

Testimony of
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Before the
Subcommittee on Communications, Technology and the Internet
Committee on Energy and Commerce
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Oversight of the American Recovery and Reinvestment Act: Broadband

March 4, 2010

Chairman Boucher, Ranking Member Stearns, and Members of the Subcommittee, thank you for your invitation to testify on behalf of the National Telecommunications and Information Administration (NTIA) on the implementation and successes of the Broadband Technology Opportunities Program. Last year, Congress allocated \$4.7 billion to NTIA to implement two Recovery Act initiatives to expand the availability and adoption of broadband Internet access—the Broadband Technology Opportunities Program (BTOP) and the State Broadband Data and Development Program (Broadband Mapping Program). When we first testified on these initiatives, we were at the very earliest stages of conducting outreach and standing up a complex and large-scale grant program. Now, one year later, I am gratified to report that NTIA has already awarded over one billion dollars for projects that will have a significant impact on achieving President Obama’s broadband agenda. The Agency is on track to meet our statutory obligation to award all grant dollars by September 30, 2010.

I. Progress To-Date.

By the end of this week, NTIA will have awarded 111 Recovery Act grants totaling \$1.1 billion. NTIA has funded projects in all 50 States and several territories as well. This includes 52 broadband mapping grants totaling approximately \$100 million, and 59 BTOP grants worth more than \$960 million. An additional \$270 million in matching contributions has been pledged by the applicants themselves. These diverse projects are designed to increase broadband access and adoption in unserved and underserved communities across America as well as to create jobs, promote broadband training and adoption, and lay the groundwork for sustainable economic growth for years to come.

Over the past twelve months, we have met the challenge of implementing these critical broadband programs, balancing the urgency to address one of the worst economic crises in history with the need to demonstrate prudent stewardship of taxpayer dollars. NTIA is focused on ensuring that its broadband initiatives are successful and that the projects we fund will have an enduring impact in communities across the nation. As described more fully in my testimony, we have funded some truly excellent projects that promise to be game changers in the communities in which they are deployed. We are working diligently to ensure that projects will be sustainable, that taxpayers will get solid returns on their investment, and that the risk of waste and fraud will be minimal. As we look forward to our second funding round, NTIA is fully committed to making all grant awards by the September 30, 2010, deadline.

a. BTOP.

Of the available grant funds, we will award \$4 billion to fund infrastructure projects to expand and enhance broadband capacity and adoption in areas where the need is great. Over the course of the program, at least \$250 million will be used to encourage sustainable adoption of

broadband services, and at least \$200 million will enhance public computer center capacity to make it easier for those without computers or broadband at home to search and apply for jobs and receive workforce training opportunities. These funds not only meet the near-term economic objectives of the Recovery Act, but they also will continue to pay dividends far into the future in the form of improved education and healthcare, heightened innovation, and long-term global economic and competitive benefits.

For the first round of funding, NTIA undertook an extensive and thorough review of applications to ensure the prudent use of taxpayer funds. The multi-step process included an eligibility pre-screening, an evaluation by expert reviewers to identify the best projects, and a thorough top-to-bottom scrubbing during our due diligence review phase to ensure that only the highest quality and most sustainable investments were funded.

As depicted in the attachment to this testimony, our due diligence includes:

- performing detailed assessments of the application's proposed project benefits and service areas;
- analyzing the project's technical viability;
- analyzing the project's budget and financial sustainability;
- reviewing audit findings and credit checks;
- evaluating potential environmental and historic preservation impacts of the project;
- validating the proposal's feasibility, consistency, and accuracy; and
- reviewing information supplied by existing service providers to evaluate the served status of applications.

During due diligence review, NTIA staff engaged directly with applicants to resolve concerns or questions, requested supplemental information in order to support the in-depth application

review, and analyzed any requests for waivers from programmatic or statutory requirements. I think this process worked well to ensure funding of solid and sustainable projects.

