

**Statement of Jonathan Adelstein**  
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**United States Department of Agriculture**  
**House Energy and Commerce Subcommittee on Communications and Technology**

Chairman Walden, Ranking Member Eshoo, and members of this Subcommittee, thank you for the opportunity to testify on the U.S. Department of Agriculture's Broadband Initiatives Program (BIP) and the progress on RUS-financed broadband investments under the American Recovery and Reinvestment Act of 2009 (Recovery Act).

I am pleased to report that the RUS Broadband Initiatives Program (BIP) is on track, creating jobs, deploying new and improved broadband service, and proceeding as the Administration and Congress expected.

The Recovery Act brought an unprecedented level of investment in rural infrastructure and economic development. RUS was honored to administer major Recovery Act investments in rural water and broadband infrastructure. These investments are already creating high-skilled, high-wage jobs and will pay dividends to their communities and the nation in terms of further job creation and faster economic growth for years to come. This infrastructure investment, which has been a cornerstone of the Obama Administration's economic recovery strategy, creates jobs when projects are planned and built, additional jobs when these projects become operational and again as these services are used by communities to spur further economic expansion.

To maximize the “bang for the buck,” the agency used a portion of its budget authority appropriated by the Recovery Act to make grants, loans and loan/grant combination awards. In total for the broadband program, more than \$2.33 billion in grants and \$1.19 billion in loans were made to 320 projects totaling over \$3.5 billion. Of those 320 projects, 297 were for infrastructure, 4 for satellite broadband service support and 19 were for technical assistance, the majority of which went to tribal communities.

Grant dollars were targeted to those areas that were the in the greatest need of service and were the most rural. Grant dollars were also used to leverage additional private investments in broadband infrastructure projects. As the Recovery Act statute directed, RUS focused its efforts to help communities gain “sufficient access to high speed broadband service to facilitate rural economic development....”.

RUS broadband investments will connect nearly 7 million rural Americans, along with more than 360,000 businesses and more than 30,000 critical community institutions like schools, healthcare facilities, and rural public safety agencies, to new or improved service. The projects funded will bring broadband service to 2.8 million households, spanning across more than 300,000 square miles in 45 states and 1 U.S. territory. These projects also overlap with 31 tribal lands and 125 persistent poverty counties, and they are estimated to create more than 25,000 immediate and direct jobs for rural workers in a variety of industries.

Data provided by the U.S. Department of Education show that more than one million K-12 students attend school within areas served by BIP awards. More than 100 colleges and technical

schools are located in areas served by BIP awards. Data provided by the U.S. Department of Health and Human Services show that nearly 600 rural healthcare facilities are located in areas served by BIP awards. All of these healthcare facilities will gain access to advanced broadband services, which can expand the use of telemedicine and electronic medical records initiatives.

The response to BIP was tremendous. Our funding ratio was roughly only one in ten grants approved. It was a rigorous competition with multiple checks to verify compliance with the statute and regulations. There were a number of good projects which simply could not be funded. We are hopeful that many of these applicants consider participants in our ongoing Farm Bill broadband program and our Community Connect Grant program, and some are submitting new applications to bring needed services to rural areas.

The Recovery Act funded two types of projects -- those that were immediate and those that were transformative. Big infrastructure projects, whether done by telecommunications, water or electric utilities, are transformative and take time to build out. Projects have to be carefully planned, constructed and operated. All awardees must comply with federal and state environmental, historic preservation and in some cases tribal or intergovernmental reviews that often require significant consultation with the public. Large telecommunications projects, like those financed under the Recovery Act, often take between three and five years to complete, although many are able to move more quickly.

Winning an award in a competitive process is only the beginning. The agency's scrutiny of projects continues throughout the project's life. Portfolio management is a rural development

priority. Tough calls have to be made. That sustained level of vigilance, supervision and review has led to the rescission of 36 Recovery Act awards. As a result, nearly \$266 million has been returned to the Treasury.

Before commencing BIP projects, recipients were required to execute RUS loan and grant documents. They are also required to complete environmental and historic preservation reviews. In order to receive loan and grant funds, or “advances,” under a loan or grant, the recipient project must be fully compliant with these requirements and can only submit a request for funds to the RUS staff after they are met.

RUS technical and financial staff reviewed the requests for advances to ensure that they comply with the BIP requirements and are consistent with the budget and network system design submitted and approved by RUS under the application process. Recipients generally determine the timing of the loan/grant advances. Under the Recovery Act, contracts signed by awardees require that all loan/grant funds must be advanced by September 30, 2015, or they will be rescinded by RUS and returned to the U.S. Treasury. In light of the current economic climate and the urgent need to put Americans back to work, the Administration directed agencies to accelerate spending of the remaining Recovery Act funding. Accordingly, RUS and senior USDA officials have repeatedly encouraged awardees to complete Recovery Act projects as quickly as possible, and have asked each awardee for a schedule by which they expect to expend funds and complete their projects. RUS field employees vigorously monitor the progress of construction and compliance by recipients with BIP requirements.

