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BROADBAND LOANS AND GRANTS

WEDNESDAY, MAY 16, 2012

House of Representatives,

Subcommittee on Communications

and Technology,

Committee on Energy and Commerce,

Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in Room 2123, Rayburn House Office Building, Hon. Greg Walden [chairman of the subcommittee] presiding.

Present: Representatives Walden, Terry, Stearns, Shimkus, Bilbray, Bass, Gingrey, Scalise, Latta, Guthrie, Kinzinger, Barton, Eshoo, Matsui, Barrow, Christensen, Pallone, and Waxman (ex officio).

Staff Present: Carl Anderson, Counsel, Oversight; Ray Baum, Senior Policy Advisor/Director of Coalitions; Michael Beckerman,

Deputy Staff Director; Nicholas Degani, FCC Detailee; Andy Duberstein, Deputy Press Secretary; Neil Fried, Chief Counsel, C&T; Debbee Keller, Press Secretary; Brian McCullough, Sr. Professional Staff Member, CMT; Katie Novaria, Legislative Clerk; David Redl, Counsel, Telecom; Charlotte Savercool, Executive Assistant; Dan Tyrell, O&I Counsel; Phil Barnett, Minority Staff Director; Karen Lightfoot, Minority Communications Director and Senior Policy Advisor; Roger Sherman, Minority Chief Counsel; Shawn Chang, Minority Senior Counsel; Margaret McCarthy, Minority Professional Staff Member; David Strickling, Minority FCC Detailee; Kara Van Stralen, Minority Special Assistant; and Elizabeth Letter, Minority Assistant Press Secretary.

Mr. Walden. We will call to order the Subcommittee on Communications and Technology for our hearing on broadband loans and grants, and certainly welcome our witnesses, the audience and our members.

Today marks the third oversight hearing of our subcommittee to examine whether taxpayers are getting their money's worth from the broadband loan and grant programs of the National Telecommunications and Information Administration and the Rural Utilities Service.

Our past hearings have focused on the Broadbrand Technology Opportunities Program and the Broadband Initiative Program and rightly so. The Recovery Act allocated $7.2 billion -- billion -- to these programs, dwarfing previous broadband loan and grant programs in size. And even though these agencies did not have grant-making experience or operations scaled to such a large project, the Recovery Act required that all awards be doled out within 18 months.

We were told such haste was necessary to get the economy going and the money would go to "shovel-ready projects." It is has now been 3 years since the Recovery Act created BTOP and BIP, and more than 18 months since the last broadband loans and grants were awarded.

The fiber is beginning to fill the trenches. While all the money has been awarded, however, only about a third of it has been spent. And what have we gotten in return for that $2.5 billion? Well the National Broadband Map is one thing; I think that was about $300 million for the map. And it tells us that 98.3 percent of Americans had access to high-speed broadband service in mid 2011. That is up from the

95 percent estimate in the 2010 National Broadband Plan.

That apparent 3.3 percent jump, however, cannot be attributable to the broadband funding, since the money is only now working its way through the system. And I know that we have a lot of impressive statistics.

Administrator Strickling notes in his written testimony that 56,000 miles of broadband infrastructure have already been built or improved upon using BTOP funds. Administrator Adelstein notes that more than 100 colleges and technical schools and 600 rural health care facilities are in areas served by BIP grantees and loan recipients. Indeed, I have seen evidence of this buildout in my own rural district.

But these statistics do raise some questions. How many of those miles already had broadband infrastructure because we are concerned about overbuilding? How many of those colleges and technical schools and rural health care facilities already had access to high speed broadband? Overbuilding has been a perennial concern when government gets involved. So I would like to hear how the agencies are taking into account existing deployments when they provide us these numbers.

And even if these were new deployments, might the private sector have met these needs more efficiently in the absence of this cumbersome subsidy program?

So I would like to know how all of those miles translate into additional access. And I would like to know how much that additional access is costing us all.

And before turning away from the stimulus funded broadband grants

and loans, I wanted to thank Mr. Bass again, who is on the committee, who took the lead in our committee on the House floor last year on making sure that NTIA and RUS were properly looking into allegations of waste, fraud and abuse and returning those unused dollars or reclaimed money to the United States Treasury.

So, Charlie, thank you for your work and leadership on that.

Although our focus has been on BTOP and BIP, our responsibility to treat taxpayer money with utmost care extends even to the smaller broadband loans and grants programs of RUS. I have two primary concerns about these programs. First, many of them appear to fund the same names as the Universal Service Fund, rather than dividing management between two agencies and oversight between two sets of inspectors general, consolidating the administration of these programs might save the taxpayer administration costs while reducing inefficient spending.

Second, I am concerned about the performance of these RUS programs. The Open Range loan alone may cost taxpayers millions of dollars, and other loans may fall through because RUS assumed that the Universal Service Fund subsidies would reimburse the subsidies it was providing but apparently did not anticipate the FCC would reform the Universal Service Fund's high-cost program, a scenario we have talked about in private and public and one that we remain concerned about just the funding scheme behind these loans and whether they stay current.

I look forward to hearing from Administrators Strickling and Adelstein to explain to us the performance of their broadband loan and

grant programs, to guide us through the statistics to the facts on the ground.

And I look forward to hearing from the Inspectors General Zinser and Deputy Inspector General Gray on their ongoing oversight and how well NTIA and RUS have incorporated past recommendations into their work.

So, gentlemen, thank you very much for being here today.

And with that, I would yield back the balance of my time and recognize the ranking member from California, Ms. Eshoo.

[The prepared statement of Mr. Walden follows:]

******** COMMITTEE INSERT ********

Ms. Eshoo. Thank you, Mr. Chairman.

I am pleased to welcome back to the committee Assistant Secretary Larry Strickling and RUS Administrator Jonathan Adelstein, who also served with distinction as a commissioner at the FCC.

Your work to advance our Nation's broadband infrastructure has and will continue to bring broadband to more American homes, anchor institutions and public computer facilities. And I thank you for your work. This is a big lift, and it is important for us to examine all parts of it, but I want you to know that I appreciate and respect your work.

Since our hearing last year, NTIA and RUS have continued to make progress to achieve the Recovery Act's stated goals for expanding broadband deployment and adoption. Notably, NTIA has reached 90 percent of its fiscal year 2012 goal by supporting the deployment of 56,000 new or upgraded network miles across our country. And through RUS funding, 625,000 households, about 1.5 million people, have access to new or improved broadband service. So I think that this is real progress.

These programs are creating jobs and are fueling new economic opportunities that would not be possible without broadband. For example, using NTIA funds, the Foundation For California Community Colleges has launched a program to increase digital literacy skills and broadband adoption among low-income residents in 18 counties in California.

Today, the program has enrolled more than 5,800 students,

distributed 4,400 laptops and recorded 5,305 new broadband subscribers. But the short- and long-term success of these and other projects will depend on continued oversight from the Inspector General's Office. I have great respect and admiration for the IG's work, and I am pleased that we will hear from them today. The important work of the IG's office, including investigations to determine if there is any waste or fraud, will ensure that the taxpayers' investment is protected.

I recognize there will be challenges along the way. Last Friday's decision to partially suspend the seven regional public safety projects is one I know NTIA weighed very carefully. I think it is the correct action to protect taxpayer dollars and ensure that these projects are deployed consistent with the recently enacted legislation that we worked so hard on to construct a nationwide, interoperable broadband network for our first responders.

So thank you to each one of you for being here and for your work, and I look forward to your important testimony that is going to guide our subcommittee's ongoing oversight of the Recovery Act broadband grants and loans.

And with that, I will yield back the balance of my time.

[The prepared statement of Ms. Eshoo follows:]

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Mr. Walden. The gentlelady yields back the balance of her time.

The chairman recognizes the gentleman from Nebraska, Mr. Terry, for 5 minutes.

Mr. Terry. Thank you, Mr. Chairman, for holding this hearing so we can continue our oversight on the ARRA, dollars being spent on behalf of making sure that all citizens in unsupported areas have connectivity, have access to the broadband backbone.

Now, I think some of the key areas you have already stated, Mr. Chairman, but I want to reiterate that ARRA funds were supposed to help fund shovel-ready projects that would be completed within 2 years, but here we are 3 and a half years later, and the fact is that recipients of $4 billion in NTIA awards have spent just $1.6 billion and less than a dozen projects have been completed; recipients of $2.4 billion in RUS awards have spent only $968 million, and only five projects have been completed. Maybe this is because too many have been found to be unwarranted or redundant and the money is pulled back or the project, so I want to hear why more haven't been completed.

But also, the stimulus funds combined with BTOP and BIP grant loans, the issue of subsidizing or subsidizing overbuilds has been a question we have had since day one. And we have already received complaints in the State of Nebraska about an entity that was all privately funded, business, now has competition laid over it with government subsidized broadband. So those are the type of things I want to hear about as well.

And then, Mr. Adelstein, if you reviewed and seen if any RUS loans

have been put in jeopardy because of new projects; do you think there has been an impact on their ability to repay?

Those are the questions I am listening for answers to.

And at this point, I will yield to my friend, Charlie Bass.

[The prepared statement of Mr. Terry follows:]

******** COMMITTEE INSERT ********

Mr. Bass. I thank my friend from Nebraska for yielding to me.

And I would like to associate myself with not only his remarks but also the remarks of the subcommittee chairman and have my regular statement, without objection, be made part of the record.

Mr. Walden. Without objection.

Mr. Bass. Mr. Chairman, thank you for having this hearing. And as was mentioned, we are interested in making sure that these funds are spent where they are supposed to be, that there are no, that we know a process of oversight occurs and that we don't have any embarrassing hearings at a later date about either the abuse or misuse of funding in this very large program.

It is also important to focus on whether or not this buildout is going where it is really needed, and it is not paralleling any existing capacity and competing directly with incumbent carriers or anybody else who is trying to provide, as my friend from Nebraska said, competing services.

I do have a constituent in New Hampshire who has raised significant capital to build out areas that are now, because of this program, putting this company's business plan in real doubt because they are going to have to compete with a vendor that is subsidized by the stimulus grant.

That doesn't create jobs. For every job that is created, we may lose jobs on the other side, and that is not how I define stimulus. So I hope that this program can be implemented with a sensitivity to the fact that it needs to go where it is really needed and not parallel

existing capacity and not be set up in direct competition with private entities that are trying to do it the way, the old-fashioned way, which is to build it on the basis of a sound profitable business plan.

And so, with that, Mr. Chairman, I will yield back.

[The prepared statement of Mr. Bass follows:]

******** COMMITTEE INSERT ********

Mr. Walden. The gentleman yields back to the gentleman from Nebraska.

Do you yield back your time, Mr. Terry?

Mr. Terry. Yield back.

Mr. Walden. Yields back.

The chair recognizes Mr. Waxman for 5 minutes.

Mr. Waxman. Thank you, Chairman Walden, for scheduling this hearing.

This is our third oversight hearing regarding the broadband programs created by the Recovery Act, and I support the chairman's ongoing effort to exercise our committees's oversight of these programs and ensure they are being managed wisely and responsibly.

I would like to welcome Assistant Secretary Strickling, Administrator Adelstein, back to the Energy and Commerce Committee.

Your efforts to set up the broadband programs are paying off. Broadband will soon be available in places where this essential communication service has never been available before.

In particular, I want to commend Assistant Secretary Strickling for NTIA transparency and accountability measures. These show that the vast majority of broadband grants awarded by NTIA are meeting or exceeding project benchmarks and are well on the way to becoming completed by the end of next year.

Administrator Adelstein, I would encourage you to follow NTIA's model. It has been harder for us to get information about the status of your grants than NTIA's. More regular tracking and reporting of

all RUS projects would improve confidence in your programs.

We had a vigorous debate about the merits of the Recovery Act and the broadband programs it funded in the last Congress. Our role today should not be to relitigate those issues. Instead, our focus should be on our joint interest in ensuring the funds are being well managed and the taxpayers' interests are being protected.

We also have new issues to consider in light of the February enactment of the spectrum and public safety provisions in the bipartisan middle class tax relief and job creation act.

The law we created, a First Responder Network Authority, or FirstNet, to oversee the design and construction of a new broadband public safety network.

It is essential that the projects funded by public safety grants awarded under the 2009 Recovery Act be harmonized with the FirstNet network. And I want to commend NTIA's difficult but necessary decision last week to partially suspend these public safety awards. We all want these public safety projects to be completed on a timely basis, but the ultimate success of these projects will depend on how well they fit into the rest of the nationwide network.

By going a little slower now, NTIA is helping to ensure that we achieve the nationwide interoperable network we should all want. This short delay is prudent because it will help achieve the long-term goals of these grants, but it should not become a prolonged slowdown. We need to do everything possible to help public safety grant recipients move forward as expeditiously as possible.