During the first funding round, a compelling common theme – “Comprehensive Communities” – among strong applications began to emerge. “Comprehensive Communities” projects bring high-speed middle mile infrastructure into communities or regions and then connect key community anchor institutions – such as libraries, hospitals, community colleges, universities, and public safety institutions. These types of projects will allow community institutions to obtain the robust broadband connections necessary to enable them to deliver critical services such as remote medical care, distance learning, online job training, access to e-government benefits, and more. Building this core infrastructure will also enable providers of services to homes and businesses to improve their service offerings and reach neighborhoods that are not adequately served today. The comprehensive communities theme also synthesizes well the infrastructure, computer center, and broadband adoption aspects of our broadband program into a fully-integrated approach to solving the nation’s broadband challenges.

As of this week, we have funded 34 infrastructure projects, 18 public computer center projects, and seven sustainable broadband adoption projects. These projects will improve broadband use and capabilities in 34 states and territories. The following provide a sense of the breadth and scope of BTOP awards:

- Merit Network, Inc., REACH Michigan Middle Mile Collaborative Project: An infrastructure grant totaling \$33.2 million with an additional \$8.3 million applicant-provided match to build a 955-mile advanced fiber-optic network through underserved counties in Michigan’s Lower Peninsula to serve institutions, businesses, and households. The project will directly connect 44 anchor institutions including libraries, universities, community colleges, and community health centers and make broadband more easily available to more than 886,000 households, 45,800 businesses, and 422 anchor institutions. In addition, the proposed service area includes 86 government organizations, 69 K-12 institutions, 63 public library systems, 58 major healthcare facilities, and 50 higher education locations.

- Mid-Atlantic Broadband Cooperative Middle Mile Expansion for Southern Virginia Project: An infrastructure grant totaling \$16 million with a \$4 million applicant provided match to add 465 -miles of new fiber to an existing 800-mile fiber network, directly connecting 121 K-12 schools, a majority of which are in unserved and underserved areas of southern Virginia. The project will spur affordable broadband service to local consumers by enabling more than 30 Internet service providers to connect to the project's open network and benefit public safety agencies by providing access to the open network to improve emergency coordination and services.
- Virginia Tech Foundation, Inc., Allegheny Fiber: Extending Virginia's Open Access Fiber Backbone to the Ridge and Valley Middle Mile Project: An infrastructure grant totaling \$5.5 million with a \$1.4 million applicant provided match to construct a 110-mile open access fiber-optic network between Blacksburg in Montgomery County to Bedford City in Bedford County. The project will spur affordable broadband service to local consumers, potentially including up to 98,500 households, nearly 5,400 businesses, and 128 anchor institutions, by enabling more than 30 Internet service providers to connect to the project's open network.
- Zayo Bandwidth, LLC Indiana Middle Mile Fiber for Schools, Communities, and Anchor Institutions Project: An infrastructure grant totaling \$25.1 million with a \$10.7 million applicant provided match to deploy a 626-mile fiber-optic network. The project will provide 413 points of interconnection along the route, enabling last mile providers to serve an area with an estimated 480,000 households, 49,000 businesses, and almost 4,800 anchor institutions, including health centers, schools, public safety organizations, and government offices.
- Keystone Initiative for Network Based Education and Research's Pennsylvania Research and Education Network Project: An infrastructure grant totaling \$99.7 million with an additional \$29 million applicant-provided match to build a network of nearly 1,700 miles of fiber and directly connect 60 critical community anchor institutions in 39 counties across south and central Pennsylvania. The award will enhance health care delivery, research, education, workforce development, and public safety.
- MCNC Building a Sustainable Middle Mile Network for Underserved Rural North Carolina Project: An infrastructure grant totaling \$28.2 million with an additional \$11.8 million applicant-provided match to build a 494-mile network serving almost one half the population of North Carolina in 37 counties. The project connects all 58 community colleges, the remaining independent colleges, the State's charter schools, 50 free healthcare clinics, 179 county health agencies and hospitals, 181 libraries and their public computer centers, and the three largest state museums. It will also enable service providers to directly connect to the network to make broadband more easily available to approximately 1.8 million households, 139,000 businesses, and more than 2,400 anchor institutions.

