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<u>RPTR KERR</u>

<u>EDTR CRYSTAL</u>

CONNECTING EVERY AMERICAN:

THE FUTURE OF RURAL BROADBAND FUNDING

THURSDAY, SEPTEMBER 21, 2023

House of Representatives,

Subcommittee on Communications

and Technology,

Committee on Energy and Commerce,

Washington, D.C.

The subcommittee met, pursuant to notice, at 9:00 a.m., in Room 2123, Rayburn House Office Building, Hon. Bob Latta [chairman of the subcommittee] presiding.

Present: Representatives Latta, Carter, Bilirakis, Walberg, Curtis, Joyce, Weber, Allen, Balderson, Fulcher, Pfluger, Harshbarger, Cammack, Obernolte, Rodgers (ex officio), Matsui, Soto, Cardenas, Craig, Kuster, Kelly, and Pallone (ex officio).

Also Present: Representative Pence.

Staff Present: Rebecca Hagigh, Staff Assistant; Slate Herman, Counsel,

Communications and Technology; Nate Hodson, Staff Director; Noah Jackson, Clerk, Communications and Technology; Patrick Kelly, Staff Assistant; Sean Kelly, Press Secretary; Alex Khlopin, Staff Assistant; Peter Kielty, General Counsel; Emily King, Member Services Director; Giulia Leganski, Professional Staff Member, Communications and Technology; John Lin, Senior Counsel, Communications and Technology; Carla Rafael, Senior Staff Assistant; Michael Taggart, Policy Director; Evan Viau, Professional Staff Member, Communications and Technology; Hannah Anton, Minority Policy Analyst; Keegan Cardman, Minority Staff Assistant; Jennifer Epperson, Minority Chief Counsel, Communications and Technology; Mackenzie Kuhl, Minority Digital Manager; Dan Miller, Minority Professional Staff Member; Michael Scurato, Minority FCC Detailee; Andrew Souvall, Minority Director of Communications, Outreach and Member Services; and Johanna Thomas, Minority Counsel.

Mr. Latta.   Well, good morning.   The subcommittee will come to order.   And the chair recognizes himself for 5 minutes for an opening statement.

And again, thank you to our witnesses for being with us today.

Americans rely on internet connectivity for work, education, healthcare, and staying connected with loved ones.   Yet, despite years of effort and billions of dollars, many Americans are still without a reliable broadband connection.

Closing this digital divide is a bipartisan priority, and significant Federal resources have been dedicated to this effort.

Unfortunately, a problem that requires a dedicated and efficient response spurred an overwhelming and scattered Federal funding response.   As Ronald Reagan rightly said, the "government is not the solution to our problem; the government is the problem."

In May 2022, the Government Accountability Office found that there were over 130 broadband programs across 15 Federal Government agencies.   The largest of these programs, the Broadband Equity, Access, and Deployment, or BEAD program, created in the Infrastructure Investment and Jobs Act, commits $42.45 billion to broadband deployment.

One of this committee's top priorities is making sure these programs are administered effectively so that money dedicated to closing the digital divide achieves its goal.   I remain concerned about whether that will happen.

Some of these programs, including BEAD, were created outside of regular order. There was no discussion of whether $42 billion is the right number or debate on how this

program should be administered.   Very little of this money, if any, will support rural wireless carriers that provide critical services.

I am also concerned that rising costs for labor and equipment will create supply chain shortages, taking both additional money and time required for deployment.

Given this uncertainty, I worry that the Federal Government will waste this opportunity to connect all Americans.

Oversight of these existing programs is crucial for their success, but we also need to look towards the future to consider what Federal funding for broadband should look like once programs like BEAD conclude.

For example, the Universal Service Fund, or USF, was created in 1997 and distributes approximately $8 billion per year.   It supports four broadband programs targeting high-cost areas, schools and libraries, low-income households, and rural healthcare facilities.   Many small rural providers are dependent on the USF to support the deployment in unserved areas.

Over the past few years, however, Congress has also spent billions of dollars funding these same efforts through BEAD, the Emergency Connectivity Fund, the Affordable Connectivity Program, and COVID-19 Telehealth Program.