I thank all of today's panelists for your participation. I look forward to your testimony, and unless any of my colleagues on the Democratic side wish any time -- I will yield my time back.

[The prepared statement of Mr. Waxman follows:]

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Mr. Walden. I thank the gentleman.

The gentleman yields back his time.

And we will now proceed with our witnesses.

STATEMENTS OF THE HONORABLE LARRY STRICKLING, ASSISTANT SECRETARY FOR COMMUNICATIONS AND INFORMATION AND ADMINISTRATOR, NATIONAL TELECOMMUNICATION AND INFORMATION ADMINISTRATION, NTIA, U.S. DEPARTMENT OF COMMERCE; THE HONORABLE JONATHAN ADELSTEIN, ADMINISTRATOR, RURAL UTILITY SERVICE, RUS, U.S. DEPARTMENT OF AGRICULTURE; THE HONORABLE TODD ZINSER, INSPECTOR GENERAL, U.S. DEPARTMENT OF COMMERCE; AND DAVID GRAY, DEPUTY INSPECTOR GENERAL, U.S. DEPARTMENT OF AGRICULTURE

Mr. Walden. And we will start with Mr. Strickling. Thank you for being here, sir, and we look forward to your testimony.

STATEMENT OF THE HONORABLE LARRY STRICKLING

Mr. Strickling. Thank you, Chairman Walden, and I would also like to acknowledge Ranking Member Eshoo, Vice Chair Terry and Mr. Waxman.

I want to thank you all for the opportunity to testify this morning regarding the status of NTIA's broadband programs. I am also pleased to appear here today with our Inspector General, Todd Zinser, who has helped us improve our oversight of these programs, as well as our U.S. Administrator Jonathan Adelstein, whose agency the Department of Agriculture is celebrating its 150th anniversary this week.

Today I am proud to report that our broadband grant recipients are making significant progress and delivering meaningful benefits to their communities. Taken as a group, our projects are exceeding their performance goals in deploying new infrastructure, constructing new public computer centers and encouraging greater Internet adoption.

As of March 31, our grantees have deployed more than 56,000 miles of broadband infrastructure. They have connected more than 8,000 community anchor institutions to high-speed broadband service. They have installed more than 30,000 work stations in public computer centers where they have provided more than 7 million hours of technology training to approximately 2 million users. We have generated approximately 350,000 new broadband subscribers, and our grantees have funded more than 4,000 jobs in the second quarter of the fiscal year.

As impressive as these numbers are, they only tell part of the story. We hear from people across the country validating the need for these projects and the benefits they bring. Our investments are helping fiberoptic cable manufacturers and other businesses to create jobs. We are stimulating demand for broadband services, such as smart grid, telehealth and remote learning, and we are retraining workers to give them the skills they need to compete in the 21st century economy.

One of our California grantees, the California Emerging Technology Fund, has helped over 1,000 people find jobs through its training program.

These broadband investments are also priming the pump for additional investment by public and private entities. Our philosophy to focus on middle mile projects combined with our open access and interconnection requirements are making it easier for incumbents and other last mile providers to expand their broadband services and speeds for American consumers and businesses. To date, our grantees have entered into 400 interconnection agreements with last mile and other providers.

As you are aware, protecting these Federal funds is of paramount importance to NTIA, and we have been providing diligent oversight and technical assistance to our recipients. To do so requires adequate resources, and we appreciate the bipartisan support you have provided to ensure that we have the resources we need for these tasks. Our focus, as it has always been, is to ensure that our grantees complete their projects on schedule and on budget and provide the benefits they

promised to their communities.

We designed our oversight program to mitigate waste, fraud and abuse, to ensure compliance with award conditions and to monitor each project's progress. Our staff is in frequent contact with recipients and requires them to report regularly on key financial and programmatic activities. To date, we have also conducted more than 130 site visits to projects representing 80 percent of the grant dollars, we have held three grantee workshops, hosted over 50 Webinars and conducted more than 3,000 check-in and conference calls. These activities help us to identify and resolve issues as soon as possible. We have been able to provide technical assistance that has helped some projects get back on track.

In a few cases, however, our oversight has led to the cancellation of projects, and to date, eight projects, totaling $125 million in Federal funds, have been canceled. And while I am disappointed that these projects will not deliver their intended benefits to their communities, I am pleased that our diligence and oversight and our early intervention will result in 99 percent of the Federal dollars being returned to the Treasury.

We intend to apply many of the lessons learned from our broadband grants to the new public safety broadband network called for in the Middle Class Tax Relief and Job Creation Act of 2012. Thanks to your work, Congress created FirstNet as an independent authority within NTIA and has allocated $7 billion of spectrum auction proceeds to build, deploy and operate a nationwide interoperable public safety broadband

network. We are many committed to the success of this network because of what it promises in improved safety and better communications for first responders.

Consistent with this goal, we recently took the difficult but necessary step of partially suspending the projects of our seven public safety broadband recipients. The new law dramatically changed the assumptions on which we awarded these grants in 2010 and allowing these seven projects to continue unchecked before the FirstNet board has even met, much less made the basic technical decisions about the new network could have put at risk millions of taxpayer dollars and negatively impacted the success of first net.

In the coming weeks, we will work closely with each recipient to find the best path forward with the dual goals of keeping their grant dollars in their communities and ensuring that this equipment can ultimately be incorporated into FirstNet.

Going forward, NTIA is focused on maintaining rigorous oversight for its broadband grants as they cross the finish line while working to ensure their sustainability and leverage the projects to the fullest extent possible. We are also ramping up to meet our next broadband challenge with first net, and I look forward to working with you as we achieve these goals. Thank you.

Mr. Walden. Thank you Mr. Strickling.

[The prepared statement of Mr. Strickling follows:]

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Mr. Walden. Mr. Adelstein, we are delighted to have you back before the committee. We look forward to your testimony as well. Please proceed.

STATEMENT OF THE HONORABLE JONATHAN ADELSTEIN

Mr. Adelstein. Thank you, Mr. Chairman, Ranking Member Eshoo, it is great to be back and thanks for the opportunity to testify on the progress of our broadband investments.

It is also good to be back together with Larry Strickling, who has been my partner, such a wonderful partner in all this. You mentioned this is our third time together, so let's hope the third time is the charm. And it is great to be here with our inspector general as well.

I appreciate your help in getting this program running as well as it can be.

I am pleased to report to you that the broadband initiative program is right on track. It is creating thousands of jobs. It is providing new and improved broadband service, and it is proceeding as the administration and Congress expected.

The Recovery Act will pay dividends to rural communities and the entire country for years come. These projects are creating high-wage high-skill jobs right now as they are being built. As they were being planned they were creating jobs. They will create more jobs as they become operational, and they will provide the foundation for even more

jobs and economic growth as broadband is used by communities to spur innovation, new business and employment opportunities.

RUS broadband investments will connect nearly 7 million rural Americans, including 360,000 businesses in more than 30,000 critical community institutions, like schools, health care facilities and rural public safety agencies. They will bring broadband to 45 States and one U.S. territory. Grant dollars were targeted to those areas that were in the greatest need of service and to those that were the most rural. They overlap with 31 tribal lands, including Warm Springs, which we provided a grant to in your district and 125 persistent poverty counties, which is most of the persistent poverty counties in the United States. They are projected to create more than 25,000 immediate and direct jobs for rural workers in a variety of industries and countless more as the communities benefit from the broadband once it is deployed.

Data provided by the U.S. Department of Education show that more than 1 million K-12 students attend schools within areas served by BIP awards. More than 100 colleges and technical schools are located in those same areas, as you indicated. HHS data shows that nearly 600 rural health care facilities are located in areas served by BIP awardees. All of these health care facilities can expand use of telemedicine, electronic medical records initiatives and improve the quality of health care for citizens in those areas.

Now the Recovery Act funded two types projects; those that were immediate and those that were transformative. Big infrastructure projects, like the ones RUS has been financing now for 60 years, whether

done by telecommunications, water or electric facilities, are transformative, and they do take time to build out. Projects have to be carefully planned constructed and operated. All awardees must comply with Federal, State, environmental, historic preservation and, in some cases, tribal or intergovernmental reviews that often require significant consultation with the public. Based on our experience, these projects are on track with what we have seen historically in terms of the time it takes to build out these large broadband projects.

But RUS is working hard to accelerate the spending of remaining funding. We have repeatedly urged awardees to move quickly. Our field employees are vigorously monitoring and working with our awardees to get construction underway. Compliance is being carefully monitored by our field staff as well as our staff in D.C. We are actively working with awardees, Federal partners and government entities to address issues impacting the completion of the projects. We are vigilant to ensure that the projects remain viable. Our goal is to make sure that each one of these succeeds.

We also want to build businesses on top of these networks. RUS's traditional broadband programs serve as a strong foundation for an initiative we launched called Build Out and Build on. It encourages continued expansion of broadband economic growth impact using all of our programs, including the rural business services so that we can build businesses on top of the new broadband networks we are creating.

One of the ongoing challenges in building out broadband in rural areas is ensuring the financial feasibility and sustainability of the

proposed service providers. Strong rural economies buttress the availability of sufficient revenue sources to make these projects succeed.

RUS appreciates our partnership with the USDA OIG to ensure that our programs meet their statutory objectives. All OIG concerns and recommendations raised with regard to the previous Farm Bill Broadband Loan Program have been addressed. That audit, which is the central topic of today's OIG testimony, was closed over a year ago.

I compliment OIG for raising concerns with the statutory definition of rural in the 2002 Farm Bill. RUS could not, of course, change that definition on its own. Only Congress can do that, and Congress itself did act in the 2008 Farm Bill to revise the definition of "rural," and that definition has been completely implemented by RUS.

I am pleased to report that this administration made no loans under the broadband program until all OIG concerns and recommendations were addressed and RUS final actions were accepted.

We look forward to continuing to work with OIG on the Recovery Act and look forward to any recommendations we may receive in the future regarding the program.

There are a lot of challenges that remain in terms of getting broadband out to rural communities. These places have, as you know, coming from Oregon, and as many you know from rural parts of the country, maybe not so much our ranking member, there is a little bit of a rollback on the hills, but there is a lot of difficult terrain out there. There are high costs associated with distance and topography. Access to a

skilled workforce is sometimes lacking, as long-term financial feasibility is more difficult when you are trying to build out over large areas, but we are continuing to see an explosion of new technology that can increase access to health care, expand education opportunities and facilitate all kinds of new business activity. But their success will rely on having broadband in those areas so it is an honor with your support to make that possible.

I thank the committee and its members for the opportunity to testify and look forward to any questions you may have much.

Mr. Walden. We appreciate your testimony. Thank you again for being here.

[The prepared statement of Mr. Adelstein follows:]

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Mr. Walden. Now we are going to hear from the inspector general from the Department of Commerce, the honorable Todd Zinser.

Mr. Zinser, thank you for being here as well. We appreciate your work and we look forward to your testimony.

STATEMENT OF THE HONORABLE TODD ZINSER

Mr. Zinser. Thank you, Mr. Chairman, Ranking Member Eshoo, members of the subcommittee, and thank you for the opportunity to testify today about the Broadband Technologies Opportunities Program and the challenges facing the program moving forward.

The BTOP program is currently funding 228 grants, totaling $3.8 billion. The grants were awarded in three categories. There are 120 infrastructure grants, which total more than $3.3 billion. This is a approximately 88 percent of the program's funding. Seven of these grants, totaling more than $380 million, were awarded to fund interoperable public safety network projects.

There are 65 public computer center grants, which total just about $200 million, around 5 percent of the program's funding, and 43 grants for sustainable broadband adoption, which total $250 million or around 6 percent of the program's funding.

Since our testimony before the subcommittee last year, we have examined NTIA's program for monitoring its BTOP grants, looked into one of the public safety grants and recently completed an audit of how well NTIA is managing the matching share requirements under the

program.

This morning, we would like to highlight five issues concerning the BTOP program. First is the rate of spending. BTOP spending has improved since the end of the last fiscal year, from 20 percent at the end of September 2011 to 42 percent as of the end of last month. However, the disbursement rate of infrastructure grants, including the public safety awards, remain critical watch items. Many of these infrastructure projects, around 41 percent of them, have spent 40 percent or less of their grant moneys and are at some risk of not meeting spending deadlines.

One common problem causing project delays, outstanding environmental assessments have been largely resolved. Nevertheless these initial delays and other reasons, such as local permitting and predeployment activities, still affect the likelihood of BTOP project's timely completion.

Second, while NTIA is addressing our recommendations to strengthen its oversight, equipment procurement needs to become more of a focus. We think that NTIA has been successful in establishing a BTOP program office and addressing the challenges such a diverse program encounters. This past fall, we reviewed the agency's award monitoring program and recommended ways NTIA can improve the tools it uses to oversee the grants, including the need to verify data provided by the grantee and closer tracking of those projects that have schedule risks.