- North Florida Broadband Authority Ubiquitous Middle Mile Project: An infrastructure grant totaling \$30.1 million with an additional \$9.2 million applicant-provided match to bring high-speed broadband service to underserved areas in 14 North Central Florida counties through the deployment of an 1,200-mile fixed wireless broadband network. The network plans to directly connect more than 300 community anchor institutions, such as public schools, universities, libraries, health care facilities, public safety organizations, and government agencies.
- California Emerging Technology Fund Broadband Awareness and Adoption Project: A sustainable adoption grant totaling \$7.3 million with an additional \$2.1 million applicant-provided match to increase adoption of broadband in vulnerable and low-income communities in Los Angeles. The project will provide digital literacy training for more than 678,000 low-income individuals, including more than 300,000 youth. The project expects to increase household adoption of broadband in these high-priority, low-income communities by more than 133,000 households. The project also focuses on the unemployed, African Americans, Latinos, other ethnic and rural residents, and people with disabilities, whose technology usage lags significantly behind the rest of the State.
- New York State Education Department Broadbandexpress@yourlibrary Public Computer Center Project: A public computer center grant totaling \$9.5 million leveraged with a \$5.4 million applicant match to provide approximately 860 computers in 30 libraries and five mobile training centers across 41 economically distressed Upstate New York counties. The project is designed to address unemployment; a lack of affordable broadband service, education, training, and technical support; and to increase access to essential e-government and other online resources necessary to facilitate work, health care, education, and citizenship. The grant will allow the State Library to extend library hours, provide 24/7 access to job search resources, and serve an estimated 50,000 users per week system-wide.
- DeltaCom, Inc. East Tennessee Middle Mile Fiber Broadband Project: A \$9.4 million broadband infrastructure grant with an additional \$2.3 million applicant-provided match to build a 544-mile high-capacity fiber-optic broadband network that will provide high-speed connections for more than 50 community anchor institutions in five Eastern Tennessee communities, from Chattanooga through Knoxville to Johnson City and Bristol. The project expects to spur more affordable broadband Internet access for over 34,000 households, 5,000 businesses, and 270 anchor institutions by allowing local Internet providers to connect to the project's open network.
- Level 3 EON Expanding Broadband Across Texas Project: A \$4.7 million broadband infrastructure grant with an additional \$1.6 million applicant-provided match to build 17 new access points on Level 3's existing broadband network. These additional points of interconnection will offer broadband speeds between 50 Mbps and 10 Gbps on an open and nondiscriminatory basis to local Internet service providers, enabling them to provide enhanced broadband capabilities to as many as 400,000 households, 21,000 businesses, and 214 community anchor institutions, including schools, government agencies, and healthcare providers.

As stewards of taxpayer funds, we are determined to invest every dollar wisely. My goal is to not make a bad grant, and you have my assurances we have the processes and protections in place to prevent that from happening. Our review process helps guard against investments that are not cost-effective or where it appears that the applicant cannot financially sustain the project beyond the life of the grant. Another aspect of responsible stewardship of the BTOP funds is to provide every opportunity for our grantees to be successful through post-award orientation, training, and technical assistance.

b. Broadband 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. We have now awarded 52 of a possible 56 grants, totaling approximately \$100 million. We will award the remaining four grants shortly, and we are expecting the states to submit the first data sets by the end of this month. We are partnering with the Federal Communications Commission (FCC) to utilize these data in the National Broadband Map, which will be available to the public no later than February 2011. The map will 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 policy-makers to make more data-driven decisions on behalf of their constituents.

II. Round Two.

Earlier this week, NTIA announced an extension of the March 15, 2010 filing deadline for all infrastructure projects to March 26, 2010. The deadline for filing applications for Round 2 PCC and SBA projects remains March 15, 2010.

The Rural Utilities Service (RUS) and NTIA issued separate NOFAs in Round Two to allow each agency to focus on its distinct funding objectives. We took this action in response to feedback received from Round One applicants, and it will help speed application review. RUS and NTIA will continue to collaborate to maximize the impact of available federal funding, to best leverage the experience and expertise of each agency, and to avoid duplication in projects funded by the two agencies.