Given this duplication, Congress needs to address whether we still need the USF and, if so, what it should look like.   This includes addressing what programs the USF should fund, how the USF should be funded, and what reforms are needed to ensure the programs are run effectively and without waste, fraud, or abuse.

These are important questions for Congress to consider.   Answering them will require serious bipartisan, bicameral discussions.

That is why I am pleased to announce today that the ranking member of this

subcommittee and I are joining the bipartisan Universal Service Fund Working Group, led by Senators Thune and Lujan.

I look forward to hearing from stakeholders and working with my colleagues on both sides of the aisle and the Capitol to find a solution that will ensure sustainable universal service for years to come.

Today's hearing is the start of looking towards the future of Federal broadband programs. I look forward to hearing from our witnesses. And I also, again, thank you all for being with us today.

At this time, I now recognize the ranking member of the subcommittee, the gentlelady from California, for 5 minutes.

[The prepared statement of Mr. Latta follows:]

******** COMMITTEE INSERT ********

Ms. Matsui.   Thank you very much, Mr. Chairman.

And I would like to welcome the witnesses who are here today.

This is an issue that should be familiar to all members of the subcommittee.   We have had a version of this hearing before and we will need to keep having them until all Americans have equal access to broadband regardless of their ZIP Codes.

This issue is also very personal to me.   Although I have a large urban footprint in my district, I also have small towns and hamlets that are desperate for modern internet connectivity.

When I am back home, in other small cities like Galt or Walnut Grove, the people that I meet with can literally tell me neighborhood by neighborhood where there is connectivity and where there is not.   But for far too long their local knowledge has been undervalued and their requests for service have fallen on deaf ears.

Thankfully, Congress acted, and I am more hopeful than I have ever been that we will be getting them the connectivity they deserve.

The Bipartisan Infrastructure Act provided $65 billion to expand access to broadband through new deployment and adoption efforts.   This includes $42 billion for the BEAD program, which will support deployment of new broadband infrastructure projects.   BEAD will be successful because it addresses the fundamental impediment to broadband deployment: economics.

In rural areas where populations are more spread out, private companies cannot afford to deploy or operate a network.   In those areas, BEAD will provide the needed support to connect these residents.

Continuing to support NTIA and the States as it implements BEAD is the single

most powerful tool we have to connect our unserved constituents.   But it is imperative that we take a holistic look at all existing broadband support mechanisms to ensure they are solvent.

That is why I am excited to join Chairman Latta and Representatives of the House in the bipartisan, bicameral working group to modernize the Universal Service Fund.

The USF is one of our most effective models for expanding connectivity, whether that is in rural areas or schools, to support telemedicine or for low-income families.   USF is connecting Americans.

However, without reform, USF's future is uncertain.   USF is the bedrock of our communications policy in the U.S., and it is imperative we get it on solid footing.

That is why this working group is so important.   It shows that there is bipartisan, bicameral willingness to address these tough issues head on.

I am excited that Chairman Latta and I will be joining Chairman Lujan and Ranking Member Thune to advance this effort.

And as we all know, USF isn't the only area that needs immediate attention.

The Affordable Connectivity Program is helping millions of families afford a broadband connection.   Whether that is for the first time or when you need a little extra help to making ends meet, this ACP program is working.   But without additional funding, more than 21 million households could lose connectivity.

With funding set to be depleted early next year, initial notices of service termination could be going out during the height of the holiday season in December. That is a present none of our constituents deserve to receive.

I am committed to doing everything I can to find additional support to give us time to find a lasting solution to sustain ACP.   It is a bipartisan program that helps rural and

urban families alike and it must be continued.

I am also looking forward to a meaningful discussion about broadband access that includes not just access and affordability, but also adoption.

In March, I introduced my Digital Equity Foundation Act to establish a nonprofit foundation that will channel public and private investments into broadband adoption efforts to close the digital divide, not only because it is the right thing to do, but because increased adoption means more broadband customers, which improves the business case for ISPs.

So it is a vital leg of the connectivity stool, and it need to be part of our discussion today.

And with that, I once again thank our witnesses for being here. I look forward to the discussion.

