make this decision yourself
1321 and Congress, it is not the providence of Congress to do it,
1322 so you have the right to make these changes yourself?

1323 Mr. {Strickling.} To bring parties together to sit down
1324 and talk about copyright piracy, to try to come up with what
1325 might be a legislative proposal to Congress, yes, sir, I
1326 think I can do that without asking permission from Congress.

1327 Mr. {Stearns.} All right. Thank you, Mr. Chairman.

1328 Mr. {Boucher.} Thank you very much, Mr. Stearns.

1329 The gentleman from Nebraska, Mr. Terry, is recognized
1330 for 5 minutes.

1331 Mr. {Terry.} Thank you, Mr. Chairman, and to quote my
1332 good friend, John Dingell, I have utmost respect and
1333 appreciation for you but--so let us go into that.

1334 Mr. Adelstein, I was a little disappointed that you
1335 decided to associate yourself with Mr. Markey's remarks. I
1336 am getting a little frustrated that somehow any problem is
1337 associated with the terrible 8 Bush years, and I think you
1338 belittle yourself when you engage in that, so I am
1339 disappointed in that. Other than that, I like you and I
1340 think you and I share the same dedication to getting
1341 broadband rolled out throughout America.

1342 In the debate we had on the stimulus in here, I would
1343 say out of the entire package that we had before us, we
1344 probably spent a third of our time debating the nebulous
1345 terms on the broadband rollout of underserved and unserved,
1346 what does that mean. It becomes carte blanche to just put it
1347 anywhere and it is going to meet the definitions. The retort
1348 was, this money needs to get out. It isn't really about a
1349 comprehensive broadband policy, it was just about getting the
1350 money out the door as quickly as possible, which then we came
1351 back and said well, then you are going to have redundant
1352 systems and wasted money, and maybe there is evidence of that
1353 actually occurring and I want to walk through with you
1354 particularly on the Maine situation. Have I gotten
1355 permission to put the Maine up?

1356 This was provided to us by one of the telecom
1357 associations, so I may have only gotten one side here, Mr.
1358 Adelstein. This is an NTIA project, so you get the question.
1359 But it appears from the map, and it is a little hard to see
1360 on the screen, but the red on there is the existing broadband
1361 infrastructure. A blue dotted line, which is right next to
1362 the main loop, is the grant applicant that is receiving, I
1363 think, \$17 million. The grant applicant is Biddeford
1364 Internet Corp, now calling themselves Fiber Maine, that is
1365 ostensibly associated with the University of Maine. So it

1366 looks here that all we are doing is putting in a redundant
1367 line as opposed to providing unserved areas.

1368 So first question is, what is the policy with the NTIA
1369 in regard to unserved versus underserved? Follow-up question
1370 for your answer, is this underserved? Is Maine underserved?

1371 Mr. {Strickling.} Sir, this is my--

1372 Mr. {Terry.} No, I am asking Mr. Adelstein.

1373 Mr. {Strickling.} --my project.

1374 Mr. {Terry.} Oh, I was told this is NTIA.

1375 Mr. {Strickling.} I am NTIA.

1376 Mr. {Terry.} Oh, I am sorry. You are RUS. I wanted to
1377 talk to you.

1378 Sorry, Mr. Strickling. Well, you have been pretty
1379 combative and argumentative, so let us keep going with that.

1380 Mr. {Strickling.} Very good. I would love to. Maine
1381 is definitely underserved, and that map I think is not an
1382 accurate reflection of actual broadband serving in terms of
1383 customer-serving facilities. I think what you have there is
1384 a map of interoffice fiber to allow the incumbent carrier to
1385 move their own traffic on their own network but it is not
1386 really being used to provide adequate broadband service to
1387 homes and businesses in that community. What our network
1388 will do when it is put in will be open to any provider,
1389 unlike the incumbent's network where nobody else can use it,

1390 who will then be able to tap into that network and serve
1391 homes and businesses that we are not serving directly in our
1392 funding but it now enables these homes and businesses
1393 throughout this area, most of which is underserved, if not
1394 unserved, and are not receiving consumer services from the
1395 incumbent of the sort that will now be made available with
1396 this funding.

1397 Mr. {Terry.} Well, I have 37 seconds left, and good job
1398 being combative again.

1399 Mr. {Strickling.} No, sir, I am giving you the facts.

1400 Mr. {Terry.} You are, so hold on. Will you give me
1401 NTIA's definition of underserved?

1402 Mr. {Strickling.} I would be happy to. It has been
1403 established from the NOFA last July. There are three parts
1404 to our definition. Number one, does the area have less than-
1405 -do the people in the area, less than 50 percent have access
1406 to broadband. That is one prong of the test.

