

Testimony of
The Honorable Gary Locke
Secretary
United States Department of Commerce

Before the
Subcommittee on Commerce, Justice, Science, and Related Agencies
Committee on Appropriations
United States Senate

Hearing to Review Broadband Grant Programs
Funded by the American Recovery and Reinvestment Act

January 28, 2010

I. Introduction.

Chairwoman Mikulski, Ranking Member Shelby, and distinguished Members of the Subcommittee, I am pleased to join you to discuss the broadband grant programs funded by the American Recovery and Reinvestment Act (Recovery Act). I am also very pleased to be here alongside Assistant Secretary Larry Strickling, head of the National Telecommunications and Information Administration (NTIA), which administers these programs for the Department.

Thanks in great part to your leadership, Madam Chair, Congress, through the Recovery Act, allocated NTIA \$4.7 billion to implement two initiatives to increase sustainable broadband access— the Broadband Technology Opportunities Program (BTOP) and the State Broadband Data and Development Program (Broadband Mapping program).

President Obama has articulated a vision of a nationwide, 21st-century communications infrastructure. These Recovery Act broadband grants are appropriately ambitious – they are designed to increase broadband access in unserved and underserved communities across America as well as to create jobs and jumpstart economic growth. These grants will help lay the groundwork for sustainable economic growth for years to come. That goal, more than any other, is the number one priority of the Obama Administration.

The over-arching objective we want BTOP to fulfill is facilitating “comprehensive communities” – that is, communities with broadband capabilities connecting anchor institutions like schools, libraries, and government users with networks that also provide the foundation for greater household and business access. This can be accomplished by communities that: combine the forces of public and private entities to propose multi-faceted and collaborative broadband projects to meet local needs; leverage funded BTOP projects to provide even more access to broadband for residential users and businesses; and leverage the power of broadband to increase

education, training, innovation, and jobs, to benefit the economy, enhance public safety, and improve healthcare. This is certainly ambitious, but possible.

II. Long and Short-Term Benefits.

In the long-term, the Department of Commerce's investments will help bridge the digital divide, improve education and health care, and boost economic development for communities held back by limited or no access to broadband – communities that would otherwise be left behind. In particular, the investments we are making in infrastructure, sustainability and adoption will provide job training to the unemployed, help school children get the materials they need to learn, allow rural doctors to connect to more advanced medical centers, and – importantly – allow remotely located businesses to offer their services to national and international markets.

These investments will help preserve America's economic competitiveness in the world and will accrue benefits especially to unserved and underserved Americans. By enabling our people to communicate with each other at broadband speeds, to create new products and to invent new ways of doing business, we will help sustain economic capacity in communities across America. As Vice President Biden has said, "This is what the Recovery Act is all about – sparking new growth, tapping into the ingenuity of the American people and giving folks the tools they need to help build a new economy in the 21st-century."

Consistent with the Recovery Act, we are implementing a myriad of broadband grant programs. We are in the final stages of awarding broadband mapping grants to every State, territory, and the District of Columbia. In addition, the Commerce Department expects to fund at least \$250 million to encourage adoption of broadband services. In some parts of the country, broadband is available but is used by less than half of local residents. We want to close this gap.

In addition, we will award at least \$200 million to enhance public computer center capacity at colleges, public libraries and community centers to make it easier for those without computers to receive training and apply for jobs. The bulk of funds available, approximately \$3.7 billion, will be used to fund shovels in the ground for infrastructure projects that will provide broadband capabilities for decades.

According to a report by the National Economic Council, the Department of Commerce's investments in the short-term will directly help create thousands of jobs building infrastructure. These jobs range from the manufacture of fiber optic cable and other high-tech components, to the stringing of that fiber from pole-to-pole, to trenching, and to the installation of broadband networking hubs. Computers will be added to public computing centers in the short-term as well, providing users access to the resources they need to thrive in today's world. Broadband training will also occur in the near term, providing information and tools to help people get back on their feet sooner.

Many of the infrastructure projects we fund will be large undertakings in remote parts of the country. For example, Vice President Joe Biden announced last month that our first BTOP infrastructure grant would be centered in rural Appalachian Georgia. The proposal was initially developed by the economic development departments of five different counties, along with the North Georgia College and State University. It will be supplemented by \$192,000 in state grant funding. The \$33.5 million federal grant will fund deployment of a 260-mile, regional fiber-optic ring throughout the North Georgia foothills. It will make broadband more readily available to 42,000 households and 9,200 businesses, as well as to 367 hospitals, libraries, universities, and other community anchor institutions.

In implementing the Act, NTIA has had to keep in mind both these long and short-term economic objectives. Even those who emphasize the near-term job benefits of infrastructure investment, such as the Communications Workers of America (CWA), recognize the significant multiplying effect that broadband can have on job creation. For instance, even as it advocated for near-term job stimulus, CWA highlighted projections that suggest the wise expenditure of amounts such as those involved in BTOP could ultimately yield significant spillover jobs. *This is an indication of the long-term growth potential of greater broadband access, and it undergirds our ongoing emphasis on only funding projects that are economically viable for the long-term.*

III. Progress To-Date.

The Commerce Department has announced 66 Recovery Act broadband grants totaling almost \$300 million. These awards have funded historic broadband projects in nearly every State across the country and include 51 broadband mapping grants totaling \$97 million, and 15 BTOP grants worth approximately \$200 million.