I yield back.

[The prepared statement of Ms. Matsui follows:]

******** COMMITTEE INSERT ********

Mr. Latta.   Thank you.   The gentlelady yields back.

And the chair now recognizes the gentlelady from Washington, the chair of the full Committee on Energy and Commerce, for 5 minutes for an opening statement.

The Chair.   Thank you, Mr. Chairman.

Welcome to our witnesses.

Broadband connectivity has become essential for Americans.   People need it to pay their bills, continue their education, open a new business, and so much more.

Yet there are still many communities, particularly in rural areas, who lack a reliable connection, and that includes many in my district in eastern Washington.

Energy and Commerce is committed to supporting policies that lead to better and faster internet access.

Today there are more than 130 Federal broadband programs, and Congress has dedicated an unprecedented amount of taxpayer dollars towards funding these programs in recent years.

That includes the $65 billion for broadband deployment, affordability, and adoption in the IIJA, as well as existing programs like the Universal Service Fund, or USF.

As resources are made available and new funding programs are considered, we must ensure taxpayer dollars aren't being wasted or duplicated.

The USF, for instance, has helped internet service providers connect rural homes and health centers, schools, libraries, and low-income Americans across the country for more than 25 years.

Now, with so many other programs working to achieve the same or similar goals, it is important that we evaluate the necessity of the USF and consider what it should

support to ensure Federal resources are achieving their intended purpose and that efforts aren't being duplicated.

Once we address those questions, we can turn to how we fund the USF.

Today the USF is funded by contributions from providers based on a revenue source that is declining, causing the contribution factor to increase. In fact, next quarter the contribution factor will hit a new record.

This cost ultimately increases the cost of services. This means that Americans will soon see the highest-ever USF fee on their phone bills. This is not sustainable.

As we consider the future of the USF, it is important that we develop a stable funding mechanism that meets the needs of the program without raising cost for hardworking Americans.

The Affordable Connectivity Program, or ACP, is also important in the context of today's discussion.

This COVID-era program was supposed to be a temporary Band-Aid to help families economically impacted by the pandemic stay connected to broadband. Then, Congress made it permanent and has given it over $17 billion. That money will soon run out, and we must consider the program's future.

This program is in addition to the Lifeline program, a Federal subsidy program under USF designed to ensure that low-income Americans can afford broadband and telephone service.

Congress has a responsibility to ensure that these programs are run effectively, and I do have questions about which program is most effective, how efforts can be consolidated or streamlined, and what a Federal subsidy program for low-income Americans should look like going forward.

Ultimately, minimizing duplicative spending, waste, and fraud will ensure resources are being used efficiently and serving as many people as possible.

Otherwise, without careful evaluation, rural Americans will continue to watch from a distance as technologies advance.   Kids will continue to grow up without access to online educational resources and businesses in rural America will continue to be left behind as the digital economy booms in urban centers and across the globe.

Today's hearing is an important step as we look to the future of rural broadband funding.   All of us here share the same goal: ensuring connectivity for every American. This will improve lives, strengthen the economy, and ensure America wins the future.

I look forward to our discussion, and I thank the witnesses for being here.

I yield back.

[The prepared statement of The Chair follows:]

******** COMMITTEE INSERT ********

Mr. <u>Latta.</u>   Thank you.   The gentlelady yields back.

The chair now recognizes the gentleman from New Jersey, the ranking member of the full committee, for 5 minutes.

Mr. <u>Pallone.</u>   Thank you, Chairman Latta.

Today we continue the work of the committee and Congress to make high-speed internet service available and affordable to all Americans.

We took a major step in making this a reality last Congress with the Bipartisan Infrastructure Law.

This law, which basically no one on this committee -- no one on the Republican side supported, is investing $65 billion to bring high-speed, reliable, and affordable internet to every American household, and that is critical because 24 million households today lack internet service, and rural and Tribal areas are among those further behind the digital divide.

Thanks to the Bipartisan Infrastructure Law, the National Telecommunications and Information Administration, NTIA, will begin to distribute more than $42 billion next year to all 50 States, D.C., and the U.S. territories, and this money will go first to areas completely unserved, communities desperate for robust, affordable internet service the private market has passed over for years.