1407 Mr. {Terry.} Okay, access.

1408 Mr. {Strickling.} The second prong is, do fewer than 40
1409 percent actually subscribe, and the third prong, any one of
1410 the three which is required to be met is, does the incumbent
1411 offer service of 3 megabits per second or greater. In the
1412 case of Maine, along that fiber that is being built in this
1413 project, there are many, many communities that satisfy the

1414 underserved test. I don't have a clear recollection of the
1415 unserved. I am sure there are some unserved--

1416 Mr. {Terry.} Would you--

1417 Mr. {Boucher.} Thank you, Mr. Terry.

1418 Mr. {Terry.} Where do we get the information about what
1419 communities are underserved?

1420 Mr. {Boucher.} Mr. Terry, your time has expired.

1421 The gentleman from--

1422 Mr. {Boucher.} Will we get a second round?

1423 Mr. {Terry.} I don't think we are going to have time
1424 for that today, Mr. Terry.

1425 Mr. {Terry.} Can we have another hearing?

1426 Mr. {Boucher.} Well, we will be able to submit
1427 questions in writing to the witnesses.

1428 The gentleman from Michigan, Mr. Dingell, is recognized
1429 for 5 minutes.

1430 Mr. {Dingell.} Mr. Chairman, I thank you for your
1431 courtesy. I would like to welcome our panel.

1432 First question to Secretary Strickling. I hope you can
1433 give me a yes or no answer to this, Mr. Secretary. I notice
1434 in the second Notice of Funds Availability, that NTIA has
1435 removed the requirement that infrastructure projects
1436 connecting to community anchor institutions, community
1437 colleges and so forth must be located in unserved or

1438 underserved areas. This appears to me to be contradictory of
1439 the intent of Congress that stimulus funds would be used to
1440 bring broadband directly to unserved and underserved
1441 communities and households. Am I correct in this, yes or no?

1442 Mr. {Strickling.} Yes.

1443 Mr. {Dingell.} Now, Mr. Secretary--

1444 Mr. {Strickling.} At least you are correct in terms of
1445 whether we have removed it. I wouldn't necessarily agree
1446 with the rest of your comment.

1447 Mr. {Dingell.} Okay. Now, Mr. Secretary, what is the
1448 rationale then behind this shift? I find it very troubling
1449 because we have huge unserved areas and we have a real
1450 serious problem in the fact that funding for the kind of
1451 changes to bring them service is desperately needed and we
1452 are not giving it to them. Now, how does this relate to your
1453 policy?

1454 Mr. {Strickling.} We are still quite consistent with
1455 that concern, Congressman. Number one, the statute had five
1456 purposes. In round 1, you are correct, that we did require
1457 anchor institutions to be unserved or underserved areas to
1458 qualify for funding. It was pointed out to us by many people
1459 including many people in this subcommittee that the statute
1460 did not require that. The statute allowed--suggested that we
1461 should support anchor institutions regardless of where they

1462 are located. So in response to those criticisms, we removed
1463 it. But as we assess the benefits of the program, we will
1464 continue to evaluate the extent to which the applicant is
1465 serving unserved and underserved areas in order to
1466 demonstrate--

1467 Mr. {Dingell.} Now--

1468 Mr. {Strickling.} --that the benefits of the program
1469 will be realized.

1470 Mr. {Dingell.} --I don't mean to interrupt you, Mr.
1471 Secretary, and I hope you don't regard this as discourteous,
1472 but you are telling me that you are not going to emphasize
1473 service to unserved and underserved areas.

1474 Mr. {Strickling.} Just the contrary. I just said we
1475 will. It is in our NOFA that you get priority for serving
1476 unserved and underserved areas.

1477 Mr. {Dingell.} I am going to submit to you some
1478 questions in writing on this point, and I ask unanimous
1479 consent, Mr. Chairman, that I be permitted so to do.

1480 Mr. {Boucher.} Without objection.

1481 Mr. {Dingell.} Now, Mr. Secretary, do you believe that
1482 this is--how do you intend to prevent overbuilding broadband
1483 infrastructure in areas of the country that are already
1484 served at the expense of the unserved areas?

