

**Testimony of  
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United States Department of Commerce**

**Before the  
Committee on Energy and Commerce  
Subcommittee on Communications and Technology  
United States House of Representatives**

**Hearing Entitled  
“Broadband Loans and Grants”**

**May 16, 2012**

**I. Introduction**

Chairman Walden, Ranking Member Eshoo, and Members of the Subcommittee, thank you for your invitation to testify on behalf of the National Telecommunications and Information Administration (NTIA) regarding the implementation of the Broadband Technology Opportunities Program (BTOP) and State Broadband Initiative (SBI). I am very pleased to highlight NTIA’s progress in achieving President Obama’s vision of a nationwide, 21<sup>st</sup> century communications infrastructure, our efforts to expand broadband Internet access and adoption in the United States, and our success in developing the National Broadband Map.

A key element of President Obama’s strategy to build the innovation economy of the future – one that supports new and better jobs, and enhances America’s global competitiveness – is expanding the availability and adoption of high-speed Internet access in America. In the near-term, investments in broadband infrastructure help create jobs by supporting the installation and upgrade of fiber-optic networks and other high-tech components. Public computer centers offer critical job and educational training as well as Internet access for those without home access.

Sustainable broadband adoption efforts help vulnerable populations become proficient in computer-related skills on the path toward home subscribership of high-speed Internet service. In the long-term, expanding broadband Internet access and adoption will facilitate growth and innovation, especially for small businesses, enhance health care delivery, promote energy independence, improve public safety, and lay a foundation for long-term economic development in communities throughout the United States.

## **II. Progress in Achieving Program Objectives**

### *a. Meeting and Exceeding Performance Goals*

As directed by the American Recovery and Reinvestment Act of 2009 (Recovery Act), NTIA invested nearly \$4 billion in approximately 230 projects to expand broadband access and adoption in the United States. Today, about a year and a half after NTIA met the Congressionally-mandated deadline to award all BTOP funds by September 30, 2010, I am pleased to report that recipients are making significant progress in achieving their anticipated outcomes and delivering meaningful benefits to their communities. BTOP recipients are exceeding their performance goals in deploying new fiber-optic infrastructure, constructing new public computer centers, and encouraging greater Internet adoption. As of March 31, 2012 – the most recent reporting quarter for which we have data – BTOP recipients reported that they had:

- deployed or upgraded more than 56,000 miles of broadband infrastructure;
- connected more than 8,000 community anchor institutions to high-speed broadband Internet service;
- entered into nearly 400 interconnection agreements with third-party providers to leverage or interconnect with their networks;

- installed more than 30,000 workstations in public computer centers;
- provided more than 7 million hours of technology training to approximately 2 million users;
- generated approximately 350,000 new broadband Internet subscribers; and
- funded more than 4,000 jobs in the second quarter of Fiscal Year 2012.

Indeed, some BTOP projects are now wrapping up. In the case of our public computer center and sustainable broadband adoption grants, some projects are complete with others nearing completion. In these locations, demand for job training and educational resources is in many cases exceeding the supply. Several infrastructure projects are nearing completion. For example, BTOP recipient Level 3 has completed its infrastructure investments in California, Florida, Georgia, Kansas, Tennessee, and Texas, and MCNC has completed its Round One BTOP grant that has delivered almost 400 miles of new fiber, and upgraded another 400 miles more, for the benefit of more than 1,000 research and educational institutions in North Carolina.

In all, BTOP recipients have spent approximately \$1.6 billion in federal funds and approximately \$670 million in non-federal matching funds towards building the nation's 21<sup>st</sup> century infrastructure. I expect the pace of construction to remain strong over the next several quarters as recipients work hard to meet, and, in many cases, exceed their performance goals.

In April 2012, NTIA launched an interactive map, entitled BTOP's *Connecting America's Communities Map*,<sup>1</sup> to display how BTOP investments are connecting communities across all 50 states, U.S. territories and the District of Columbia. The map depicts the communities benefitting from high-speed middle mile connectivity, along with anchor institutions, new and improved public computer centers, and broadband adoption programs, and

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<sup>1</sup> Available at: <http://www2.ntia.doc.gov/btopmap/>.

includes 27,000 unique data points. The map will help stakeholders and the public more easily see the impact of BTOP projects in their area, and make it easier for potential industry partners and local community members to find new resources in their area.