NTIA has responded with a number of corrective actions. As BTOP

continues, NTIA's next focus should be whether or not the equipment for these projects can be procured and deployed on schedule and meet the specifications necessary to achieve intended BTOP objections.

Third, our issues concerning grant match documentation. Grant match is an important Federal requirement. While Federal funding for BTOP is $3.8 billion, the grantees have committed to providing more than $1.4 billion in matching funds. We have issued a draft report to NTIA. For the most part, we did not find significant problems with grantees' matching shares, but we will be making recommendations to strengthen NTIA's oversight of this area, especially with respect to how grantees account for and document their matching shares and their financial records.

Fourth, NTIA has a new program called FirstNet which will impact the seven public safety projects funded by BTOP. FirstNet is the name given to the recently authorized first responder network authority, which NTIA is charged with establishing. Presumably, the seven BTOP public safety projects will need to transition to FirstNet if they are deemed compatible. In doing so, those projects will need to address issues with FCC spectrum waiver transfers, long-term evolution technology purchases and extensions to project deadlines associated with the BTOP grants.

Finally, Mr. Chairman, we wanted to inform the subcommittee that we have requested a waiver from the provisions of the Dodd-Frank legislation that requires Recovery Act funds be returned to the Treasury if they are not obligated by December 31, 2012. We requested

a waiver because the Recovery Act funds transferred to us to oversee the BTOP program are being used to pay the salaries of investigators and auditors. Unlike grants or contracts, we cannot obligate funds for salaries in advance. So we have requested a waiver. Without the waiver, we will lose our dedicated funding 9 months before many of the projects funded by the BTOP grants are even required to be finished.

As you know, Mr. Chairman, audit and investigative activities can extend long after the completion of a project. While our communications with the department and OMB have been positive, we do not yet have a waiver, causing a great deal of uncertainty about our future oversight efforts for BTOP. We also note in our testimony that NTIA is facing funding issues for its oversight of the program as well.

This concludes my statement Mr. Chairman.

I would be happy to answer any questions you or other members of the subcommittee may have.

Mr. Walden. Mr. Zinser, thank you. Thanks for the work you do and your colleagues.

[The prepared statement of Mr. Zinser follows:]

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Mr. Walden. Mr. David Gray is up next. He is the deputy OIG for the U.S. Department of Agriculture and happy 150th birthday to the Department.

STATEMENT OF DAVID GRAY

Mr. Gray. Thank you. Good morning, chairman Walden and Ranking Member Eshoo, and other members of the subcommittee. I appreciate the opportunity to appear before you today and talk about our oversight work of the Department of Agriculture and RUS's broadband grant and loan programs.

Our inspector general appeared before you last February of 2011 and spoke about the audits that we had performed in 2005 and 2009 of the RUS's administration of its regular broadband loan programs.

In those audits, we found that RUS was funding projects and communities that were close to major metropolitan areas. We also had concerns over the funding of projects in areas with preexisting broadband service.

At the time of our second audit, RUS was soon to receive the $2.5 million under the Recovery Act to implement BIP. Following our meeting with the subcommittee, we began a two-phased audit work. The first phase focuses on the controls that RUS had in place pre-award, and our second phase audit focuses on its post-award controls.

Our first phase audit should be complete this September, and the second phase audit should be completed by the end of December or

hopefully before then the end of December.

We expect that our current work will identify some of the same issues as our prior audits as they relate to BIP specifically. However BIP differs from the existing and prior broadband programs significantly. For one thing, they received significantly more money than any previous RUS broadband program.

Also, because BIP was a new program, it was necessary for RUS to define and interpret key statutory criteria including, to what extent served areas should be rural and which areas should receive priority? For our audits, we selected a statistical sample that allows us to provide a broad perspective and to provide nationwide analysis.

Our sampling for both phases include a selection from all three of the projects that BIP funds, interest, infrastructure, satellite and technical assistance programs projects. Because RUS's interpretation of the Recovery Act policies will shape how it administers BIP, we will be looking to make sure that these definitions, terms and usages meet the purpose of the Recovery Act and the Recovery Act funds are used as intended to benefit rural areas and communities.

We are committed to working with RUS to ensure that these broadband programs and operations fulfill their important missions as intended.

This concludes my written statement. Thank you, again, for inviting me, and we are happy to answer any questions.

Mr. Walden. Mr. Gray thank you for your testimony and for the work that you and your colleagues do.

[The prepared statement of Mr. Gray follows:]

******** INSERT 1-5 ********

Mr. Walden. I will start out with some questions I have.

First, without objection, I would like to submit for the record this article from the West Virginia Gazette regarding some spending under the BTOP grant.

[The information follows:]

******** COMMITTEE INSERT ********

Mr. Walden. And Assistant Secretary Strickling, I don't know if you are familiar with the situation in West Virginia.

Mr. Strickling. I am sir.

Mr. Walden. It seems pretty disturbing that they would spend $126 million, receive $126 million BTOP grant. It says the State then bought more than 1,000 Cisco 3945 series routers, enterprise grade routers, designed to serve a college campus and then installed them in local libraries with only one to two dozen computers. Each router costs about $22,600, or about $22,000 more than a smaller router that would have worked just as well.

My understanding is that these routers are designed to handle a minimum of 500 computers, and yet, in some of these little libraries in West Virginia, they are handling maybe one public work station.

Can you tell me what NTIA is doing about this and the $22 million of taxpayer money that seems to be wasted here?

Mr. Strickling. Yes, sir. First off, I would warn everyone, don't believe everything you read in the newspaper.

But the facts of the situation are not exactly as described in the newspaper article. In West Virginia, they have bought routers. They chose early on, because of the deal they could get, to buy the same router to install in all of the anchor institutions that were going to be served. The average cost of those routers is not $22,000; it is about $12,000. And some of those are going into very large facilities, like universities and hospitals and such.

But overall, had they tried to determine the individual router

capacity needed for every of these anchor institutions, they felt they would end up spending more money, as opposed to being able to take advantage of the package discount Cisco offered them on buying all of the same gear.

This gear is scaleable, it will be allowed to be expanded, and while I think you are right to be skeptical as to whether some of these very remote and rural locations will ever need the full capability of the particular router that was purchased, many of these anchor institutions will benefit from this. And overall, our sense is that this was the most economical way forward.

Certainly in terms of maintaining this gear, there will be efficiencies gained by the State by having trained their technicians to only deal with one particular box as opposed to a variety of different pieces of equipment that might have been involved had they chosen a different course.

So, overall, it appears to us, based on our review of the situation, that the State made an economical decision that is well justified by the facts here.

Mr. Walden. So a router that can handle 500 is, was a better buy for a library with half a dozen computers.

Mr. Strickling. Now the issue here is what was the best buy to serve the 1,000 institutions that were being served by this project. And on average, West Virginia believes that they have found the most economic solution by buying a single product, getting a substantially discounted per router rate from Cisco, which again is a router that

is necessary to meet the needs of many of the anchors they are connected to, but just by selecting out some of the specific small locations is giving a very, I think, distorted picture of what is actually happening in the State.

Mr. Walden. So Cisco wouldn't have given them a discount for the big ones and also a price discounts for small ones? Really?

Mr. Strickling. What West Virginia told us was this led to the least amount of dollars being spent on the routers on average.

Mr. Walden. So they did submit then an alternative? Did they do any kind of deep analysis? I was a small business owner for 20 years -- 22 years -- and it just seems to me that I would have said I have got X number of libraries out here in the rural areas; it would be real easy to have an intern call and say, how many computers do you have, and determine I only need a router that costs 100 bucks or 200 bucks or whatever, and then I have got bigger ones out there.

I mean, I am giving them money here, right? They can't -- I can't collect that basic information? Did they competitively bid this?

Mr. Strickling. Yes, they did, and Cisco provided the lowest price of the bidders who responded to their competitive bidding process.

Mr. Walden. So I understand there was a quarterly report on this project that noted that it had dramatically decreased its plan for fiberoptic buildout, cutting almost 40 percent of the community institutions on its list. One reason was that the grantee discovered that 88 of these community institutions on its buildout list already

had fiber. So is that accurate?

Mr. Strickling. I can't dispute the numbers. I don't have the report in front of me.

Mr. Walden. But you are familiar with the report?

Mr. Strickling. In general, I am aware that, yes, through their diligence upon receiving the grant, they have found it not necessary to overbuild into areas that already had fiber, and I think we should applaud their action in that regard.

Mr. Walden. I do, too. I guess what I am trying to figure out here is the independent analysis NTIA might be doing.

It sounds like your agency takes the word of whoever is asking for the grant their, in both of these cases, and then hands out the money before verifying the project costs wouldn't duplicate existing infrastructure.

Let me put it more clearly, you are relying on whatever you are told is going on then.

Mr. Strickling. If we are going back to the application period, you will recall that we received 10 times the applications than we had dollars to spend. We were under very tight time frames. We did, I think, an incredible amount of due diligence on the applications we received.

But did we go out and check every anchor institution in all of these projects to determine what existing services they received? No. We relied instead on letters from these anchor institutions indicating this they were not being well served and that they needed upgrades or

needed broadband brought into them that where it didn't already exist.

Mr. Walden. And I know the pressure you were under and I know I am over my time here. But when they come back and say, we were 40 percent off, that just raises flags for me.

Mr. Strickling. It is not 40 percent off in terms of the total number of anchors that they are serving and we will be able to take the opportunity --

Mr. Walden. That is in the report that they.

Mr. Strickling. I thought you said 80 anchors.

Mr. Walden. No, they cut almost 40 percent of the community institutions on their list.

Mr. Strickling. I would want to go back and check that. I am not sure of the accuracy of that. But in any event, I think again that shows good project management and good oversight. And the important thing is we will now be able to use those dollars to reach anchors that perhaps weren't in the original project that now can be reached based on the additional information that we all have today.

Mr. Walden. My time is more than expired.

Thanks for the answers.

And I will turn now to the gentlewoman from California, Mr. Eshoo.

Ms. Eshoo. Thank you, Mr. Chairman.

To Mr. Zinser, earlier this year, your office completed its examination of Bay Web, a public safety project covering a good part of Bay area. Did you find any evidence of fraud?

Mr. Zinser. Thank you, Ms. Eshoo.

We did not find evidence of fraud. We issued a report in January that detailed our findings. Our findings went more toward issues concerning governance and some of the information included in the application wasn't completely accurate, and we have sent our report to NTIA.

Ms. Eshoo. Thank you.

As a follow up to Assistant Secretary Strickling, has NTIA addressed the recommendations outlined in the, I mean this is going back because now these are suspended, but I still would like to know, since it is a Bay Area effort, have you addressed any of the recommendations outlined in the IG's Bay Web report?

Mr. Strickling. The IG issued two reports. One was an audit, and one was a supplemental report. In the audit, they recommended that we needed a more robust complaint resolution process. As we received complaints from third parties about projects, we did institute a much more process-rich approach to dealing with complaints as a result of that recommendation.

With respect to the January report that the inspector just mentioned, we reviewed the report. The concern that was raised there was whether or not any of the -- what the IG had felt were misstatements in the application rose to the level of material misrepresentations that might have changed the outcome of the grant award.

We had already done a thorough analysis of the application and all of the supporting materials we received, and we felt that, notwithstanding the issues that the inspector general raised about the

application and some statements that were in the application, we did not feel that in any way we had been overall misled and that we had a full appreciation of the challenges of that project at the time we made the award.

Ms. Eshoo. Thank you.

To Administrator Adelstein, transparency and accountability are the essential bookends in terms of the work that is done. They are essential ingredients for any program involving a substantial taxpayer investment.

Do you support a requirement that RUS broadband loan recipients file regular publicly accessible reports documenting their progress toward completing their project?

Mr. Adelstein. Yes, that would be helpful I think. We get regular reports, and we are monitoring them on a biweekly basis. I have my field staff going out every 2 weeks and making sure they touch each one of these projects. And it has been an extensive effort. I just want to make sure that any requirements didn't release proprietary information.

Ms. Eshoo. As I understand it, approximately 11 percent of the projects that RUS initially agreed to support have been terminated. How does this figure compare to other RUS loan programs? And can you help us understand the nature of these terminations?

Were there any common themes, such as noncompliance or fraud?

Mr. Adelstein. Not noncompliance or fraud. We find fairly typical when we make loans that a number of them never do follow through,

they are drawn down. A similar percentage in our experience, this may be a little bit ahead --

Ms. Eshoo. Excuse me. They applied for the loan, but they don't follow through with the application and therefore nothing comes of it?

Mr. Adelstein. Exactly. That does happen to 5 to 10 percent of our loans. These projects that were rescinded, as I indicated, 99.9 percent of the funds were returned to Treasury. There was a number of reasons for it. Sometimes awardees were unable to produce promised funds that they said they would have. We make sure that every dime they say they have is there. Sometimes they couldn't comply with the terms as we worked with them on that. In some cases, competition moved closer to where they were, and they no longer had the business case for it.