1485 Mr. {Strickling.} We engage in a very detailed analysis

1486 as we assess the benefits of any given project. So on the
1487 question of what is already in an area, we have the
1488 submission of the applicant, we have the submission of the
1489 carriers in the area should they choose to provide that
1490 information. This spring we hope to have information
1491 collected by the States pursuant to the broadband map--

1492 Mr. {Dingell.} Now, I beg your pardon for interrupting
1493 but we have limited time. What steps is NTIA taking to
1494 ensure that these funds are not being used to fund projects
1495 that would lead to overbuilding of broadband in already
1496 served areas while the unserved areas continue to be
1497 inadequately or unserved?

1498 Mr. {Strickling.} Right. So we take all of that
1499 information I described and do an evaluation. Now, by its
1500 nature, a middle-mile project connects back into the
1501 Internet, so it will come into a served area almost certainly
1502 but we look at the overall project and the overall benefits
1503 that the project brings to ensure that the amount of
1504 overbuild is minimal and it is justified only when the
1505 facilities in the area are currently inadequate.

1506 Mr. {Dingell.} Now, with apologies again, Mr.
1507 Secretary, how many complaints have you received from
1508 incumbent providers contesting middle-mile projects to be
1509 funded under BTOP and what has NTIA done about these

1510 complaints?

1511 Mr. {Strickling.} Well, we receive information during
1512 round 1, not--I wouldn't characterize them as complaints.
1513 They were information. If you are asking me how many
1514 complaints have we received for projects that have been
1515 funded, I am aware that Windstream is upset about Georgia and
1516 I understand FairPoint in bankruptcy is concerned about the
1517 Maine project.

1518 Mr. {Dingell.} It would be fair to observe, though,
1519 that the information you have received has not been
1520 complimentary. Am I correct on that?

1521 Mr. {Strickling.} I think it has been very misguided
1522 and self-serving.

1523 Mr. {Dingell.} ARRA requires NTIA to make available not
1524 less than \$250 million for programs to encourage sustainable
1525 adoption of broadband service. I note that in its second
1526 round of NOFA, NTIA pledges to award the minimum, i.e., \$250
1527 million, required under the statute for sustainable adoption
1528 projects. Given that a recent FCC report finds only 4
1529 percent of Americans do not have access to broadband but 31
1530 percent have access to it if they choose to, do you believe
1531 that the bare minimum required under the statute is
1532 sufficient to achieve ARRA's goal of sustainable broadband
1533 adoption? Can you answer that yes or no, Mr. Secretary,

1534 please?

1535 Mr. {Strickling.} I don't know. I know that if we get
1536 quality applications, we will go above the \$250 million.

1537 Mr. {Dingell.} Thank you, Mr. Secretary.

1538 Mr. Chairman, I thank you for your courtesy.

1539 Mr. {Boucher.} Thank you very much, Chairman Dingell.

1540 The gentleman from Vermont, Mr. Welch, is recognized for
1541 5 minutes.

1542 Mr. {Welch.} Thank you very much, Mr. Chairman. Thank
1543 you, members of the panel.

1544 We have been pretty frustrated in Vermont with the kind
1545 of hurry-up-and-wait situation. We had some of our folks
1546 submitting applications in round 1 not getting much of an
1547 answer. We have been unsuccessful in getting any awards in
1548 round 1. But I think the biggest frustration that our
1549 applicants have had is trying to figure out what the rules
1550 and regulations and the requirements are, and I know from my
1551 colleagues that they share an awful lot of that same
1552 frustration. So I have a couple of questions that I want to
1553 get to on that.

1554 But number one, my understanding, and correct me if I am
1555 wrong, is that only 15 percent of the amount promised for
1556 round 1 has been awarded. Is that right, Mr. Adelstein?

1557 Mr. {Adelstein.} The amount is actually larger than

1558 that. We have done--

1559 Mr. {Welch.} The percentage is what then?

1560 Mr. {Adelstein.} The percentage I would say, by the
1561 time we complete this round in the very near future, we will
1562 have probably done 33 percent.

1563 Mr. {Welch.} But by now it was supposed to have all
1564 been awarded, right?

1565 Mr. {Adelstein.} Not by now, no. It has to be awarded
1566 by September 30, 2010.

1567 Mr. {Welch.} When folks in round 1 who applied were
1568 denied, did you provide applicants with information about
1569 what their technical problems were so that the proposals
1570 would be ready for round 2? I mean, this is just a practical
1571 issue.

1572 Mr. {Adelstein.} We did. We provided letters, over
1573 1,000 letters to folks that had applied in the first round
1574 explaining why the application wasn't funded. In addition,
1575 we have a help desk set up that offers more detailed
1576 explanations and we are striving to answer those calls as
1577 quickly as we can.