Internet service is finally going to allow these communities to grow their economies for the future and compete with areas that have had broadband access for years.   It will be important for States to use the funds wisely, investing in technology that is future-proof and not in technologies in need of replacement in just a few years.

Even once these transformational investments bring internet service to the most

rural and remote areas of the country, the mission of connecting all Americans is far from finished.

Cost remains one of the most prevalent reasons Americans don't subscribe to broadband. They simply can't afford it. And this is particularly true in rural America where a variety of factors often lead to higher prices and lower speeds.

It is troubling when we consider that studies show a strong correlation between broadband availability and adoption and positive economic outcomes.

The availability of high-speed broadband networks opens the door to higher employment and creates a better environment for small business.

Broadband adoption, actually signing up for the service and being able to afford it each month, is linked to higher incomes and lower poverty rates, greater civic and community engagement, positive health outcomes, enhanced educational opportunities, and better worker productivity. It is the bridge across the digital divide that connects communities and individuals to opportunity and prosperity.

So our work to close this divide is not necessarily finished just because a fiber line or wireless tower reaches another town.

The Bipartisan Infrastructure Law also addressed broadband affordability by creating the $14.2 billion Affordable Connectivity Program. This program is the largest and most successful program to address broadband affordability that we have seen.

Nearly 21 million households benefit from this program almost equally in both Republican and Democratic districts. And the FCC has reported that rural households are signing up at a higher rate than urban households.

So we should all keep this in mind as we inch closer to the looming digital cliff of the Affordable Connectivity Program running dry.

The program has been so successful at signing people up that it will run out of money sooner than we originally thought it would. Current projections indicate the fund will be depleted early next year.

If that estimate holds true, providers may have to start sending 90-day shutoff notices to consumers as early as December, at the height of the holiday season, informing them that they will lose this benefit and their monthly internet bill will go up.

For many, this could put the cost out of reach, causing folks to cancel their service, and we simply cannot allow this to happen.

So I hope Democrats and Republicans can come together to replenish the fund this year so that these 21 million Americans in all our congressional districts can continue to afford their internet service.

For years we have talked in this committee about the opportunity cost for those on the wrong end of the digital divide. It will only be exacerbated with the rush to artificial intelligence and other emerging technologies unless we ensure that all communities have equal access to robust, affordable internet service with the digital skills necessary to take advantage of it.

So I hope this is the beginning of a conversation about how the FCC's Universal Service Fund can continue to bridge the connectivity gaps in this country for years to come.

I look forward to the opportunity of discussing our Nation's continued needs and the role that USF programs play in ensuring universal connectivity for all Americans.

With that, Mr. Chairman, I yield back. Thank you.

[The prepared statement of Mr. Pallone follows:]

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******** COMMITTEE INSERT ********

Mr. <u>Latta.</u>   Well, thank you very much.   The gentleman yields back the balance of his time.   And that will conclude the opening statements from the members.

We will now turn to our witnesses who are with us today: Mr. Jonathan Spalter, the president and CEO of USTelecom; Mr. Justin Forde, the vice president of government relations for Midco; Mr. Scott Wallsten, the president and senior fellow at the Technology Policy Institute; and Ms. Sara Nichols, senior planner for the Land of Sky Regional Council of Government.

The chair would also like to note for our witnesses that the timer light, which I know is out there today, which we didn't have last week, will turn yellow when you have one minute remaining and will turn red when your time has expired.

And, Mr. Spalter, you are now recognized for 5 minutes for your opening statement.

STATEMENTS OF JONATHAN SPALTER, PRESIDENT AND CEO, USTELECOM - THE BROADBAND ASSOCIATION; JUSTIN FORDE, VICE PRESIDENT OF GOVERNMENT RELATIONS, MIDCO; SCOTT WALLSTEN, PRESIDENT AND SENIOR FELLOW, TECHNOLOGY POLICY INSTITUTE; AND SARA NICHOLS, SENIOR PLANNER, LAND OF SKY REGIONAL COUNCIL OF GOVERNMENT

STATEMENT OF JONATHAN SPALTER

Mr. <u>Spalter.</u>   Well, thank you very much, Chairman Latta and Ranking Member Matsui, for the invitation to join this really important conversation this morning.   I am proud to be here on behalf of USTelecom - the Broadband Association.