One case, a buyer sold the operation, and the new buyer didn't want to follow through with it. Another case major restructuring caused significant material changes. One awardee refused to show the necessary documents for the closing requirements. There are inter-creditor issues. We put a fairly aggressive mortgage on them to make sure we get taxpayer money back and other lenders --

Ms. Eshoo. I am almost out of time. But I appreciate your answer because I think kind of tucked in there is something that we need to appreciate, and that is that there was a great deal of scrutiny that went on in that process, and that is why they did not come to fruition, which is probably the best outcome in terms of some of these circumstances that you just described.

Between the two projects, the BTOP and the BIP, there are many that are far from completion. Would these be completed by the deadline? I think someone touched on that in their opening statement, but --

Mr. Strickling. I will speak with respect to the BTOP program. All of our projects are on schedule to be completed within 3 years, with the exception now of the seven public safety projects, for which we will seek an extension from OMB given the reality we are facing with FirstNet. But the other ones are all on schedule. We have not granted anyone any extensions. I won't even entertain extensions or requests for extensions for these projects at this time.

We are pushing everyone to stay on schedule, and that is our hope and our plan.

Ms. Eshoo. Thank you very much.

I am out of time, Mr. Chairman. Thank you.

Mr. Walden. The chair recognizes the gentleman from Nebraska, Mr. Terry, the vice chair of the subcommittee for 5 minutes.

Mr. Terry. Thank you, Mr. Chairman.

Mr. Zinser, did I say that correctly?

Mr. Zinser. Close enough.

Mr. Terry. I want to follow up on part your testimony, and we understand that the oversight components, funding oversight comes out of the actual funding for the program; it is not a separate fund. But I am curious, in your testimony, what is the totality of the amounts spent in oversight preventing waste, fraud and abuse?

Mr. Zinser. The totality that my office has spent?

Mr. Terry. Yes.

Mr. Zinser. The act required that NTIA transfer $10 million to my office for BTOP oversight. We have spent about $6 million of that fund, and right now, we have about $4 million. And the plan was to spread it out throughout the length or life of the project and then a little bit beyond, and now we have, that is going to be abbreviated.

Mr. Terry. It is obvious, but I want to point out for the record, you just, that oversight is not for RUS but just NTIA.

Mr. Zinser. Yes, sir just NTIA.

Mr. Terry. And Mr. Adelstein, who does the oversight for RUS to make sure that the RUS projects are free of waste, fraud and abuse?

Mr. Adelstein. Mr. Gray and his team.

Mr. Terry. Mr. Gray, how much has been spent on oversight, fighting waste, fraud and abuse in the allocations by the RUS?

Mr. Gray. I am not sure that I know the specific numbers. Overall, we received $22.5 million under the Recovery Act to perform oversight of all USDA programs. I can find out the specific amount for RUS.

Mr. Terry. Would you?

And then, both for Mr. Zinser and you, Mr. Gray, the same, and I will ask if you are okay with this, but can you break that down into the number of projects that you have actually reviewed for waste, fraud and abuse?

Mr. Gray. Yes, sir.

Mr. Terry. Mr. Zinser?

Mr. Zinser. Yes, we can itemize the kind of activities that we use the money for.

Mr. Terry. That would be helpful.

Mr. Adelstein, we go way back. I think you do good work. Recently, and this is probably going to be a hearing some time in the future on USF reform that the FCC has taken up. But I worry that as the RUS issues grants, that the yin and then the yang. And the yang is, if there is competing grants or that rules proposed by the FCC are making it difficult for the RUS loans to be paid back; have you engaged, RUS engaged in any review of the RUS loans to determine if any are in jeopardy from ARRA grants and/or other rules proposed by the FCC?

Mr. Adelstein. Yes, Congressman Terry, we certainly have. We are doing an ongoing risk assessment and stress testing of our entire portfolio. We are going forward using sensitivity analysis about what would be the impact of loans that we make in the future. So we are very carefully monitoring the impact on our existing portfolio.

Mr. Terry. Any findings from your investigations?

Mr. Adelstein. Well, we are still determining; it is a work in progress. The FCC order, as you know, part of it took place immediately, other parts are moving targets. They are going to do more I think very soon. We just changed their regression analysis a couple weeks ago, and we are looking at the impact of the new regression. So we are overall looking at it on a company-by-company basis, and it is going to be a while before the FCC has completed its activity.

Mr. Terry. True. But has RUS, at this time, found any of the recipients of RUS loans in the broadband telecom area to be stressed or kind of borderline stressed?

Mr. Adelstein. Some of our borrowers have indicated to the FCC in waiver requests that they face bankruptcy if waivers are not allowed by the FCC, so we have had direct communication from a number of our borrowers who have come to us indicating that they are under severe stress as a result of the changes. Now some of that might have changed as a result of the new regression analysis that the FCC recently published.

Mr. Terry. My time is nearly up. So I will yield my last 5 seconds back.

Mr. Walden. The gentleman yields back the reminder of his time.

The chair recognizes now the gentlelady from Virgin Islands, Dr. Christensen.

RPTS MCCONNELL

DCMN ROSEN

[11:00 a.m.]

Dr. Christensen. Thank you, Mr. Chairman, and welcome to the panel this morning. Before I ask a question, I just want to say to Mr. Strickling, that, you know, I really had an opportunity to see almost firsthand how NTIA is protecting the taxpayer's money, but at the same time, aggressively pursuing the expansion of broadband, in the unserved and underserved areas. So I want to thank you for working with the Virgin Islands project. We have had a CAP, but in coming out of it, I think we came out stronger with better control for our accountability. But it does slow down the project somewhat, and I was wondering, and Mr. Adelstein can also answer, did the collective action plans and suspensions affect meeting deadlines and is there any built-in consideration given for those kinds of delays?

Mr. Strickling. As of now, no, we do not see them affecting any of the completion dates of any of the projects that are currently underway.

Dr. Christensen. Okay, great. And Mr. Adelstein, we have not in the Virgin Islands been as successful in the BIP loan program, and I would like to just get a better understanding of how you look at the applications. So how does RUS analyze the financial feasibility and sustainability of BIP applications? Do you examine the extent to which competing broadband providers were present in all or part of the

proposed service areas for BIP awardees, and did RUS consider whether and to what extent BIP awardees rely on other Federal funds such as subsidies from the Universal Service Fund?

Mr. Adelstein. Yes, we do very carefully analyze financial feasibility. As a matter of fact, the main reason that we turned down the bulk of the nine out of ten applicants that applied was for either financial or technical infeasibility. These are very difficult projects to prove out feasibility. Obviously, it is difficult in rural areas to make these businesses work, and businesses need to come with substantial equity in order to be able to do the working capital because we don't provide for operations funding. Competition is an issue. Sometimes if there is not an area, if it is an area that has too much competition, there is not going to be a business case that works. If there is -- if there is competitors that are about to build, that is an issue that we also look at, so we are looking at the entire market. And we ask all of our borrowers to do a market analysis. We also ask incumbents in the area to report to us whether or not there are competitors in the area, and then we send our field staff into verify it, so that we know whether or not they are not going to be able to make the anticipated take rates that they use as a justification for the revenues that they expect in their application. So we do a very rigorous financial analysis.

Dr. Christensen. Thank you. Mr. Gray, how does OIG determine whether or not to investigate a complaint? For example, could you discuss why your office declined to investigate allegations of fraud

in the BIP award to Lake County, Minnesota, and did the OIG refer that complaint to RUS for any further action? And if you did, are you aware of any action taken by RUS?

Mr. Gray. When we receive complaints, we review them. Usually our criminal investigators review them for potential allegations of crime. We review whatever evidence is submitted with the allegations. We do a certain amount of preliminary inquiry, and then determine how much further to take it.

In the case -- if it becomes apparent to us that there is no criminal criminality involved, usually we will let our auditors review it as well, but if it appears to be an administrative matter, perhaps policy dispute, we refer it to the program agency, in this case, RUS. In the case of the Lake County, we did that similar analysis. I think the allegations were that there was misrepresentations in the applications. We did not find that to be the case in our preliminary inquiry, and we did refer it to RUS.

I believe RUS got back to us in January of this year, and they, in turn, found no substance to the allegations and found that the application was appropriate and proper.

Dr. Christensen. Okay, thank you. I guess I will yield back my 5 seconds. I don't have time for other questions.

Mr. Walden. The gentlelady yields back, and just for the record, we are talking about the Rural Utility Service. There is really not a person named RUS, not Russ Adelstein. We turn now to the gentleman from New Hampshire, Mr. Bass, who has played an important role in this

effort and recognize you for 5 minutes.

Mr. Bass. Thank you, Mr. Chairman, and I have two questions for our distinguished panel today, and I want to thank you for being here. It is important. Under the stimulus bill, the purpose of the BTOP infrastructure grants was to, and I quote, "provide access to broadband services to consumers residing in underserved areas," and to "provide improved access to broadband services to consumers residing in underserved areas."

Assistant Secretary Strickling, NTIA recently unveiled an on-line map that shows where and how BTOP grants are being spent. It would be more helpful, however, if the map were integrated with the National broadband map so that we could see whether the BTOP project is really going to underserved communities, instead of overbuilding. When can we expect to see that integration?

Mr. Strickling. You are making a very good point, Congressman. I don't have a time frame as to when we will actually have them on the same platform, but I do think it is possible to make some comparisons, even now. But more importantly, I think you have to keep in mind the difference in the data that the two maps reflect. Our projects, for the most part, are middle-mile projects. They don't serve end users other than anchor institutions. So that what we are really doing is building a robust infrastructure that can be utilized by those last-mile providers in those communities to improve the speed of service they offer, and perhaps to reach, make it more economical for them to reach communities that they don't currently reach.

So we are comparing apples and oranges a little bit when you look to see where the middle-mile circuits are going compared to where end users are being served.

Mr. Bass. So I guess what you are may be warning us perhaps, is that when this does get integrated, it is not going to really show that you are reaching underserved areas directly, but that you are providing the potential to reach underserved areas directly, but there is no guarantee that it will actually happen?

Mr. Strickling. Well, I wouldn't agree with that statement as made. Certainly, we are able to reach anchor institutions, and one of the things we find early on in this program is that there is really a separate market for broadband for anchor institutions than there is for the typical residential consumer. The types of speeds at 1-1/2 or 4 megabits per second might be adequate for consumers, although even today, that is increasingly coming into question. But it absolutely doesn't meet the needs of anchor institutions such as hospitals and schools and libraries, where we need to be looking at minimum speeds, 25 megabits per second, 50 megabits per second.

So our projects are definitely meeting the needs of anchor institutions in these areas who are able to get connected to these facilities. But you are right, in terms of the mass market, the residential consumers, we are depending on these investments, as I said earlier, priming the pump for private investment by last-mile providers.

Mr. Bass. Okay, thanks. Administrator Adelstein, the FCC has

been looking into reform of the USF, Universal Service Fund for a decade with serious efforts in 2008 and another call for reform in 2010's National broadband plan. How did RUS account for potential reforms in the USF in reviewing BIP applications? Can you address that?

Mr. Adelstein. Yes, in fiscal year 2011, we analyzed infrastructure loans losing as much as 10 percent of their USF support to determine if they were feasible despite that loss. And we, of course, know that the FCC has been doing Universal Service Reform and was considering changes since 1997 since the very first order. So if we were waiting for each time the FCC was about to act, and I was on the FCC when we almost acted in 2008 --

Mr. Bass. Right.

Mr. Adelstein. -- we wouldn't have been able to do any loans if we were assuming that they were going to change it. So given the statute requires that the funding be predictable and sufficient, we moved forward based on what we anticipated with some stress testing done in more recent years as the indication became clearer, that the FCC was, in fact, about to act.

Mr. Bass. Okay, very well. Thank you, Mr. Chairman.

Mr. Walden. The chair now recognizes the gentleman from California, Mr. Waxman for 5 minutes.

Mr. Waxman. Thank you, Mr. Chairman. Assistant Secretary Strickling, we all agree it is critical that the administration implement the provisions of the Middle Class Tax Relief and Job Creation Act effectively. As the agency tasked with hosting FirstNET, the First

Responders Network Authority, NTIA has a critical role in ensuring the success of this network. Since the passage of the Act, there have been concerns how the seven public safety recipients of Recovery Act dollars will be integrated into the new nationwide network. I was encouraged that NTIA took the difficult but necessary step of temporarily suspending the public safety awards until decisions are made about FirstNET's technical requirements. I think your action was prudent, but I would appreciate some clarification of a few points.

Can you first explain, what do you mean by a partial suspension? What types of suspending are now prohibited? What types of suspending will be now allowed to continue?