We know that participants in the application process want the BTOP grants to flow more quickly, and we share that sense of urgency. In the next several weeks, we will be announcing additional hundreds of millions of dollars in grants. NTIA is focused on ensuring the broadband initiative is successful and is fully committed to responsibly deploying the funds Congress appropriated by the end-of-September deadline. NTIA is choosing the most sustainable projects that will have the broadest impact on the communities they will serve. We are working diligently to ensure taxpayers get solid returns on their investment, and are committed to minimizing the risk of waste and fraud.

a. The Mapping Program.

The Recovery Act directs that up to \$350 million of BTOP funding be used for the development and maintenance of a national broadband inventory map. NTIA has made rapid progress awarding these grants. We made the first 51 awards over the course of approximately four months since the closing of the application window. NTIA plans to award the remaining five grants in the coming weeks. Our effort here will culminate in the creation of the National Broadband Map by February 2011, which will further educate consumers and businesses about broadband availability, enable broadband providers and investors to make better-informed decisions regarding the use of their private capital, and allow Federal, State, and local policymakers to make more data-driven decisions on behalf of their rural constituents.

b. Reviewing BTOP Applications.

Reviewing 1,800 applications for BTOP funding – while staying true to the multiple goals Congress has established – requires a great deal of sophistication, which is why NTIA implemented a multi-step review process to find the most beneficial and sustainable projects.

The multi-step process employed in Round One included a pre-screening of applications to determine eligibility. Then, applications received a thorough evaluation by a cadre of independent expert reviewers. The most highly qualified applications based on reviewer scores then moved into a “due diligence” review. This due diligence process involves an exceedingly thorough, top-to-bottom evaluation of each application. The goal of this phase is to rigorously validate a project’s long-term sustainability and impact, including:

- Data verification to validate the required initial and supplemental information;
- Technical and financial analysis by NTIA staff, with the support of experts;
- Environmental and historic preservation review;
- Analysis of State and tribal comments;
- Analysis of information supplied by existing service providers and other information to verify the unserved or underserved status of applications;

- Examining financial information for projected revenues and expenses to ensure viability;
- Cost analysis: in particular, during due diligence, we ensure applicants are not “gold plating” by comparing their proposed costs to industry standards, market prices, and other benchmarks;
- Background checks on key personnel to minimize potential for fraud;
- Ensuring project complies with other federal and state regulations; and
- Adjudication of any waiver requests submitted by an applicant, including waivers of matching (requirement of 20% match from private funds), "Buy American" (generally preferring that products such as fiber be bought from American sources), and others.

As stewards of the federal funds, we are determined to invest every dollar of taxpayer money wisely. We need to guard against the very real risk – if we were to move along too hastily – of funding projects that cannot sustain themselves or that do not warrant generous taxpayer support. In its oversight activities, the Government Accountability Office (GAO) in fact has cited concerns that NTIA not rush its job. We know we need to guard against investments that are not cost-effective or that largely duplicate coverage in areas that are well served. This requires not only that NTIA personnel move apace, but also deliberately.

c. Overcoming Challenges.

BTOP has attracted extraordinary interest from a wide range of applicants across the country. In Round One, demand for federal grant money wildly outstripped supply, nearly seven to one. Given the large number of complex applications and the voluminous amount of information NTIA has had to review, the review period had to be extended to ensure each application full and fair consideration.

By the end of February 2010, the Recovery Act will be just one year old. In less than a year, NTIA has created a sophisticated, entirely new grants program – including the governing rules and regulations, and oversight and organizational framework – from the ground up. NTIA had to rapidly increase staffing levels for the creation and proper administration of BTOP. To address staffing needs, NTIA recruited and trained 43 new employees and utilized staff detailed

from other bureaus and agencies, brought on board hundreds of contractors, and recruited more than a thousand volunteer independent experts to assist in the first stages of the application review process. The NTIA team has established sophisticated back-office systems to handle the flow of application processing, and issued rules governing the application process and grantees. It has run numerous public awareness programs and forums around the country. Next month, the anniversary of the Act's passage, we will be nearing the conclusion of our first round of funding, and the second funding round will be well underway.

d. Status of Applications.

NTIA is completing its multi-step review process for all first round applications submitted to BTOP. NTIA has already sent out approximately 1,400 letters to applicants who will not receive funding in the first round. In the next few weeks, we expect that every applicant will have heard from us – either as part of a due diligence query or a letter declining funding. Those whose applications were denied in Round One, of course, may apply again in Round Two. So far, NTIA has made BTOP awards for infrastructure, computer centers, and sustainable adoption in Maine, New York, South Dakota, Arizona, Massachusetts, Minnesota, Washington, California and New Mexico, and we are far from done.