NTIA also made a number of targeted changes to increase efficiency, sharpen BTOP's funding focus, and improve the applicant experience. Based on our Round One experience, NTIA formally adopted the "comprehensive communities" approach under which we will give review and funding priority to infrastructure projects that emphasize middle mile broadband capabilities offering new or substantially upgraded connections to community anchor institutions. NTIA also made adjustments to the online application that will streamline the intake of information and reduce applicant burden. These steps include eliminating the joint NTIA-RUS application, increasing the amount of time available to applicants to submit due diligence materials, and eliminating or altering a number of previously required attachments. These improvements, coupled with significantly upgraded applicant support services and bolstered back-office portal functionalities, will improve the applicant experience and facilitate the application process this time around.

Early indications suggest there will be a strong demand for Round Two funding. In January, we established BroadbandMatch, which allows applicants to identify potential project partners. This online tool allows a broadband infrastructure provider to identify potential project partners, like universities, hospitals, or libraries for a proposal to bring high-speed Internet service to their facilities. More than 1,200 entities have signed up for BroadbandMatch,

including anchor institutions, small and disadvantaged businesses, non-profits, public safety entities, municipalities, tribal organizations, technical experts, and others. I have high hopes that this forum will lead to truly comprehensive projects that meet the broad needs of entire communities, which is the centerpiece of Round Two funding. In addition, we are encouraged by the number of applications that applicants have started online, including many from new applicants who did not participate in Round One. These early results are encouraging and show that there is keen interest in the grant program across the stakeholder community.

III. Oversight and Compliance.

As Round One wraps up and Round Two starts, we are also making headway on of the necessary oversight and compliance of awardees. Since the inception of the program, NTIA has been working with the Department of Commerce's Inspector General to design the program in a manner that minimizes the risk of waste, fraud, and abuse. NTIA has developed rigorous post award processes for grants including:

- training sessions for applicants and awardees;
- oversight of every awardee's project progress;
- auditing of an awardee's grant administration;
- requiring extensive reporting from awardees; and
- developing an outline of best practices.

NTIA is committed to ensuring that taxpayers' money is spent wisely and efficiently.

NTIA has been working to develop comprehensive monitoring, reporting, and oversight systems to ensure that BTOP funds fulfill the purposes of the Recovery Act. We are using a risk assessment model to determine the level of monitoring required for each project. Recipients that expend \$500,000 or more of federal funds during the fiscal year will be required to submit an

organization-wide financial and compliance audit report. For-profit awardees will be required to comply with the program-specific audit requirements.

In addition, grant recipients will be required to report quarterly and annually on the progress of their project and their use of grant funds. Infrastructure awardees will be required to demonstrate progress in achieving important programmatic goals such as broadband availability, adoption, transmission speeds, and prices associated with their projects. Recipients of Public Computer Center funding will be required to provide information on the expansion of their facilities and training provided to their users, and Sustainable Broadband Adoption recipients will report information on their success in stimulating demand and adoption. In addition to these BTOP-specific reporting requirements, grant recipients must comply with Recovery Act reporting requirements that include detailed information regarding the use of funds and jobs created.

IV. Short- and Long-Term Benefits.

The lessons learned from the BTOP-funded projects and broadband mapping efforts can be leveraged to help improve the nation's broadband landscape in the coming years. In the short-term, the metrics associated with these programs are just starting to materialize. The first awardees are in the early stages of turning their funded proposals into reality, and will file their initial reports next month; mapping grantees will provide their first data sets at the end of the month. I think, however, that it will be important to measure the results against the baseline, capture the lessons learned, and share the information so that successes can be replicated.

In the short-term, the Department of Commerce's investments will help create thousands of jobs for building infrastructure, installing computers, and developing and implementing outreach to broadband consumers. At this early stage, it is impossible to predict the precise

number of jobs the BTOP program will create. However, the jobs range from 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. Computer centers need to be built, and new computers and related hardware and software will be installed and networked into public computing centers in the short-term as well. Outreach strategies need to be planned and executed, and trainers will need to be trained how to best provide communities with needed broadband information and skills. The data we collect in the near-term will show how the broadband initiatives contributed to the overall Recovery Act economic stimulus activity. It will also start establishing the measurable impact these projects will have.