Mr. Strickling. Yes, sir, with respect to the partial suspension, all we suspended is the expenditure of dollars on the 4G LTE equipment, but at the same time, we have asked all of the recipients to come back to us within the next 45 days, hopefully sooner, but we put a 45-day limit on it, with how they would propose to move forward with their spending for all of the projects.

We certainly think that things like site preparation, site acquisition, backhaul networks all are assets that ought to be able to be used in the FirstNET network, or ought to have a useful application in other networks or other applications for the community. That work we would like to see continue. And even with the 4G LTE gear, it is not lost upon us that we could learn something by allowing some percentage of these projects to proceed, perhaps on a scaled-down basis, even using the 4G LTE equipment. What I want to avoid is a

situation where choices are being made now by individual communities that could actually upset our ability, FirstNET's ability to create a viable business model for the public-private partnership that the legislation envisions. And so we have to be very careful about that.

So my immediate goal is to keep the dollars in the community. We will do that by getting an extension from OMB to allow those dollars to be spent past 2013. And then secondly, to ensure that we reduce the risk to the taxpayers by whatever spending goes forward, and in that regard, that is also a conversation that we can have with the manufacturers in terms of are there things they could do now to help reduce the risk that this equipment, if installed, becomes stranded at some point down the road so that we end up having wasted the taxpayer dollars.

Mr. Waxman. What steps will you take to ensure that the Broadband Technology Opportunities Program dollars stay with the public safety awardees and that these project will be fully funded, what can we tell cities like Los Angeles, San Francisco and Charlotte, as well as States like New Jersey about the likelihood of retaining their BTOP grants?

Mr. Strickling. I am confident that we will be able to do that. What has to happen is that the Office of Management & Budget will need to provide an extension to these projects beyond the September 2013 date. There is currently an order in place from OMB that requires all spending on Recovery Act projects to be completed by September of 2013, and if you can't make that date, you can petition OMB for an extension.

I think it helps in this case that one of the members of the

FirstNET board is the director of OMB, and I think they will work with us to secure that extension, but I obviously can't speak for them. But this is, I think, the paradigm case of where an extension would be justified.

Mr. Waxman. Thank you very much. I yield back my time.

Mr. Walden. The gentleman yields back the balance of his time. The chair now recognizes the gentleman from Illinois, Mr. Kinzinger, for 5 minutes.

Mr. Kinzinger. Thank you, Mr. Chairman, and thank you, gentlemen, for your time today. I can tell you, one of the things I am not a big fan of is just too much bureaucracy. I mean, it seems like the bureaucracy out in Washington, D.C. in the limited time I have been here just grows and grows and grows. So my concerns deal with the duplicative nature of what we are talking about today. It seems as though we keep making more and more government bureaucracy in order to accomplish the same thing, which is getting broadband access out to places that are unserved or underserved.

Along with the BTOP and the BIP programs that have been discussed at this hearing, the FCC, as was mentioned a few minutes ago, is transitioning to the Universal Service Fund in order to expand the deployment of broadband. With this many programs being run by different government agencies at the same time all with similar goals, it is pretty obvious to me that some overbuilding of current networks is going to take place.

At some point I think it would be beneficial for our committee

to take a serious look at consolidating some of these programs to ensure taxpayer funds are being used efficiently. To Administrator Adelstein, and thanks for coming in, given the focus of RUS, which is serving broadband in unserved areas, bringing broadband to unserved areas, I am sure you would share my concern about overbuilding. It would be something that you wouldn't want to see. But an additional concern that I have about overbuilding is it threatens the viability of a loan. So if an area is so rural that one broadband provider can't exist, it is uneconomical for them, then I think it is doubtful that a federally-funded competitor can survive for long at all. So how does the RUS address overbuilding concerns when specifically addressing the viability of a loan?

Mr. Adelstein. That is a great question, something we think a lot about. We are a financial institution, essentially, with a very low default rate. Our default rate in telecommunications programs is about 6.2 percent, so we are very careful about not building broadband in places where competition is going to make it impossible for our loan to be paid back. We do a careful market analysis. As a matter of fact, in the BIP program we required each of our awardees to do a market analysis of where broadband was. We open it up for public comment from incumbents to say where are you serving in that territory? But we didn't take their word for it or the market analysis' word for it. In the application where there was about to be a successful award, before we finalize that, we send our field staff in to verify both the market analysis and the incumbent reports to determine what the level of

competition was.

And if we determined there was too much competition, that there wouldn't be a sustainable business as a result, we denied the award as not being financially --

Mr. Kinzinger. So you don't think that there has been any overbuilding really anywhere at this point?

Mr. Adelstein. Well, you know, broadband doesn't follow neat lines, and sometimes there are places where there is competition, other times there is none. For example, there might be a small town where the cable company might have built, but it is surrounded by hundreds of square miles of rural area and the builder that -- the applicant might say I am going to serve my entire area which might include the town, and often this can be very much be upsetting to the cable company that has made its own private investment there, but without them building their entire network, it wouldn't be financially feasible for them to serve only the rural areas that are very dispersed.

Mr. Kinzinger. Another question I have for you, there is 22 BIP products have yet to receive disbursement, I believe. The purpose of the Recovery Act was to stimulate the rural economy with shovel-ready projects, which has become so popular lately. Are these projects, these 22 projects, that may be slightly different now, but are these 22 projects in compliance with their awards?

Mr. Adelstein. Well, they are so far. We would have rescinded them. As I indicated, we rescinded a number of projects. Some of those projects have begun but haven't done draws. Others haven't begun

yet for a number of reasons.

Mr. Kinzinger. What are some of those reasons they haven't begun?

Mr. Adelstein. Well, some of the reasons include that they are just cleared the environmental or historic review. It has taken a long time. Some of them are on tribal lands.

Mr. Kinzinger. They weren't pretty shovel ready. They were just kind of -- it just took a number of years to get to this point is, in essence, where we are at?

Mr. Adelstein. It has been a learning experience for me how difficult it is sometimes, particularly on tribal lands to get all the clearances. They might have 220 different owners of one little parcel that they need to get clearance from before they can get a right-of-way. And we have been working with DIA on that. So there is interagency reviews, there is historic reviews, environmental reviews that have slowed some down. We do a very careful legal.

Mr. Kinzinger. At what point when you say, okay, they are in compliance versus, okay, now, this has been too long, there is too much stuff. There is something wrong. They are not in compliance. We are giving the money back to the taxpayers?

Mr. Adelstein. Well, we have done that in a number of cases. We have returned over $200 million to the Treasury for projects that can't do that. And I anticipate some of these 22 projects will end up being rescinded. If they don't get going pretty soon, some of them, we are not going to be able to finish by the deadline, and if they can't finish

by the deadline, we are not going to be able to disburse funds after that, and therefore, the project would be no longer financially feasible. So if they don't get going pretty soon -- we worked really hard on these 22 to try to get them off the ground. But if they don't get going soon, we are not going to be able to do them.

Mr. Kinzinger. Okay, thank you. I yield back.

Mr. Walden. If I could just intercede for a second. I represent a district that is 70,000 square miles, 55 percent of which is Federal land. At some point it would be interesting to know, of those projects that are taking so long, how many of those are in these very rural districts where the Federal Government footprint is so large, and I would hate to see them get disenfranchised once again by their own government because of the delays required by NEPA, and all these other things. So I am sort of off my clock, but maybe we can follow-up on that. I will recognize the gentleman from New Jersey, Mr. Pallone for 5 minutes.

Mr. Pallone. Thank you, Mr. Chairman. I wanted to direct my comments and questions to Mr. Strickling, and thank you for your hard work and efforts at the agency.

As you know, my home State of New Jersey was one of seven regions to receive funding to early deploy a public safety LTE network, and now, in light of the passage of the Middle Class Tax Relief and Job Creation Act, which included provisions to create a nationwide interoperable public safety broadband network, it sent New Jersey a letter withholding funding out of concerns that their project might

conflict with the forthcoming network. And I know this may have been a tough decision for you, but obviously, passage of this law was always our policy goal, but not a reality when these grants were first awarded. But as you can imagine, I am concerned that New Jersey may lose its critical funding and its potential for early deployment.

So I just wanted to ask you first, are you willing to commit to working with me to ensure that New Jersey can still deploy its project, as long as they are able to ensure that they will not interfere with the new law?

Mr. Strickling. Sir, we will want to work with you. We want to work with the grantee in New Jersey, and we want to work with all seven of our grantees to chart the best path forward given the reality of the new law. You know, your comment about what we knew in 2010, though, I guess I would take a little issue with in the sense that as partly from the grants we did, it helped the administration, I think, come around to the view that what we need here to be successful is a single, national, interoperable network.

The philosophy before that time was much more one of cobbling together a network of networks. And on that basis, we provided funding back in 2010 to allow individual communities and States to see what they could do with this new technology. But we certainly learned from our projects, particularly ones that involved more than one community that governance challenges that exist when you are trying to bring together a large number of parties to agree on how to build these networks. We have talked already about the BAYWEB project in

San Francisco, which clearly was challenged because of the need to bring together a number of counties and cities in the Bay Area into an appropriate governance structure. So I think out of that emerged the new philosophy that Congress adopted in the act in February, and it is on that basis on which we have to determine how best to go forward with these projects and how do we create that pathway that ensures that that equipment is going to be compatible with whatever FirstNET comes up with, and also provides a pathway to make that equipment available to the public-private partnership that has now been envisioned in the new legislation. But the answer to your question is yes, we want to work with you and the grantee to find a way forward here.

Mr. Pallone. In light of what you just said, New Jersey has asked for an extension of time for its project which is pending before you. In light of what has happened, would you grant our extensions so we can ensure that the project would be interoperable with the forthcoming network? I mean, part of the reason why they put this request for the extension in, is to make sure that it is interoperable with the new network.

Mr. Strickling. So as I indicated in responding to the questions from Congressman Waxman.

Mr. Pallone. I know that mine are similar, but I am asking them for my State.

Mr. Strickling. Well, we are going to seek from OMB. It will be OMB that will have to grant us the ability to allow these projects to extend beyond September of 2013. We will put that request to them

and I am optimistic that they will grant that, but I don't control that. But I would hope and expect they will do that.

Mr. Pallone. I appreciate that. Thank you very much. Thank you, Mr. Chairman.

Mr. Walden. The gentleman yields back the balance of his time, the chair now recognizes the gentleman from Illinois, Mr. Shimkus for 5 minutes.

Mr. Shimkus. Thank you, Mr. Chairman, and welcome. It is good to see you all again. And let me start with Mr. Adelstein, welcome. If you don't know what is going on on USF, based upon your past life, and being inside the room, then no one does. So I hesitate to fully accept your answer to the question that was posed to you.

Let me ask about carryover funds in the RUS, which the carryover stimulus and any other aspects that that might have. What do you plan to do it with, and obviously, with deficits and debts, if they haven't been spent, the Treasury might be a good place for it to go.

Mr. Adelstein. That's right. All unobligated balances that we have go back to Treasury. We rescinded a number of projects; 99.9 percent of the funds have gone back to Treasury, $267 million. If any other projects are rescinded rather than carry them over, they will be returned to Treasury.

Mr. Shimkus. We would love to see it out in rural America, and we do question some of this debate. I understand a cable company providing to local community, and then so you are trying to help get to the rest of the area. I would argue that maybe working with the

cable company to deploy, versus, I mean, there is an issue about even though you build it, whether they come. Secondly, will they be able to still be able to afford it? Because you create, as we talked about numerous times, a competing system that may not have the base to fully survive.

So in your example of overbuilding, I think better planning with the incumbents who are providing in a community might help strengthen the base and the portfolio of the servicer.

Mr. Adelstein. We do work with cable companies and we are open to doing -- lending to them. I actually recently visited the American Cable Association to encourage them to come in and borrow. We love lending to them.

Mr. Shimkus. Why do you think they are reticent? It is because it is too difficult, bureaucratic, time-consuming, not worth their time?

Mr. Adelstein. Some of them do borrow from us. Sometimes their financial structure is not one that lends itself to our mortgage, which can be very aggressive. Other times, frankly, they tend not to build outside of the town, and this is a business decision. I am not criticizing it. But the way cable has built out traditionally, it has kind of ended at the town line and hasn't been cost-effective for them to go outside of it. And that is where some of this issue comes up.

Mr. Shimkus. Right, but if we are giving grants and low-interest loans and stuff, and overbuilding a competitor, don't you think that might be incentive enough? I mean, there is a reason they are not.

Just, I mean they don't want a competitor in their backyard subsidized by the government.

Mr. Adelstein. That is why I went to them and I suggested that the best defense is to be their borrower. We want them to borrow with from us. We would love to work with them.

Mr. Shimkus. I need to go pretty quick, so I hate to cut you off. Mr. Strickling, your answer to this West Virginia stuff is just really bad.

And let me, if I may, Mr. Chairman, submit another story from the West Virginia Gazette, addresses this same issue.

