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Waste Is Seen in Program to Give Internet Access to Rural U.S.

By **EDWARD WYATT**

AGATE, Colo. — The bank is gone from this once-thriving ranching and farming community on Colorado's windblown eastern plain, as are the dairies, the hotel and the Union Pacific depot. The post office remains, at the corner of Main Street and First Avenue, the intersection of the town's two paved streets.

There is not much that is modern in Agate, except at the 11-student elementary school, which has three high-speed fiber optic Internet connections — more than nearly every school in Denver, 70 miles to the west, and, for that matter, just about any school in the country. And it is something, the school says, that it doesn't need.

The latest chapter in Agate's recent broadband boom came thanks to the $4 billion Broadband Technology Opportunities Program, part of the Obama administration's 2009 economic stimulus effort. The aim of the grant program is to extend high-speed Internet access to parts of the country that had little or none of it because private companies said it was too expensive to build.

"These investments have the potential to reshape our nation," said Lawrence E. Strickling, an assistant commerce secretary and the administrator of the National Telecommunications and Information Administration, which runs the federal grant program. "We know that Americans who don't have access to the Internet are increasingly cut off from job opportunities, education resources, health care information and even government services."

But local phone companies have complained about waste or unfair competition, like using some of the grants to build fiber networks where they already exist — including, in Colorado, in the easily accessible eastern plains that include Agate — rather than where they are most needed, in rural mountain towns.

Nationally, $594 million in spending has been temporarily or permanently halted, 14 percent of the overall program, and the Commerce Department's inspector general has raised questions about the program's ability to adequately monitor spending of the more than 230 grants.

In Illinois, for example, a $12 million broadband grant was sanctioned when a subcontractor was caught routing fiber optic cable through neighborhoods where its project engineers lived. A $39 million grant in

Arizona was suspended over questionable expenditures on travel, transactions that appeared to involve conflicts of interest and other unbudgeted activities.

Broadband grants in Alabama and Louisiana, totaling $140 million, were terminated over undocumented expenditures and failure to adhere to construction plans and schedules. Four other grants, worth $42 million, returned the money before even getting off the ground.

Here in Agate, two high-speed connections already existed in the school, which had been teaching students from kindergarten through 12th grade. Now the oldest students are fifth graders, and the school says the high-speed fiber optic service is of little use and beyond its means. (It has requested bids for a slower-speed connection to replace it.)

Agate's third fiber optic connection was among the projects built with funds from a $100 million grant to an education consortium called called Eagle-Net. The grant has been suspended since December, when officials discovered that Eagle-Net had changed nearly all of its plans for wiring the state. Four months earlier, Eagle-Net was warned about questionable spending and lack of budgetary controls, according to Commerce Department documents.

Congress is preparing to take a closer look at the overall program. Representative Cory Gardner, a Colorado Republican whose district includes Agate, said in an interview Monday that the House subcommittee overseeing the grant program was preparing for a hearing into possible program waste.

Eagle-Net says it has tried to work with the rural telecom companies. Gretchen Dirks, a spokeswoman, said several of the rural telephone companies now raising objections supported Eagle-Net's plans in the beginning.

Ms. Dirks also said Eagle-Net had not been avoiding mountain areas. "The more difficult-to-reach areas of Colorado, due to diverse geographic and weather conditions, have been slated for completion in 2013 since the very beginning of the funding process," she said.

Obama administration officials say that the problem with certain grants, including Eagle-Net's, are being addressed. But it is misleading, they say, to focus on the 14 grants that have been suspended or terminated when most have been successful. (Five of the programs whose grants were suspended are back up and running.)

Among the more promising, Mr. Strickling said, were a $102 million program in Arkansas that has paid for high-speed video and data links between rural doctors' offices and the state university's medical center

in Little Rock, and a $33 million grant to build a 1,000-mile fiber loop linking communities in rural northern Georgia to Atlanta.

Rural areas certainly suffer a lack of high-speed Internet access. While about 88 percent of urban households in the United States have access to high-speed cable Internet service, only 40 percent of rural households do, according to the Federal Communications Commission and the Commerce Department.

About 20 percent of United States households have access to fiber optic Internet service, the fastest connection, compared with 86 percent in Japan and two-thirds in South Korea. But the Eagle-Net experience in Colorado demonstrates that in the haste to get broadband everywhere, some grant planners appeared not to have taken into account the current condition of infrastructure.

Among the earliest fiber optic connections that Eagle-Net turned on, for example, was not in a remote, unserved area but in the Cherry Creek School District, located in a wealthy Denver suburb.

Ben Startzer, chief information officer for Cherry Creek schools, said in an interview that before Eagle-Net came to visit, the district already had a fiber optic connection that operated at 300 megabits per second — 100 times faster than the average residential broadband speed. The schools didn't need the new network, Mr. Startzer said, but it allowed the district to nearly double its speed while increasing the network's backup redundancy.

A two-hour drive to the east, in Flagler, Colo., the 180-student public school, which serves prekindergarten through 12th grade, also recently got a third fiber optic connection, thanks to Eagle-Net, whose cable was installed underground within a few feet of fiber optic cables already laid by Eastern Slope Rural Telephone.

Eastern Slope's network was financed in part by an $18 million loan from the Department of Agriculture's Rural Utilities Service — which, unlike Eagle-Net's grant, has to be repaid.

"Here you have a quasi-governmental agency that has free federal money and is spending it to provide the exact same service that is already there, competing against companies that are borrowing federally backed money," said Senator Greg Brophy, a Colorado state legislator whose district covers a large swath of rural northeastern Colorado.

The types of local government institutions that Eagle-Net is focusing on are often the largest customers of the rural telecommunications companies, said Kevin Felty, president of the Colorado Telecommunications Association and president of Plains Cooperative Telephone.

Revenue from those larger entities supports affordable residential service in the area, he said.

Ms. Dirks of Eagle-Net said that if local institutions were happy with the service they already had, they would not have welcomed a new provider.

One of those enthusiastic about Eagle-Net is Brainstorm Internet, of Durango, Colo. Russ Elliott, president of Brainstorm, said connecting to Eagle-Net had allowed his company to offer substantially faster service that costs less to provide than before. "They came in and said 'What can we do to help you get to these rural communities?' " he said.

In Agate, however, Daniel Hollembeak, general manager of the Agate Mutual Telephone, whose headquarters are in a mobile home across a dirt lot from the school, said Eagle-Net's wiring of schools and other government institutions would drive companies like his further toward the brink.

"We employ local people," he said. "If Eagle-Net takes away these institutions, it will have a big negative effect on the company."