In the longer-term, BTOP investments will have secondary benefits that will be critical to our nation's overall economic future. BTOP-funded projects will help bridge the digital divide, improve the nation's education, provide improved access to better health care, heighten safety and security, increase employment options, foster innovation, and boost economic development for communities held back by limited or no access to broadband. These investments will also help preserve America's economic competitiveness in the world, and will accrue benefits especially to disadvantaged, rural, and remote America. The ripple effects of these broadband investments could be positively transformative.

V. Looking Ahead.

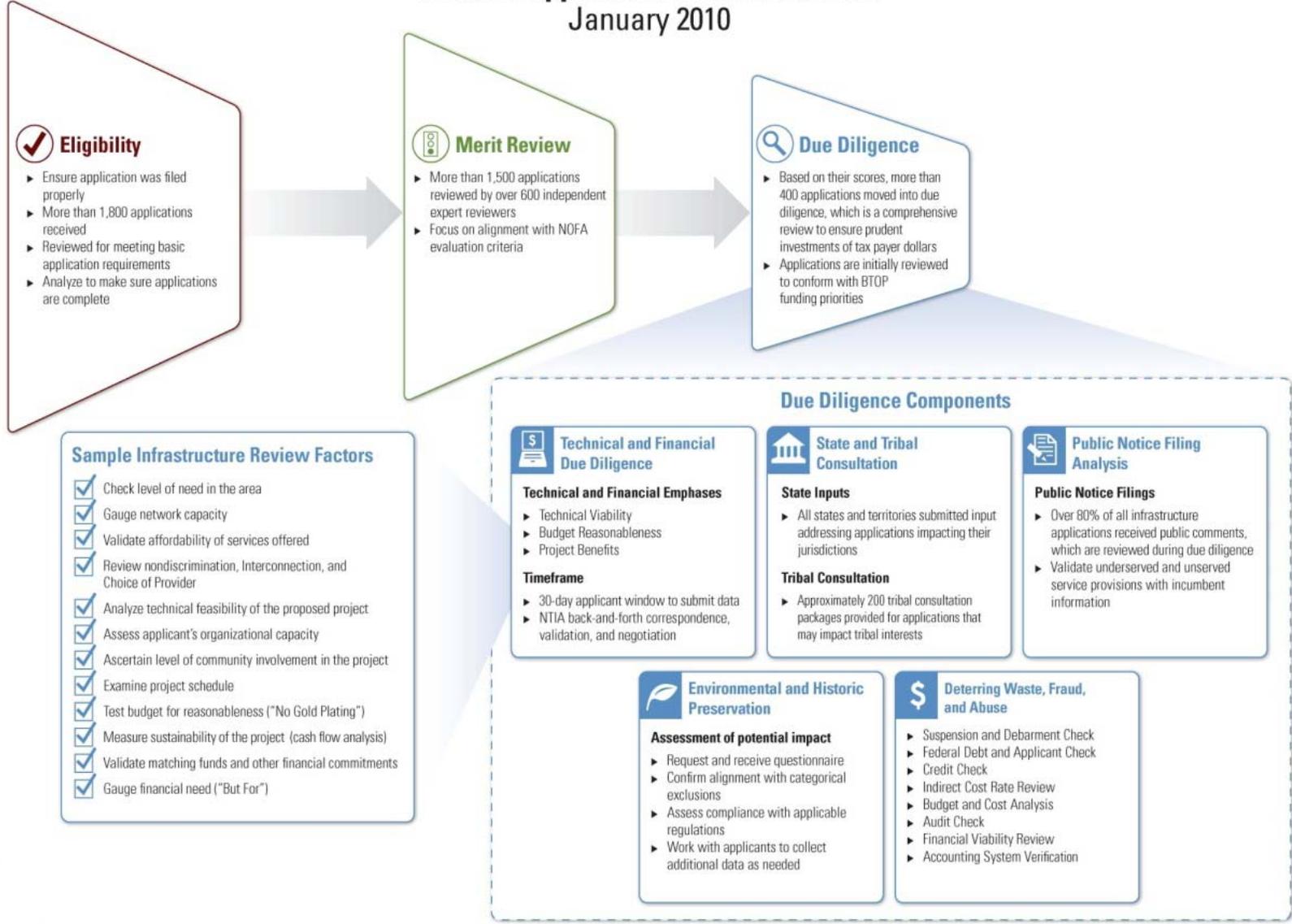
Once the application window for Round Two closes, NTIA will again carefully review and analyze the merits of each application, based upon the funding priorities and requirements outlined in the second Notice of Funds Availability. Looking forward, I am confident that the team will continue to meet the challenges it will face between now and September 30th. By the