Mr. Walden. Without objection.

Mr. Shimkus. And it basically says, when people, when people spend other people's money, I don't care if it is you, I don't care -- we spend it poorly. This story, there are 366 routers sitting in storage.

Mr. Strickling. There is a reason for that, sir. The project is not built.

Mr. Shimkus. And we already 2 years into the -- why couldn't you, even if they are going to sit in storage, and the question is whether they will ever get out of storage, why would you have a 5-year maintenance agreement that 2 years have already ticked off the 5-year maintenance agreement?

Mr. Strickling. Well, sir, because they could get the 5-year maintenance agreement for the same cost as the 3-year maintenance agreement. Had they purchased a 3-year maintenance agreement they wouldn't have been --

Mr. Shimkus. This is great and I hope people continue to dig into the story because you are very eloquent. But the bottom line is, I would like to see the bids, and I would like to see what West Virginia and those folks put out on the bid application because your premise is, they just bid out for all of these routers at this size, and so they got the best product based upon a bulk purchase.

I would like to expect if someone did some due diligence, it was my money, or if it was someone who had some fiduciary responsibility, they would identify the bid based upon the need. So Mr. Chairman, I would hope there is a way to find out and analyze the bid for the State of West Virginia, and whether the bid was so cavalier that they asked for routers that would serve 500 when the need was 3, and I bet if you produced a bid based upon the need of the State of West Virginia, and the locations, it would be a much competitive and a lower cost than this bulk purchase of a tremendous routers. I don't know how we would do that.

Mr. Walden. Well, let me ask --

Mr. Strickling. Congressman, we would be happy to work with your office to supply any other documents from West Virginia.

Mr. Shimkus. Yeah, because I mean, as much as you try, you just can't defend what is going on in West Virginia, and I yield back my time.

Mr. Walden. I, and so Mr. Strickling, maybe you can provide for the committee. I don't know in terms of the bids if there is confidential information we are not allowed to have.

Mr. Strickling. Well, this is all within the confines of the grantee, West Virginia, but I think in our role as overseeing these projects we will get to the bottom of this, and provide any other information you all would like to have about it.

Mr. Walden. Yeah, we are just after the facts, as they say. So that would be helpful. So you can provide us with the various bids and all on these routers.

Mr. Strickling. I will determine what exactly can be provided from the grantee, but we will endeavor to provide you all the information we have on this.

Mr. Walden. And if you can let us know what other information that you don't have that we should have in our quest here, we can always, I am sure, contact West Virginia and get some answers as well. I think our last committee member, Mr. Bilbray, if you have got questions, you have got 5 minutes to ask them.

Mr. Bilbray. Thank you, Mr. Chairman. Mr. Chairman, I have always worried that experts -- what is the line they always say, generals always fight the last war, not the next one. In fact, I remind all of my colleagues that the experts in the military never wanted to accept the Predator; thought it was a toy. I think history has proven that because Congress pushed it, made them look at new technology, it was aligned. There is this broadband map that we have been given the coverage of this. You guys are familiar with it. Does this include, have you considered satellite technology in the covering of this broadband? Okay, Billy.

Mr. Strickling. I am not sure which map you are holding up, sir.

Mr. Bilbray. Well, let's just say it shows a lot of areas in California and east of the Mississippi that is not being covered today, and it appears to me that it does not reflect the new satellite technology that is going on line that will totally cover the areas that you are saying cover. So I am concerned that you are fighting the last war and not using the next generation of opportunities. Are you considering an extensive use of satellite technology to cover these areas that you say you want to fill in?

Mr. Strickling. You want to take that because you had a satellite program?

Mr. Adelstein. In terms of our program, we did provide $100 million in grants to make sure that people had access to affordable new-generation satellite service. So we certainly took that into account in our bid program.

Mr. Bilbray. And how did you survey what was coming on line? It reminds me of the fact that those little people movers over at Dulles. It was a great idea until they hadn't checked that the 747 was on the drawing board, and as soon as those super jets showed up, the whole technology was obsolete. Are you saying that in your grid, you are covering and actually considering that there is private sector satellites coming on line that will cover these communities and provide that coverage?

Mr. Adelstein. We only allowed those grants to go to areas that had absolutely no broadband service whatsoever. So we ensured that

they didn't have any access to terrestrial or broadband before we provided an award to allow for a consumer to get --

Mr. Bilbray. So let's roll back. So in other words, you were fighting the last war; didn't look at the fact that there was a new technology coming on that was going to be available. Basically, you created the same mistake that Dulles did. You didn't check with the private sector and the technology, what was in line to be on the service level before you start engineering your tactical approach to this issue.

Mr. Adelstein. No, we did fund satellite. We funded the latest generation of satellite service to places that didn't have access to any other service. So we took into account the fact that for those areas that didn't get broadband through any of these other awards, we wanted to make sure --

Mr. Bilbray. Well, did you check to see if there was private sector that was already doing this without your subsidies?

Mr. Adelstein. Well, there was. I mean, satellite service was available. It wasn't available at the same price point. Wasn't available for the same -- we were able to give people access that they wouldn't have otherwise had because of the --

Mr. Bilbray. Because we have them going on right now where the whole eastern, east of the Mississippi, if not east of the Plains, is going to be provided by service three times of what the minimum that we are requiring here, but I am still seeing you look like there is big gaps here that somehow you are trying to fill in, and when the

discussion of a National system is being considered, why would you go with a terrestrial system if you have got a satellite system coming on board that treats everybody equally, except for the fact that maybe you don't get to give one grant here, one grant there. Because the private sector looks like they see the opportunity to invest in it. Right now, as far as I know, the systems is moving forward without your subsidy. Are you saying that you are engaged with everybody who is involved with that expansion, or you are in communication with everybody that is doing the private sector overlay?

Mr. Adelstein. Yes. We actually gave the awards to Hughes Satellite, as well as EchoStar, and Spacenet, so we were working with the companies providing the latest and greatest satellite service to make sure that they could get that to the most rural --

Mr. Bilbray. So you chose which private sector you wanted to give the grants to, but did you interview and review everybody that was in the field?

Mr. Adelstein. Yes, it was a competitive grant process and they put the best bang for the buck for the taxpayer dollar to get service out to those rural areas that didn't otherwise have service.

Mr. Bilbray. The question I have, though, is why would you be giving a grant out for a service that is coming on line anyways though? Why was the taxpayer's money put on there if you have already got companies saying we are going to do this regardless?

Mr. Adelstein. The purpose of the grants was to reduce the cost to the end user so that it was affordable for them. So the initial

hookup cost was reduced and the initial subscription costs were reduced.

Mr. Bilbray. What I don't understand though, is that they are talking about service that would be the same in New York as it would be in West Virginia, and that that would be the same service across the board. I don't understand. Again, did you get into this that we would use the terrestrial system the way you have make that extra effort in certain areas, but with this technology, there is no extra effort needed. It is just like, you know, the GPS. I mean, the guy in, you know, Cleveland gets the same service as somebody in Midland, Texas. But the question is, you picked winners and losers here, and went and subsidized some when you have private sector people who are implementing the same service without subsidy.

Mr. Adelstein. Well, it was the same private sector people that were thrilled that we were doing it.

Mr. Bilbray. Of course they are thrilled. They are getting fed taxpayers' money to do things that they would be doing anyway. This is where we got this real problem with, was there a benefit to the general public for the expenditure of the general public's money at a time when the public is pretty mad about how we are doing oversight for that expenditure. Let's face it, there is a credibility gap here and when you say excuse me, Congressman, I go back to San Diego, and they say you wrote checks for these companies and there is other companies that are doing the same things with no checks. Why in the heck did you spend my taxpayers' dollars on that? Unless it was just

basically to get money out to our friends and be able to stimulate their businesses over somebody who is not our friends.

Mr. Adelstein. The purpose was to get broadband to people who didn't have broadband through any other means. And these companies, as you indicated, are doing an excellent job of getting broadband out --

Mr. Bilbray. My point being, I think that if you go back, you will see they were going to get this regardless because the market was being made available through new technology. I yield back, Mr. Chairman.

Mr. Walden. The gentleman's time is expired. I recognize the gentleman from Texas, who I believe is going to go ahead and go with the gentleman from Georgia, Mr. Gingrey.

Mr. Barton. I thought Mr. Gingrey would go and then I would go.

Mr. Walden. That is very kind. Mr. Gingrey, you are up next; 5 minutes.

Dr. Gingrey. Mr. Chairman, I thank you and I thank the chairman emeritus for his courtesy in regard to that. Administrator Adelstein, the question that I am going to put to you has actually already been touched on by the gentleman from Illinois, Mr. Kinzinger, as well as my colleague from New Hampshire, Mr. Bass.

I am concerned that many of the broadband loan and grant programs run by RUS duplicate programs within the Universal Service Fund. Do you agree that duplicative Federal programs administered by different agencies with different oversight structures and rules are problematic?

Mr. Adelstein. I don't believe -- I think duplicative programs are problematic. I do not believe these programs duplicate each other at all.

Dr. Gingrey. Well, would you commit to working with us to make sure, to eliminate any such programs, and consolidate Federal spending to get the biggest bang for the taxpayer's buck. You don't want that to happen, do you? You want to make sure that these programs are not duplicative. That is your answer, isn't it?

Mr. Adelstein. Yes.

Dr. Gingrey. Thank you. I understand that RUS will not lend money. I think you even said this a second ago. The RUS will not lend money to overbuild an area where there is an existing RUS borrower because doing so would put the RUS's investment at risk. You don't want to compete with yourselves. Doesn't that same logic apply to the use of RUS money to overbuild potentially an existing broadband provider financed by a local bank? Should the government really be in the business of putting another business's privately financed investment at risk, as an example, a credit union or a community bank? The reason I ask that question, I am from Georgia, as you probably know, and community banks are struggling, and we had a lot of bank failures, and other States as well are struggling with that.

And so if the local lender, the community bank, the credit union, whatever, has already financed a small business in that area, would you want to then create competition for them? Do you look at things like that?

Mr. Adelstein. Well, we don't want to create competition where there is adequate service. I mean, the best, I think defense against that, is if the existing provider is providing service that is of a level of quality that there is not a market for another provider to come in and provide service. So we look at that very carefully in our loan application process to determine whether or not there is existing competition in a service area that is being proposed and if there is, we often will --

Dr. Gingrey. Well, I am glad to hear that answer. I have got another question that I am going to ask all of the panelists to respond quickly to. But first, before I do though that, let me go to Mr. Gray. Mr. Gray, in your testimony you noted that in past audits, RUS has not always maintained its focus on providing broadband service to rural communities without existing access to broadband service.

I think that was your quote. Additionally, in the March 2009 OIG report on RUS, that report stated: A structured RUS broadband program may not provide service to the most rural residents.

I understand that another audit is underway, so please comment to the degree that you can on these two questions. When looking at the previous audit, would you consider the programs of RUS broadband program to be similar to what USF, Universal Service Fund, hopes to accomplish through this new high-cost fund that the FCC created?

Mr. Gray. Currently, Congressman, we are not looking at the Universal Service Fund's impact in our current audit work. You know, we are looking at our previous recommendations as they relate to BIP.

However, definitions did change for BIP, and so we are looking at that very closely as well.

Dr. Gingrey. Well, let me suggest to you that OIG, I think, should rethink the need for these programs in light of what FCC did in creating this high-cost fund. Now, for all of you, and I will start with you, Mr. Strickling. I would like to ask this question: Congress and the administration have made it a National priority to provide affordable broadband services. However, in many instances these vital services are being taxed at the State and local level at rates comparable to alcohol and tobacco. It would seem that these regressive taxes could have a negative impact on continued broadband development. With this in mind, and do you have this in mind, do either the RUS or NTIA factor in what tax rate a State or locality imposes on broadband services before making a determination of awarding a grant? Let's start, Mr. --

Mr. Strickling. I don't believe we did, no.

Mr. Adelstein. We do look at all sorts of revenue and what the cost would be to the end user, and evaluating what the take rate would be so that would be taken into account in our financial feasibility analysis.

Dr. Gingrey. Now for the Inspector General. Mr. Zinser.

Mr. Zinser. Well, I think that is one of the issues that comes up in these projects that involve multiple jurisdictions. The jurisdictions need to know that they are not buying a pig in a poke where down the road they are going to be on the hook to pay these

exorbitant fees or raise taxes to afford the systems, and I think that is a key issue in these multijurisdiction projects.

Dr. Gingrey. Mr. Gray.

Mr. Gray. I would agree with that. I think keeping the costs low to the underserved, once there is service provided, I think as part of that, the cost to the subscriber needs to be --

Dr. Gingrey. In closing, because I know I am beyond my time, and Mr. Barton has already extended the courtesy to me, I would suggest that the Inspector Generals, you need to talk to these other two gentlemen and make sure they agree with you, because I agree with you. But you need to look at these things very carefully. Thank you, Mr. Chairman, I yield back.