1578 Mr. {Welch.} You know, the dilemma--I don't want to be
1579 critical but I do want to express the frustration that our
1580 folks in Vermont have had. They just don't get that sense
1581 that there is somebody on the other end of the line when they

1582 are making a call and they are not getting those practical
1583 answers. There may be somebody ``answering'' in an official
1584 way but it is not as though there is some helpful information
1585 and knowledge to give them confidence that it is worth the
1586 time, effort and expense to do a round 2. So that is just
1587 for your consideration.

1588 Given the RUS focus on the last-mile projects and NTIA's
1589 emphasis on middle-mile projects, several Vermont companies
1590 or applicants have pointed out that they will be, from their
1591 perspective, unfairly disadvantaged by RUS preference for
1592 previous borrowers as they have traditionally avoided
1593 borrowing from government. Vermont needs the investments
1594 from broadband investments just like Mr. Terry's district
1595 does to build these last-mile facilities. So I am just
1596 wondering on a practical level, can you speak to that in a
1597 way that would be meaningful to our applicants in Vermont?

1598 Mr. {Adelstein.} We really want to see those
1599 applicants. I mean, we are dead serious about having
1600 diversity. Congress did mandate a priority in the statute
1601 for existing borrowers but we really are funding the
1602 strongest applications we get in. We are funding a diversity
1603 of technologies, a diversity of applicants, many of whom are
1604 not Title II borrowers already. We really want to see those
1605 applicants come in.

1606 Mr. {Welch.} Well, let me ask you this, because you
1607 have got applications from all over. You know, this creates-
1608 -there is available money. Some people call it free money
1609 and they are going to be scrambling to apply and try to get
1610 it. What were the considerations that were the basis of you
1611 deciding to make awards in round 1 and what were the
1612 obstacles or the deficiencies in applications that you found
1613 on a pattern in the rejected applications?

1614 Mr. {Adelstein.} Well, we were looking for projects
1615 that served areas that didn't have adequate service today was
1616 the main feature, particularly rural areas. Looking at
1617 Vermont, it was very much like much of the country. The
1618 issues that we looked at primarily that caused applications
1619 to fall through were that a number of applicants that were
1620 supposed to be more than 50 miles away from a town or city in
1621 fact weren't, and therefore we weren't eligible. We have
1622 eliminated that issue so in the second round people should be
1623 encouraged to apply on that. A number of applicants applied
1624 for more than a 50 percent grant amount, which is the maximum
1625 in the first round. Again, we have gone up to 75 and we have
1626 provided flexibility, and again, that should encourage
1627 applicants to reapply.

1628 Mr. {Welch.} Well, and there is a process by which
1629 incumbents can challenge the qualifications of an applicant's

1630 service area so it torpedoed an application. How are you
1631 going to handle that? I mean, how on a practical level will
1632 you handle that?

1633 Mr. {Adelstein.} We don't take the word of the
1634 incumbent or the word of the applicant. We actually will go
1635 into the field to determine whether there is service there.
1636 We have a field operation in virtually every State in the
1637 country and we will go out and look at an applicant's word
1638 versus the incumbent and make our own determination. Now,
1639 applicants will say their areas are underserved, incumbent
1640 will say it is served. We can't just take either one or the
1641 other as a priority what they are saying. We have to do our
1642 own analysis, and we do. So people just because they are
1643 getting those assertions, they should really know who is in
1644 their area. If you are applying for funding, our competitive
1645 analysis requires them to say who else is in a district that
1646 they are trying to serve, the service area, and let us know
1647 and then we will evaluate that in terms of whether the
1648 project is actually feasible.

1649 Mr. {Welch.} Thank you. I yield back, Mr. Chairman.

1650 Mr. {Boucher.} Thank you very much, Mr. Welch.

1651 I want to say thank you on behalf of the subcommittee to
1652 Mr. Strickling and Mr. Adelstein for your time here this
1653 morning. You have been very forthright in your answers. We

1654 were informed by them. We thank you for that.

1655 I want to congratulate again on the good job you have
1656 done. I think given the time frames under which you have had
1657 to operate, your performance has absolutely been remarkable
1658 and you have this subcommittee's thanks for that.

1659 Other members will be submitting to you written
1660 questions. Chairman Dingell has indicated his intention to
1661 do so. I think Mr. Terry may well have some additional
1662 questions and other members. When those are received, please
1663 try to answer them promptly, and the record of this hearing
1664 shall remain open in order to receive them.

1665 So with the subcommittee's thanks to both of you, this
1666 hearing stands adjourned.

1667 [Whereupon, at 12:30 p.m., the Subcommittee was
1668 adjourned.]