end of the fiscal year, as the Recovery Act requires, our program will have benefitted every state to the extent practicable.

As you know, the Recovery Act does not provide authority or funding for administration and oversight of BTOP-funded projects beyond the end of Fiscal Year 2010. For this reason, the President's budget set forth authority and funding for NTIA to administer and monitor the execution of grant projects and carry the program to its conclusion. These funds are vital to ensuring that BTOP projects are seen to their successful completion, and I look forward to working with you to achieve this important objective.

Thank you again for the opportunity to testify. I am happy to answer your questions.

Broadband Technology Opportunities Program Round 1 Application Review Process January 2010



✓ Eligibility

- ▶ Ensure application was filed properly
- ▶ More than 1,800 applications received
- ▶ Reviewed for meeting basic application requirements
- ▶ Analyze to make sure applications are complete

📄 Merit Review

- ▶ More than 1,500 applications reviewed by over 600 independent expert reviewers
- ▶ Focus on alignment with NOFA evaluation criteria

🔍 Due Diligence

- ▶ Based on their scores, more than 400 applications moved into due diligence, which is a comprehensive review to ensure prudent investments of tax payer dollars
- ▶ Applications are initially reviewed to conform with BTOP funding priorities

Due Diligence Components

💰 Technical and Financial Due Diligence

Technical and Financial Emphases

- ▶ Technical Viability
- ▶ Budget Reasonableness
- ▶ Project Benefits

Timeframe

- ▶ 30-day applicant window to submit data
- ▶ NTIA back-and-forth correspondence, validation, and negotiation

🏛️ State and Tribal Consultation

State Inputs

- ▶ All states and territories submitted input addressing applications impacting their jurisdictions

Tribal Consultation

- ▶ Approximately 200 tribal consultation packages provided for applications that may impact tribal interests

📄 Public Notice Filing Analysis

Public Notice Filings

- ▶ Over 80% of all infrastructure applications received public comments, which are reviewed during due diligence
- ▶ Validate underserved and unserved service provisions with incumbent information

🌿 Environmental and Historic Preservation

Assessment of potential impact

- ▶ Request and receive questionnaire
- ▶ Confirm alignment with categorical exclusions
- ▶ Assess compliance with applicable regulations
- ▶ Work with applicants to collect additional data as needed

💰 Deterring Waste, Fraud, and Abuse

- ▶ Suspension and Debarment Check
- ▶ Federal Debt and Applicant Check
- ▶ Credit Check
- ▶ Indirect Cost Rate Review
- ▶ Budget and Cost Analysis
- ▶ Audit Check
- ▶ Financial Viability Review
- ▶ Accounting System Verification

Sample Infrastructure Review Factors

- Check level of need in the area
- Gauge network capacity
- Validate affordability of services offered
- Review nondiscrimination, Interconnection, and Choice of Provider
- Analyze technical feasibility of the proposed project
- Assess applicant's organizational capacity
- Ascertain level of community involvement in the project
- Examine project schedule
- Test budget for reasonableness ("No Gold Plating")
- Measure sustainability of the project (cash flow analysis)
- Validate matching funds and other financial commitments
- Gauge financial need ("But For")