Mr. Walden. The chair actually recognizes the gentleman from Kentucky, Mr. Guthrie, who was here when the gavel came down. If he wants to go ahead of Mr. Barton, he should feel free to do so.

Mr. Guthrie. I will certainly defer to Mr. Barton if he wants to go first.

Thank you very much. I just have a question for Administrator Adelstein, and Secretary Strickling. I know when the NTIA just put out a map that has all of the BTOP programs where they are moving forward. My understanding is both funded through the stimulus, that the NTIA has the BTOP program, both funded through the stimulus, as the RUS has the BIP program, which are similar programs. And so the question is, that we look at, we have a map that is now through the Commerce, that is posted in there. I don't think there are any BIP

projects on the map. Is there any effort to coordinate where this -- am I going down the wrong path? Is there an effort to coordinate where you can see where they are, the similar programs for different agencies are being done separately?

Mr. Strickling. It is a very good question, and I don't know the answer to it, but maybe Jonathan and I should get together after this hearing and talk about that.

Mr. Guthrie. The question I was -- Jack Kingston I just talked to -- Congress Kingston from Georgia was in Africa, and he was in a place where they had no running water, no everything, no running water, no roads, no electricity, and the lady's cell phone rang that he was talking to, and it dawned on him that the private industry was putting the cell phones in place and the government was responsible for everything else. And then if you went anywhere in the world, you can swipe a card and get your money from your bank account in your currency. And so some things that we do with the government sometimes, we get conflicting patterns, or it is not as smooth as when the free market or the private sector does it.

These are important programs. I am not saying that, but it just seems like if there are similar programs through similar funding sources, we would have some similar administration to make sure we are not duplicating. Because you can't tell that from your map because you don't know where your map is.

Mr. Strickling. Well, to that end though, I would say that during the application process back in 2009 and 2010, our two agencies

collaborated very closely on this program, and indeed, we had two rounds of funding. In the second round, based on what we learned in the first round, we each adopted different funding philosophies so that we could avoid the question of duplication and overlap. And I think we were very successful in that regard in both of our rounds. In Round 1, the way we handled it was to make sure that we both weren't both looking at the same applications and stayed in close contact on the projects as we considered whether or not the fund had given applications or not, because in Round 1, people could actually apply to both programs.

We actually had duplicate applications, or it was the same application, but they were being reviewed by both agencies. We fixed that in Round 2, because each of us adopted our own separate funding philosophy to deal with the very question you raise.

Mr. Guthrie. I think that is very good, and it would be helpful if you all did have it coordinated and one simple place for us to look to see where they are all on one map. So thanks for your willingness to check into that. I appreciate that, and I yield back.

Mr. Walden. The chair now recognizes the gentleman from Texas, Mr. Barton, for 5 minutes.

Mr. Barton. I thank the chairman, and the Ranking Member, Ms. Eshoo, for holding this hearing. My questions are going to be to Mr. Strickling on this BTOP. I have had inquiries in my office from the State of Texas and the State of Mississippi. The State of Texas got a waiver to begin to implement its state-wide system, and Mississippi actually got, I think, up to $70 million, and if I understand correctly,

they have almost completed their system. And now they have gotten these letters from you, Mr. Strickling, saying to cease and desist.

My understanding is that if a network is meeting its milestones, that there is not a requirement that work be stopped. It is only if the work hasn't been done, or if it looks as if they are doing it wastefully and inefficiently or outside of the scope of the law. So could you elaborate why you told Mississippi to stop their network, and why Texas, who has a waiver, and is not receiving much, if any Federal funds to build theirs, has been asked to stop also? Because if you stop, my understanding is, we are basically giving up 18 months to 24 months. And in the case of Mississippi, their network, if I understand correctly, is going to be operational sometime this fall.

Mr. Strickling. So, yes, sir. I can respond to all of those points. First off, we don't have any direct engagement with Texas. They did not receive any funding from us. You are correct that they have a -- they are one of the FCC's 21 waiver jurisdictions. We have not filed at the FCC in terms of a specific recommendation to the FCC as to what they should do with those jurisdictions, but I think as I explained why we did what we did with Mississippi, you will see that the same considerations apply with Texas. What has changed here is that Congress passed the Middle Class Tax Relief Act in February and has now directed, through NTIA, the creation of FirstNET to build a national, single interoperable public safety broadband network.

Our problem is the FirstNET board won't stand up until August. I don't know what decisions they are going to make about how to build

this network, but it is clear from the model Congress has provided us, that you expect this to be a public-private partnership that will be largely built by private industry, and it will have to operate as a single interoperable network.

My concern is, that today, I see no path right now as to how we take that investment in Mississippi, and whether it will even be interoperable with the decisions that have yet to be made by FirstNET, and even if it turns out it is, how that equipment ever makes it to that public-private partnership that is now going to be created.

Mr. Barton. Well, isn't better, though, if it is almost operational to go ahead and let it be built and then integrate it into the system, as opposed to stopping it and waiting 2 years?

Mr. Strickling. Well, but you have made a big assumption there in terms of integrating it into the National network. The question of interoperability of this gear in the public safety environment is still an open question, and if what you are suggesting is, I should go ahead and let $380 million of taxpayer money be spent unchecked in the hope that I couldn't verify today that this equipment will be interoperable with decisions that have not yet been made by FirstNET and will somehow be made available to the private companies that will eventually bid on this network, I think that is risking taxpayer money and we would be criticized in 2 or 3 years.

Mr. Barton. I am not a Congressman from Mississippi, but I have great respect for Mississippi, and when I am told that their network, which I -- don't hold me exactly to these numbers, but I think I was

told that Federal taxpayers have given the State of Mississippi $70 million, and it has almost all been spent and it is almost ready to go. Why would we not make that network operational? I mean, maybe you have to patch, do some sort of an interstate patch 2 years from now, but if you just sit on it, it can't be used. You wasted $50- to $70 million. That, to me, doesn't seem to make sense. The money has been spent, the equipment has been bought. It is being installed. How much different is their network going to be than a network that is still on the drafting board?

Mr. Strickling. Well, sir, the network, they haven't spent all of the money and the network isn't all installed. They have been taking delivery of equipment, largely because manufacturers have been asking and pushing for delivery of equipment and rendering bills. But as of the last time we checked, which was a few weeks ago, Mississippi had only spent $22 million of the $70 million.

Mr. Barton. Well, is it an open question? I mean, if they, if officials in Mississippi can show due diligence and that they appear to be doing things that make sense, is it open that they could go ahead and complete their network, or do you disagree with my assessment that their network is about to be operational? Are you saying it is going to take them 2 or 3 years anyway, or --

Mr. Strickling. No, but I think it is somewhere in the middle between are they ready to go, versus 2 to 3 years. But here is our point: With respect to every one of these grants, we are going to work with the grantee over the next 45 days to determine what part of the

project can go forward and on what basis.

Mr. Barton. So there is some --

Mr. Strickling. If, in fact, Mississippi has spent dollars that are not retrievable, I think you make a good point, which is why not go ahead and let them try this out. We will learn something from it. I don't know today that that is the case. I don't know to what extent they have the ability to put this gear back in the box and send it back to the manufacturer and get a refund. And I think we have to look at all of those questions now before we allow all of these dollars to be spent on a network that I can't tell you today will, in any way, end up in the FirstNET network that Congress has not directed to be designed.

Mr. Barton. I understand that. The chair has been very gracious. My time is expired, but let me just give an editorial comment. If States that have grants are using them properly, I would hope we have the flexibility to let those continue with the understanding that they have to meet the standards and interact and integrate into this new program. I just hope we don't waste money that has already been spent, and I hope that you and the FCC have enough flexibility to use common sense to work with the States to figure out what is the most commonsense, cost-effective path forward. And with that, Mr. Chairman, I yield back.

Mr. Walden. I thank the gentleman for his questions and comments, and I now recognize the gentleman from Florida, Mr. Stearns, for 5 minutes.

Mr. Stearns. Thank you, Mr. Chairman, and when you look at this hearing, Mr. Chairman, broadband loans and grants, it reminds me of the hearing I have had dealing with loans and grants from the Department of Energy, as chairman of the Oversight Investigation Committee, particularly looking at Solyndra and all of these others, you come away with the feeling that the government obviously is not equipped to handle a lot of these grants and loan guarantees without a whole lot of supervision.

But I would say, Mr. Strickling, that I appreciate your prompt response to our committee's questions, and documents that we requested as we investigated LightSquared/GPS interface interference disputes, so I appreciate your response. On the other hand, Mr. Adelstein, I sent you a letter on December 16th. Mr. Chairman, if I could, I would like to make this part of the record in which I requested Mr. Adelstein to provide information by January 31st, 2012. If I could have this letter --

Mr. Walden. Absolutely, I believe I was on that as well.

[The letter of Mr. Stearns follows:]

******** COMMITTEE INSERT ********

Mr. Stearns. So I guess the question, are you familiar with this letter that I sent to you?

Mr. Adelstein. Yes.

Mr. Stearns. Okay, I guess the real question then would be to you, considering you said in your letter back to me, you said that because files pertaining to the additional material requested are voluminous and under review, we anticipate that we can deliver the remaining documents by January 31st, 2012.

So you have got February, March, April, May and so we are moving along here, almost 4 months ago. So I guess the question is, I guess when can the committee expect to see the documents that involve our investigation into Open Range Communications' bankruptcy, and I think we even went back to November 9th, is when we started the original request, and so if you could be so kind as to provide when you will comply with even your own letter.

Mr. Adelstein. We have worked very closely with your staff on exactly what the timing is on that, and we are going to get that to you forthwith. We are working now to gather that. We have already provided, I think, over 10,000 pages of documents to the committee. We are happy to provide whatever you need in a time frame that you need it. I mean, what we have available is --

Mr. Stearns. The time frame from your own letter was January 31st. So it is not what we requested. You said in your letter you would comply by January 31st. So I think we are just puzzled why you are not.

Mr. Adelstein. My understanding is we worked with your staff to explain exactly what it is that we have and how we can organize it so it best meets your needs. The scope of what we are doing has been clarified, and --

Mr. Stearns. So you are saying you don't understand what we are requesting?

Mr. Adelstein. No, we do. We understand very clearly.

Mr. Stearns. Then why can't you just comply?

Mr. Adelstein. There is a lot of documents.

Mr. Stearns. It takes 4 months? I mean, when you wrote this letter and said January 31st, you would comply, did you not realize that you couldn't comply?

Mr. Adelstein. Well, I think it has been more material than I had anticipated. In fact, this is voluminous.

Mr. Stearns. Okay, I accept that. Also you know that the Lake County Fiber Network Project was awarded almost $67 million from RUS, and this was despite data that indicated that a substantial majority of the housing units in that proposed service area were already served by existing broadband providers. I mean, that is hard to believe. In questions for the record, you submitted to Congress, you promised to seek repayment of all of the outstanding loans. Is that correct? Just yes or no.

In questions for the record you submitted to Congress, you promise to seek the repayment of all outstanding loans.

Mr. Adelstein. Well, we do, yes.

Mr. Stearns. However, there have been allegations that the RUS grantee in Lake County, Minnesota received assurances from a high-ranking RUS official that RUS would not seek repayment of the loan in the event of a default by Lake County.

In the event this project fails, will RUS require Lake County to completely, completely pay off the $56.4 million loan, yes or no?

Mr. Adelstein. Yes.

Mr. Stearns. Okay, that is good. We are also looking into Open Range Communications' bankruptcy that left $73.5 million in taxpayer funding at risk or of default.

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Mr. Stearns. Among the reasons for the bankruptcy was Open Range's reliance on a satellite network that was not fully in compliance with its license and which the FCC eventually revoked.

How much did RUS understand about the FCC licensing process before it even approved the loan to Open Range Communications?

Mr. Adelstein. I wasn't at the RUS when it was approved, so it was approved by my predecessor in the previous administration, but I think that to his credit that the RUS and the administrator at the time took very careful steps to look into that spectrum issue and to protect the taxpayer in the event of problems which gave us the ability later to work with the awardee and try to minimize the exposure to the taxpayers. So I think they were cognizant of the issues there.

Mr. Stearns. But you weren't.

Mr. Adelstein. Well, I was when I came on board. We looked at this thing, we worked with the FCC very closely. As a matter of fact the, documents indicate that we did work with the FCC to ensure that the operator could continue to operate and there was no disruption of service because of the spectrum issues, that was not the issue that resulted in the bankruptcy.

Mr. Stearns. Mr. Chairman, in closing, I would like to put in the record the Communication Daily has a paragraph that Mediacom officials predicted default, and this is going back to my earlier

question with Lake County fiber network. And the RUS has given assurance to Lake County that it wouldn't be responsible to repay the debt beyond the proceeds of a foreclosure auction on a network.