*b. Impacting Local Communities*

As impressive as these numbers are, they only tell part of the story. Below are just a few examples of how these investments are making a positive impact in the communities they serve:

- MCNC, a nonprofit broadband provider that has operated the **North Carolina** Research and Education Network (NCREN) for more than 25 years, is using Recovery Act funds to deploy or upgrade 2,600 miles of fiber in rural areas across the state. MCNC's project is already creating construction jobs and jobs for local vendors such as Hickory, NC-based CommScope, which is supplying fiber and other materials for the project. It is also laying the groundwork for economic revitalization in places such as Kannapolis, NC, a former textile mill town that is reinventing itself as a biotechnology and life sciences hub.
- The **California** Emerging Technology Fund (CETF), a non-profit established at the direction of the California Public Utilities Commission to help close the state's digital divide, is using a Recovery Act investment to provide computer, digital literacy, and workforce training for low-income communities and other vulnerable populations. This training has helped over 1,000 participants to find jobs. One of this project's beneficiaries is Kevin, a 27 year-old Bay Area resident who returned home after serving in the Air Force and was eager for a career in technology, but a layoff resulted in him having to move back into his parents' home. Without work, Kevin bounced around between relatives and friends and

even slept in his car. Kevin enrolled at The Stride Center, a partner of the CETF project that provides workforce training and access to technology. After 22 weeks of classes, he received his A+ Certification, obtained a full-time job, and is now financially self-reliant.

- SDN Communications, a partnership of 27 independent telecom providers covering 80 percent of **South Dakota**, is using a Recovery Act grant to expand its 1,850-mile, 300-gigabit-per-second fiber-optic network by another 360 miles and add an additional 100 gigabits of bandwidth along high-capacity routes. The new network, which will be completed later this year, has produced construction, engineering, and electrician jobs around the state. Among the institutions that will benefit from new high-speed broadband capabilities is the Telecommunications Lab at the Mitchell Technical Institute. The Lab prepares students for careers in the telecommunications industry and is training workers to operate broadband networks such as those being built with BTOP funds.
- Using funding from NTIA's State Broadband Initiative, the **Massachusetts** Broadband Institute (MBI) is building an innovative web portal that will allow veterans and their families to obtain federal, state, and local services and benefits, including resources on housing, education, and employment. The project represents an innovative collaboration between the Massachusetts Department of Veterans' Services and the Home Base Program, a partnership between the Red Sox Foundation and Massachusetts General Hospital. MBI is also leveraging its BTOP infrastructure grant to expand fiber-optic broadband for anchor institutions,

businesses, and homes in underserved areas of Western Massachusetts, helping to dramatically improve the economic competitiveness of the region.

These examples are but a few of the innovative ways that BTOP investments are already demonstrating an impact in communities throughout the United States. The approximately \$4 billion we are investing will not solve all of America's broadband needs, but it is already helping to "prime the pump" for additional investment by public and private entities. In particular, the open access and interconnection requirements of BTOP grants are encouraging other last-mile and incumbent broadband providers to tap into our middle mile networks to expand broadband services and speeds for American consumers and businesses. For example, recipient Delta Communications (d.b.a. Clearwave) plans to deploy fiber to several dozen cell sites that will enable a national wireless carrier to expand its 4G services in southern Illinois. In Western Massachusetts, several broadband service providers have signed up to utilize our grantee's backhaul services to expand and enhance their broadband offerings for the region. Another grantee, Com Net, is working with a broadband operator to deliver fiber-optic service to an otherwise underserved industrial park to serve small and medium-size businesses. As our open access middle-mile investments progress in the coming months, we expect the benefits to continue to multiply.