The vast majority of the BIP awards were obligated between March and September, 2010. Projects are progressing well and within expectations. The RUS has worked closely with Federal and state partners to complete required reviews and to address regulatory or processing issues. The Agency is working closely with awardees to expedite project construction.

All of the 19 Technical Assistance awards have been fully disbursed.

The \$100 million satellite broadband program has disbursed 68 percent of its funds to date to the four satellite awardees.

Infrastructure projects, which are larger and more complex, are also progressing well. Nineteen projects, representing \$148 million in funding, have been completed. About \$1.8 billion construction contracts for projects are complete, in active construction or under contract. Because loan funds are released as projects progress, the pace of construction exceeds the pace of reimbursement. We anticipate a vigorous level of activity as the spring construction season opens in northern states.

Presently, approximately 7.5 percent of the projects representing over 4 percent of the funding have not drawn any loan or grant funds. The agency is in regular contact with all awardees and there are multiple reasons why these projects have not advanced far enough to draw funds.

Several projects are engaged in inter-agency and inter-governmental clearance issues related to environmental reviews, rights of way and historic preservation.

RUS is actively working with awardees, Federal partners and government entities to address issues impacting completion of these projects, and being vigilant to ensure that projects remain viable. Our goal is to make each award a success.

It is also vitally important that we build on the cycle of broadband investments in rural America, which comprises over 75 percent of the total land mass of the United States, and is necessary for all America to benefit from the full participation of rural America in our digital economy and community.

Working as a team, the Rural Development mission area of the USDA has launched the Build On/Build Out initiative which seeks to encourage the continued expansion of broadband capability in rural areas using our programs and our ability to bring people together and to help rural businesses and community anchor institutions create new economic opportunity by using broadband networks to create jobs and wealth.

Our current rural broadband expansion efforts were initiated through RUS' other telecommunications programs, including the Telecommunications Infrastructure Program, the Rural Broadband Loan Program and the Community Connect Program. The traditional telecommunications infrastructure program, authorized in 1949 under Titles II and III of the Rural Electrification Act, was created to ensure rural areas had access to reliable and affordable telecommunications systems. Beginning in 1995, RUS required that telecommunications borrowers be broadband capable to facilitate use of computer networks and information highways for business, educational and medical services. Since 2009, this program has provided broadband service to nearly half a million rural subscribers.

The Rural Broadband Loan Program, first authorized under the 2002 Farm Bill and revised by the 2008 Farm Bill, has provided broadband loans to independent telephone companies, cable companies and broadband service providers. Community Connect grants are available to areas completely lacking broadband service. The funds are used to build broadband infrastructure and awardees are required to establish community centers that offer free public access to broadband. In fact, on May 3, we just announced over \$10 million in funding is now available for FY 2012 Community Connect awards.

These programs, with a combined portfolio of over \$6 billion, help deliver affordable, reliable advanced telecommunications services to rural communities—services comparable to that in the rest of the United States. These USDA programs play a vital role in bringing broadband to rural America.

One of the ongoing challenges in building broadband out in rural areas is determining the financial feasibility and sustainability of the proposed service territory. It is important to ensure the availability of sufficient revenue sources to make projects successful in accelerating broadband service to underserved areas of the country. The Recovery Act gave priority in funding service that would deliver a choice of more than one service provider, and to REA Act Title II borrowers. Audits conducted by the USDA Office of Inspector General (OIG) of The Rural Broadband Loan Program criticized the RUS for not maintaining its focus on rural communities most in need of Federal assistance. The audit noted that “this is largely because its definition of rural area, although within the statutory guidelines, was too broad to distinguish between suburban and rural communities.” In addition to clarifying the rural definition, the OIG

also recommended RUS create a management structure to approve and service the broadband loans.

RUS appreciates our partnership with the USDA OIG to ensure that our programs meet their statutory objectives. All OIG concerns and recommendations in the report have been addressed, and the audit was closed over a year ago. OIG is to be complimented on raising concerns with the statutory definition of “rural” in the 2002 Farm Bill. RUS could not, without an act of Congress, alter that statutory definition. Congress itself acted in the 2008 Farm Bill to revise the definition of rural that has been fully 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 all RUS final actions were accepted.

We have considerable challenges to address in providing broadband to rural communities that involve difficult terrain, high costs associated with distance and topography, access to a skilled workforce and the long term financial feasibility of small rural systems. While we continue to see an explosion of technology that can increase access to health care, expand educational opportunities and facilitate business activity, economic success will rely on robust broadband in both urban and rural areas.

I thank the Committee and its members for its continued interest in the Recovery Act and Farm Bill broadband programs.