Mr. Adelstein has indicated that they will be forced to pay, but somebody, some official has indicated they won't. So I would like to make this part of the record, so we can better understand why Lake County fiber network thinks they don't have to the pay, yet. Mr. Adelstein said they will.

Without objection.

Mr. Walden. Without objection.

[The information follows:]

******** COMMITTEE INSERT ********

Mr. Walden. Mr. Adelstein.

Mr. Adelstein. To respond to that, I don't know who said that. I tried to track that down. I don't believe that anyone at RUS said that. That was not attributed directly to us. Somebody said that somebody said that. There is no evidence that it actually happened. And I certainly would reprimand anybody that would make that.

That would be a violation of Federal law. We have a requirement under the credit reform act to aggressively seek collections for any defaults on debts, and we always have. There has never been any evidence that we have done otherwise. So I can't imagine that anyone would say such a thing. But maybe there is a misunderstanding and somebody mischaracterized what was said.

Mr. Stearns. Well, I can understand being an elected official and a politician, lots of people attribute things to what I say to which I didn't say. I think you win your point overwhelmingly there.

Thank you, Mr. Chairman.

Mr. Walden. With that, we will now turn to our final set of questions in this hearing to Mr. Scalise for 5 minutes.

Mr. Scalise. Thank you Mr. Chairman. I appreciate you having this hearing.

We just started the Spectrum Working Group in the House. I want to commend the chairman for putting that together, and we are going to be looking at a number of things that we can do to try to free up spectrum, especially in the government sector.

I want to ask you, Secretary Strickling, NTIA just gave out with

a report that looked at government spectrum, and I think in the report it said it would take 10 years and $18 billion to clear Federal users off the 1755 through 1850 megahertz range.

Where did you get those numbers from, especially to take that long with that amount of money to free it up?

Mr. Strickling. Yes, sir. The individual agencies holding the spectrum assignments provided the cost information and the schedule information in terms of how long and how much they thought it would take for them to totally relocate their systems out of the 1755 to 1850 band.

Mr. Scalise. Was there any third party validation that was used to look at those numbers as well? In the past, we have seen some people try to guard their spectrum and even if they might not be utilizing it as effectively and efficiently as they can, and there may be capacity there. You know, you are asking them to give some up, and oh, by the way, can you tell me what you don't need? Sometimes you might not get as clear of an answer as if you maybe had somebody third party looking at what they really are using and what is available.

Mr. Strickling. Certainly. My understanding is that each agency would have worked with their OMB examiners as part of this effort. But I honestly don't know to what extent and how detailed that review was. But if I could just say that what we learn from that report was that 10 years and $18 billion, even if let's assume it is now 8 years and $15 billion, if more detailed cost reviews had been done, it still doesn't solve our problem, which is that is too much money

and it takes too long and has led us to recommend, as we did in the report, that we really need to have a new paradigm for how we find additional spectrum for commercial use --

Mr. Scalise. Do we know how accurate those numbers are? Have there been estimates that you all have made in the past where then you had a track record of actually doing it to compare and see if the estimate was way off?

Mr. Strickling. The last time this would have been done would have been the 1710 to 1755 review about 10 years ago, and there would be a track record on that, and I don't know what it would be, but it would be possible to look at that.

Mr. Scalise. Can you give that to the committee? Get what the estimate was and then ultimately --

Mr. Strickling. Sure. One of the things to keep in mind, too, was that up until now, before the spectrum act improvements in February, there hasn't been money for Federal agencies to do the kind of detailed planning for reallocation that has now been made available in the new law passed in February. And for that, we absolutely thank the committee for its efforts to deliver that to us. That is a very important improvement in the Spectrum Relocation Act and one that will help us immeasurably and we move forward in terms of giving agencies the resources they need to do this kind of planning before an auction.

Mr. Scalise. Chairman Walden worked real hard on that, and it was something that was a major accomplishment to get through. And I have some questions about that.

I have one final question on the relocation issue. If you could go back, I don't know if you have looked at this, if you would just limit it and instead of looking at the entire range of spectrums, from 1755 to 1850, if you narrowed that down to 1755 to 1780 because that seems like an area that might be more realistic to look at instead of looking at an entire swath, if you could give us some estimates and projections on just that narrow band from 1755 to 1780 megahertz.

Mr. Strickling. Here is our problem with that. The Federal agencies going back to 1710 to 1755 moved a lot of systems out of that band, and at that time, they were told, just move them up into the 1755 band, and we won't trouble you for that spectrum ever again.

The problem that we have with the 1755 to 1850 band is that there are a number of systems in that band, such as the Department of Defense Air Combat Training System that utilize all 95 megahertz of that spectrum. Plus the agencies know that simply to be told, well, squeeze into the 1780 to 1850 band, and we won't trouble you again for that spectrum --

Mr. Scalise. This isn't, we are not troubling you, this is the private sector, too, that is being troubled because they are being held back from their ability to create jobs. And we need to start creating jobs. And if some Federal agency says, oh, wait a minute, don't bother me, because I am holding a bunch of spectrum I am not using, and I just don't want to tell you about it, that is not their spectrum. This is the public's spectrum.

And we are trying to see if there are ways to put it into the public

using a much better way that can generate money for the taxpayers and that can generate a lot of jobs that are high paying in this country. So if somebody is worried about how much they are going to be put out because they have got to do a little bit of extra work because they are sitting on assets that the taxpayers of this country, because really it is their spectrum; it is not these Federal agencies' spectrums. So if they give you pushback, please give me their names, and maybe we will bring them in here and have a hearing if they don't want to do something that will comply with something that will create jobs in this country.

Mr. Strickling. Sir, I agree with you 100 percent. But could I comment on that? Which is what we need is a new paradigm that will free up 95 megahertz for this band --

Mr. Scalise. We are working on a new paradigm. We are working on that together. I am almost out of time.

I want to ask you one final question. On the work that has been done to manage a fully operable network and a lot of States have been trying to get this, the Federal Government has been trying to get interoperable, and again, the chairman really did a yeoman's work in finally putting a structure in place. I know a number of States including mine, Louisiana, our Governor's office, homeland security and in the event of hurricanes and other disasters, our Governor's office manages those disasters with local law enforcement. And in cases like Katrina, we had New York police officers going into the City of New Orleans. There was no interoperability, not in September 11,

not in Katrina. We are trying to solve that, and I know at the Federal level now, there is a structure being put in place. Our State, and I am sure others have, has requested a waiver from the FCC so they don't have to wait a full 3 years; they can start putting their plan in place now using an interoperable system.

It is my understanding that your agency has petitioned the FCC not to issue any waivers, and of course, our State doesn't want to wait 3 years to start moving forward on building their interoperable network that would work with an entire system. Why would you want to hold States back that already have plans in place like ours and have a need in place to get interoperability if they want to start moving forward with a system that is integrated?

Mr. Strickling. Because nobody today can guaranty any of this will be interoperable in 3 years. The FirstNet board is based on a new concept from Congress, which is to build a single national interoperable network. It has commissioned the creation of a board of directors to figure out how to design and build that network. The reason we have pulled back on the $380 million of taxpayer money that was going to be spent in the seven jurisdictions we gave waivers in is we can't guarantee today that that money won't be wasted because we don't know yet. The board hasn't even met.

Mr. Scalise. But if they are using LTE, for example, if they are using a system that is interoperable --

Mr. Strickling. Sir, we don't know these things. People are using these terms --

Mr. Scalise. The FCC --

Mr. Strickling. "Interoperable" means different things to different people.

Mr. Scalise. But shouldn't the FCC make that determination?

Mr. Strickling. Well, what we want to have here is a network that can be built according to a business model that will allow this service to be provided to public safety entities at affordable rates. Every decision that an entity makes today to build their own little piece of this, even things as innocent as selecting a particular vendor to serve a particular State, can upset what the model is that Congress has now given us in the Middle Class Tax Relief Act.

I am trying to preserve the flexibility and freedom and the prerogative of the FirstNet board to be able to design the network that our first responders have been asking for since even before 9/11, and the concern is that we are headed down a road to repeat all of the same mistakes we made with LMR voice, where individual systems were built, and then they didn't work together with each other.

Give FirstNet a chance to come back with a design for a single interoperable network, and let them get on with the task of building it, and that way we can deliver the safety and the modern communications that our first responders need to have. The concern is --

Mr. Scalise. I hope I am not suggesting that if a State doesn't want to have that interoperabilty, and clearly Louisiana does, we have had a need for it and let's let FCC make that decision. If they have got a good plan that is already in place and they are going to do all

of those things that you were concerned about, then let FCC move forward.

Mr. Walden. I am going to many exercise prerogative, since we are 4 minutes over.

Mr. Scalise. I yield the balance of my time that is expired.

Mr. Strickling. I find it interesting that I am the one here who wants to save the most money.

Mr. Scalise. I would disagree with that.

Mr. Walden. I think I voted to actually save more money. But anyway I do appreciate what you are doing here.

I just want to close out the hearing. And I know Anna wants to make a couple of comments as well. One is FirstNet is supposed to come forward with their interoperable standards fairly soon, correct?

Mr. Strickling. The FCC has a charge to come forward with the minimal interoperability requirements based on the committee that they were charged with creating.

Mr. Walden. But isn't that supposed to happen?

Mr. Strickling. Soon, yes. I think in a matter of weeks.

Mr. Walden. And so, once that happens, then you will do a review of these proposals that are, that you have suspended, correct, to see if they meet that requirement?

Mr. Strickling. We will certainly take that into account yes, sir.

Mr. Walden. Well, I would hope so because if these ones that you have suspended, and we have had this discussion, if they do now meet

the, once the interoperable standards are established, once they -- I would think somebody needs then to go okay that works, go ahead. Wouldn't that be the decision, or am I missing something?

Mr. Strickling. It may not be. We will need to look at what the FCC comes out with and evaluate it against the projects. But what we have asked for is a fairly minimal set of standards. It may not be dispositive in terms of deciding whether or not to let all of these projects go forward with the 4G aspect of their grants.

Mr. Walden. But we should have that discussion at some point.

Mr. Strickling. Happy to do so.

Mr. Walden. The other thing I would like to know from each of the our two, Mr. Strickling and Mr. Adelstein, is the amount of, if you could provide for the subcommittee the amount of the unobligated management and oversight funds that you have.

Mr. Strickling. We don't have any at this point because all of our, other than the IG's dollars that he told you about, we are operating based on appropriated dollars now in terms of oversight.

Mr. Walden. All right.

Mr. Adelstein.

Mr. Adelstein. We have no unobligated funds for administration. As a matter of fact, we haven't gotten one dime of additional administration for this program. We have had to basically eat it in our existing budget.

Mr. Walden. No good deed will go unpunished in the future either.

I turn now to the gentlelady from California.

Ms. Eshoo. Thank you, Mr. Chairman, and I thank you for having yet another hearing to track all of this, which is so important.

I want to conclude the hearing by thanking all of the witnesses today, and most especially with a renewed appreciation of what an enormous assignment you were given through the Recovery Act, some $7.3 billion, $7.5 billion divided almost equally between two agencies to carry this out in a relatively short period of time.

Obviously, the work of the IGs has been instructive to you on where you can improve, and I think that that has come out in this hearing as well.

But I also want to note something that I couldn't help but detect because it was so obvious, that there are some members that really want to relitigate, and it is each member's prerogative to say and ask for whatever they wish. But my observation is that there are some that want to relitigate the Recovery Act. They simply don't like it. They never agreed with it.

I am one of the members that pushed our leadership very, very hard to include a significant sum of money to make sure that we really reach people and build broadband out to them because the private sector simply was not doing it; it wasn't profitable to do it, and that is where I think there was a need for public attention to that because there was private sector inattention, and that was their prerogative to do whatever they did.

But there are Americans in different parts of our country that simply were not getting this service and couldn't hope to, even in the

long term. So I think that this work is really significant. And there was another generation that made sure that people had telephone service -- had telephone service. We take that for granted. And that was the lifeline for people in rural communities. And so, in this generation, we are looking to make sure that people have broadband. And I want America to be number one in broadband. That has been a goal of mine from the very beginning being on this subcommittee.

So I thank the scrutiny of the IGs and what you continue to bring to it.

And to Mr. Strickling and Mr. Adelstein, I think that you have to have real broad shoulders in this. This was really a huge assignment, and I think that today really highlights the successes of what you have done, and certainly the critique that the Congress offers is important and that you will follow up on it.

So thank you, Mr. Chairman, for having this hearing and I thank the witnesses again.

Mr. Walden. I, too, thank the witnesses and appreciate your participation, and we look forward to continuing the dialogue. And we will do our part. I know you are trying to do your part as well. Thank you very much. With that, the hearing is adjourned.

[Whereupon, at 12:17 p.m., the subcommittee was adjourned.]