*c. Empowering States, Collecting Broadband Data, and Promoting Digital Literacy*

In addition to its infrastructure, public computer center, and sustainable adoption grants, NTIA has become a leading source of public data on broadband access and adoption in America. Our SBI grants fund states to collect and verify broadband data in each state, territory, and the District of Columbia, and play a critical role in helping states and territories identify and address obstacles to broadband deployment and adoption. In February 2010, NTIA released the National

Broadband Map – America’s first public, searchable nationwide map of broadband Internet availability – and we continue to update it twice a year. Each update is powered by an extensive, publicly available dataset – more than 20 million records collected from nearly 1,800 U.S. broadband providers – that shows where broadband is available, the technology used to provide the service, the maximum advertised speeds, and the names of the service providers. It is the most extensive dataset of its kind. Among the findings from the data is that, while well over 90 percent of Americans have access to some level of broadband service, many communities still need new and better broadband infrastructure. Countless community anchor institutions – such as public safety facilities, hospitals, schools, and libraries – lack adequate broadband to fulfill their missions for their communities. We continue to enhance the map through a “crowdsourcing” feature that enables users to submit data to improve its accuracy and it has already proven to be a powerful tool for researchers, economic developers, state government leaders, and business owners seeking to better harness the power of broadband to improve their communities.

Meanwhile, our *Digital Nation*<sup>2</sup> survey with the Census Bureau indicates that a third of households – more than 100 million Americans – do not subscribe to broadband Internet access at home. In addition, about one in five households – 20 percent – do not use the Internet from any location. This is unacceptable in the 21<sup>st</sup> century economy, when broadband access and digital literacy skills are needed to compete in the workforce. NTIA’s research reveals that households do not adopt broadband because the service is too expensive, they lack an adequate home computer, or they do not see a need for broadband service. Our BTOP-funded SBA projects are identifying best practices to overcome these hurdles. For example, a few common

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<sup>2</sup> See <http://www.ntia.doc.gov/press-release/2011/new-commerce-department-report-shows-broadband-adoption-rises-digital-divide-pers>.

threads are starting to emerge from our sustainable adoption programs. The first is the importance of making Internet applications useful in people's everyday lives. Having Internet services that are relevant to people's immediate interests, such as finding a job, applying for benefits, or connecting with family members, helps demonstrate the value of broadband to citizens that might not otherwise subscribe. We also have learned that trusted mentors and community leaders can play a very important role in reducing barriers to adoption by demonstrating the positive impact that broadband can play towards social and economic advancement. This is especially true for the vulnerable populations that are primary beneficiaries of the BTOP-funded programs.

In addition to its BTOP grants that seek to tackle these challenges head on, NTIA, in collaboration with the Department of Education and other federal agencies, created [www.DigitalLiteracy.gov](http://www.DigitalLiteracy.gov) to provide librarians, teachers, workforce trainers, and others access to resources and tools to teach computer and online skills necessary for success in today's economy. NTIA and its partners continue to add content, with approximately 500 individual resources available for users, such as college preparation tools and resources for veterans. And, through our efforts to promote its resources, we are seeing, on average, more than 1,000 visitors to the site each week.

### **III. Monitoring, Oversight, and Technical Assistance**

Protecting the federal funds we are spending and the investments we are making is of paramount importance to NTIA. As the members of the Subcommittee are well aware, achieving these objectives is challenging and requires NTIA to perform diligent oversight and provide technical assistance to our recipients. We are very appreciative of the bipartisan support shown

by this Subcommittee's leadership to ensure we have the resources needed for our ongoing broadband grants administration and management.

To solve the issues that arise, yet maintain the rigorous implementation schedule demanded of BTOP projects, NTIA has put into action a program-wide oversight strategy to mitigate waste, fraud, and abuse; to ensure compliance with award conditions; and to monitor each project's progress. This rigorous framework includes a set of integrated activities, including active engagement with recipients, to prevent issues from arising, to detect issues early and resolve them in a prompt manner, to provide technical assistance that recipients need to navigate the federal grant process, and to get their project built on schedule.

*a. Providing High-Quality Technical Assistance and Customer Service*

NTIA remains in close and frequent contact with award recipients via regularly scheduled conference calls, email exchanges, drop-in calls on specific administrative or programmatic topics, and in-person conferences. These contacts serve as both a monitoring tool and a means to reinforce the terms and conditions associated with each award, and helps ensure that NTIA quickly addresses challenges that arise during project implementation. Additionally, recipients must report quarterly and annually to NTIA on key financial and programmatic activities. These reports are posted publicly and provide detailed information on progress in achieving program outcomes, use of funds, challenges faced, and expected future progress.