The best guidance for those who wish to apply in the second round is to examine the Notice of Funds Availability (NOFA) for that round and study the projects we selected for funding. For example, many of our awarded projects successfully partnered with anchor institutions and other key stakeholders in extending broadband to unserved and underserved areas. To illustrate, NTIA has announced millions of dollars in BTOP grants to the following high quality infrastructure projects, public computing centers, and sustainable adoption awards:

- An infrastructure grant totaling \$33.3 million to build a 955-mile fiber optic network through 32 counties in Michigan’s Lower Peninsula. It will directly connect with 44 schools, libraries, hospitals and other community anchor institutions and will have the ability to serve an area covering as many as 866,000 households, 45,800 businesses, and an additional 378 anchor institutions.
- A public computer center award of \$7.5 million to double the number of workstations in 73 public library locations, 43 workforce centers and 72 recreation centers, senior centers and child care centers in low-income and non-English speaking communities throughout the City of Los Angeles. The majority of the 188 proposed centers would be located in or within three miles of federal- and state-designated “Enterprise Zones” and 35 of the youth and senior centers will be connected to broadband Internet service for the first time.
- A sustainable adoption grant of \$1.5 million to increase broadband adoption and promote computer literacy and Internet use among vulnerable populations, Hispanic and Native American users, small businesses, and entrepreneurs in New Mexico.

We will continue to fund meritorious proposals received during the first funding round on a rolling basis. We will then be turning to the Round Two applications armed with more targeted objectives, streamlined processes, and valuable experience based on the lessons we have learned. These awards create jobs, expand economic opportunities, and enhance community Internet availability.

IV. Looking Ahead.

At mid-course, building from lessons-learned, we are making adjustments to the program. In order to enable full and fair review of all applications and meet our September 2010 deadline, we consolidated the final two rounds of funding into one. This approach, recommended by the Government Accountability Office (GAO), was announced on January 15, 2010, in the second BTOP Notice of Funds Availability. Consolidation of funding rounds, coupled with refining the priorities of BTOP and improving the application process, will help expedite the grant-making process to the fullest extent possible and ensure that the highest-impact projects are funded by the deadline of September 30, 2010.

For the second and final round of funding, NTIA is also making a number of changes to sharpen the program's funding focus. In particular, NTIA is adopting a "comprehensive communities" approach to award BTOP grants for infrastructure projects that emphasize Middle Mile broadband capabilities offering new or substantially upgraded connections to community anchor institutions to maximize the benefits of BTOP funds. The Department of Commerce will ensure that BTOP is committed to extending the power of broadband farther than ever before: helping community anchor institutions obtain the broadband connections necessary to provide essential and forward-looking services, including remote medical care, distance learning, job training, access to e-government benefits, and more; enabling more people to utilize broadband regardless of their ability to afford personal computers and broadband service; and helping introduce people to the benefits of broadband of which they may not have been aware. The public's response to our focus has been very positive.

NTIA has also received support from prospective applicants on our Round Two changes to make the application process more user-friendly. NTIA's adjustments to the online

application will streamline the intake of information and reduce applicant burden. These steps include eliminating NTIA's and the Rural Utilities Service's joint application, which many applicants found burdensome; increasing the amount of time available to applicants to submit due diligence materials; and eliminating or altering a number of previously required attachments.

Looking forward, I am confident that the team will continue to meet the challenges it will face between now and September. People often criticize the government for not being nimble. In my view, the NTIA team has been as nimble as any private sector enterprise. By the end of the fiscal year, as the Recovery Act requires, the grants will have reached every state. The NTIA team will have wisely allocated taxpayer dollars to high-impact broadband projects around the Nation.

V. Conclusion.

I must underscore the importance of NTIA's and the Commerce Department's oversight objectives for BTOP. We are committed to ensuring that taxpayers' money is spent wisely and efficiently. Since the inception of BTOP, NTIA and the Commerce Department have been working with our Inspector General to design this program in a manner that minimizes the risk of waste, fraud, and abuse. With project construction beginning, NTIA will enhance its auditing and monitoring responsibilities, including site visits to grantees.

The Recovery Act does not provide authority or funding for administration and oversight of BTOP-funded projects beyond the end of Fiscal Year 2010; however, the Commerce Department and NTIA intend to work with Congress this year to ensure sufficient authority and funding to administer and monitor the execution of BTOP grant projects and carry the program to a successful conclusion.

I assure you that these Recovery Act funds will be spent wisely on projects that provide

high-value broadband services to the neediest areas. In doing so, we will make broadband more widely available, especially to anchor institutions, such as hospitals, schools, and libraries. We will continue to ensure that implementation of the Recovery Act broadband initiatives is a collaborative and coordinated effort with the Agriculture Department and others in the Administration. We are also committed to making this process as transparent and as efficient as possible.

Thank you again Madam Chair for the opportunity to testify and for your leadership in making this program possible. Assistant Secretary Strickling and I are happy to answer your questions.