The technical assistance, oversight, and outreach activities that NTIA has conducted to date include the following:

- More than 130 site visits representing more than \$3.3 billion in federal award dollars. Site visits typically involve teams of staff and contractors spending several days on the ground with recipients to monitor progress and resolve issues;

- Three multi-day grantee workshops, allowing recipients to share lessons learned and to benefit from one-on-one consultations with federal staff;
- More than 85 *BTOP in Action* articles posted online to highlight success stories and share best practices;
- 20 fact sheets created, providing detailed guidance on key project implementation topics;
- Over 50 webinars and drop-in conference calls hosted to provide guidance on key compliance topics;<sup>3</sup>
- More than 3,000 check-in and conference calls conducted with recipients to monitor weekly progress in achieving outcomes;
- A 130-page Recipient Handbook published with detailed guidance for grantees;<sup>4</sup>
- An online workspace and collaboration tool created for recipients to share best practices;
- Monthly recipient newsletters published and as-needed emails generated regarding training, lessons learned, and answers to frequently asked questions;
- A comprehensive monitoring plan and site visit checklist created to streamline the oversight process;<sup>5</sup>

b. *Acting Early to Address Issues that Arise*

A primary goal of NTIA’s rigorous outreach, oversight, and monitoring is to identify issues as early in the process as possible and resolve them promptly. As issues arise, NTIA utilizes tools such as technical assistance, Performance Improvement Plans (PIPs), Corrective

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<sup>3</sup> Some of the webinars are available online at <http://www2.ntia.doc.gov/compliance>.

<sup>4</sup> The Recipient Handbook can be found at <http://www2.ntia.doc.gov/ManagementResources>.

<sup>5</sup> BTOP’s Monitoring Plan and Site Visit Checklist are available at <http://www2.ntia.doc.gov/compliance>.

Action Plans (CAPs), Award Suspension, and Termination, to highlight concerns, provide opportunities for recipients to get back on track, and protect taxpayer investments. In most cases, recipients get their projects back on track. In a few cases, however, oversight led to recipients deciding to terminate their awards with minimal expenditure of public funds,<sup>6</sup> and in one case, NTIA took action to terminate a grant to a recipient that materially failed to comply with the terms and conditions of its award.<sup>7</sup> To date, eight projects have been returned or deobligated totaling \$125 million in Federal award dollars, of which \$124.2 million (99 %) has or will be returned to the Treasury. In each of these instances, NTIA worked with the recipients proactively to identify and address issues that jeopardized the success of the project and potentially wasted taxpayer dollars. While I am disappointed that these particular projects will not deliver their intended benefits to unserved and underserved areas, I do believe that these experiences underscore the importance and value of NTIA's strong federal oversight and monitoring of its BTOP projects, and highlight its commitment to working closely and proactively with all recipients to ensure the success of the program as a whole.

*c. Collaborating with the Inspector General*

To this end, I appreciate the ongoing efforts of the Department of Commerce's Office of Inspector General (OIG) in helping to oversee NTIA's broadband programs and to prevent waste, fraud, and abuse of taxpayer dollars. NTIA and the OIG have worked closely and collaboratively to implement BTOP in the most responsible and efficient manner possible. The

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<sup>6</sup> These projects include Education Networks of America, Inc., <http://www2.ntia.doc.gov/grantees/EducationNetworksofAmerica>; State of Wisconsin Department of Administration, <http://www2.ntia.doc.gov/grantees/WiscDeptofAdmin>; the City of Tallahassee, <http://www2.ntia.doc.gov/grantee/city-of-tallahassee>; and DigitalBridge Communications (3 grants), <http://www2.ntia.doc.gov/idaho>.

<sup>7</sup> For more information, see State of Louisiana Board of Regents, <http://www2.ntia.doc.gov/grantees/LouisianaBroadbandAlliance>. Consistent with existing law and Department of Commerce practice, NTIA returns all unobligated funds for deobligated awards to the Treasury within 30 days of deobligation.

OIG has issued several reports that have provided valuable input to strengthen our oversight, identify lessons learned for the future, and ultimately demonstrate that we have managed BTOP with the highest degree of responsibility, efficiency, and vigor possible for a novel program of this size, scope, and speed of implementation.

*d. Ensuring Sufficient Resources for Adequate Oversight*

Among the OIG's recommendations in its November 2011 report, *NTIA Has an Established Foundation to Oversee BTOP Awards, But Better Execution of Monitoring Is Needed*, was that given the current federal budget environment, NTIA should identify oversight strategies for different funding levels.<sup>8</sup> The Consolidated and Further Continuing Appropriations Act, 2012 provided \$25.6 million for monitoring and administration of BTOP in Fiscal Year 2012. The Fiscal Year 2013 President's Budget includes \$26.9 million to support the administration of broadband programs. In terms of actual expenses for BTOP oversight and management, this represents a decline in overall spending for 2013 from 2012 by approximately \$2 million. This funding request, and the staffing it supports, is critical to ensure that NTIA can continue its oversight and administration of grants, to ensure continued adequate levels of performance by recipients, and to prevent waste, fraud, or abuse of federal funds. As the grants move toward their completion, these resources will help to ensure project completion and the recovery of unused funds during the grant closeout period.

*e. Sharing Lessons Learned*

Going forward, NTIA is focused on maintaining its rigorous oversight, monitoring, and technical assistance activities for BTOP grants, and ensuring that projects achieve their 2013 completion dates. We are also focused on leveraging our projects' benefits to the fullest extent

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<sup>8</sup> Available at: <http://www.oig.doc.gov/Pages/NTIA-Has-Established-Foundation-to-Oversee-BTOP-Awards,-But-Better-Execution-of-Monitoring-Needed-.aspx>.

possible to help ensure that the broadband benefits are sustainable and grow even after the projects are completed. One of the ways we will do that is by sharing successful strategies across the grant portfolio on issues ranging from procuring fiber to streamlining the environmental review process. In September 2010, NTIA contracted with ASR Analytics, LLC (ASR) to conduct an evaluation of the program's economic and social impacts. The study will assess the degree to which NTIA's implementation of BTOP has met the Recovery Act goals by measuring the short- and long-term economic gains in the grant-funded communities. ASR has submitted its final study design for the project and begun its field work. An initial report summarizing results of its analysis of PCC and SBA recipients will be completed in mid-2012, with its analysis of infrastructure projects to be completed near the end of next year.

#### **IV. BTOP Grants and the Nationwide, Interoperable Public Safety Broadband Network**

Thanks to the efforts of Members of this Subcommittee and others, Congress passed the Middle Class Tax Relief and Job Creation Act of 2012<sup>9</sup> ("Act") earlier this year that, among other things, authorizes and funds the building, deployment, and operation of a nationwide public safety broadband network. Title VI of the Act establishes the First Responder Network Authority or "FirstNet" as an independent authority within NTIA, and charges FirstNet with taking all actions necessary to ensure the building, deployment, and operation of the network. The Department of Commerce and NTIA are working to implement the Act's directives as expeditiously as possible with the same rigor and dedication we have applied to BTOP.

Toward that end, NTIA is working to ensure that its seven BTOP 700 MHz public safety grants proceed in a manner that supports the nationwide public safety broadband network. Our goal in this effort is to ensure that these much-needed investments remain in their communities

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<sup>9</sup> Pub. L. 112-96.

and to avoid investments that might have to be replaced if they are incompatible with the ultimate nationwide architecture of the new public safety broadband network. We are committed to working with all stakeholders towards our shared goal of meeting the communications needs of America's first responders.

## **V. Conclusion**

President Obama, Secretary Bryson, and everyone at NTIA share the goal of expanding broadband Internet access and adoption in the United States so that we may boost America's competitiveness, build the innovation economy of the future, and support new and better jobs for Americans. BTOP grants represent a critical component of this effort, and NTIA is committed to ensuring that grant funds are spent wisely, responsibly, and achieve their intended benefits for American communities. NTIA is also hard at work fulfilling the President's goal of making available 500 megahertz of Federal and nonfederal spectrum for wireless broadband by 2020. I want to commend the bipartisan leadership of this Committee, the Senate, and elsewhere in the Congress for your diligent oversight of the BTOP program and your support for the Middle Class Tax Relief and Job Creation Act of 2012 that will free additional spectrum for broadband use, support a nationwide, interoperable public safety broadband network, and reduce the deficit. NTIA is committed to working with you to achieve these goals.

Thank you.