Our diverse membership ranges from leading publicly traded companies to local and regional companies and co-ops, many of which have deep, deep rural roots that go back literally generations.

Our members truly have been the leaders in connecting rural America.   So we appreciate the opportunity to bring our experience and our perspective to the table this morning.

Federal funding for rural broadband, as you have reflected, really is critical, particularly for remote areas where broadband service would otherwise simply not exist. These are sparsely populated parts of our country where the economics of building and maintaining network infrastructure over miles of often very challenging terrain simply do not add up unless the private sector and the government work together shoulder to shoulder.

17

A number of programs assist in this partnership to achieve universal connectivity. Chief among them is the Universal Service Fund, which includes funding to build and maintain broadband networks to connect rural Americans to the power and promise of broadband.

The ACP helps ensure that low-income families throughout the country are able to benefit from high-speed connectivity, and the once-in-a-generation BEAD program will help connect even more of our communities.

So the question really before us is, how can our commitment to universal connectivity be secured and strengthened for the long haul?

Many challenges that come before this body do not have easy or obvious solutions, but this one does, and it comes in three parts, really briefly.

First, until a long-term solution is established to fund the ACP, Congress should appropriate bridge funding for this critical program.

Today nearly 21 million low-income households in each and every one of the 50 States count on the ACP to help pay for broadband service. Their connectivity is now at risk, with existing funds likely depleting early next year.

Second, there is absolutely no question that the current contribution system needs to be modernized to meet our universal connectivity goals, and to start, Congress should give the FCC the authority it has sought to expand the USF's contribution base to include the dominant big tech companies that are the primary beneficiaries of the Nation's commitment to universal connectivity, yet do not contribute to the fund.

Broadening the base of U.S. contributors in this way would minimize the burden on any one set of companies or their customers, and by stabilizing the fund for the long-term this reform would ensure resources continue to be available to keep rural

communities connected, helping maintain, repair, and upgrade this critical infrastructure over time.

For those who may question the value of universal service to our communities, I recently heard from one of our small broadband providers, a member of USTelecom in rural Texas, that, in fact, without USF funding, prices for service would increase roughly 3,000 percent per customer -- 3,000 percent.

Third, Congress should ensure efficient and effective implementation of the BEAD program to stretch taxpayer dollars and connect as many unserved and underserved homes and businesses as possible.   This includes streamlining permitting, minimizing burdensome rules to maximize provider participation, and prioritizing experienced providers.   Experience matters.

Unlike government-owned networks, private sector providers have a proven track record of successfully building and operating networks to bridge the digital divide.

And I would also say that this is a moment that matters.   USTelecom and its members stand ready, willing, and able to be constructive partners in securing the future of rural broadband.

I am an optimist we will get the job done.   And I am happy, of course, to take any questions that you have this morning.

[The prepared statement of Mr. Spalter follows:]

******** COMMITTEE INSERT ********

Mr. <u>Latta.</u>   Well, thank you very much for your testimony.

Mr. Forde, you are recognized for 5 minutes for your opening statement.

STATEMENT OF JUSTIN FORDE

Mr. <u>Forde.</u>   Chair Latta, Ranking Member Matsui, and members of the subcommittee, thank you for inviting me here today.   My name is Justin Forde.   I am the vice president of government relations at Midco.

Midco offers high-speed internet, as well as IPTV, phone, data center and advertising services across five States: Kansas, Minnesota, North Dakota, South Dakota, and Wisconsin.   The majority of the 450 communities we serve are very rural.

At Midco we have invested more than $765 million in private capital in the last 6 years to extend and upgrade our fiber network, and I am proud to say that 100 percent of these homes and businesses have access to gigabit speeds.   But the challenge of connecting those homes and businesses that do not yet have any internet service still persists.

In the last few years the Federal Government has devoted hundreds of billions of dollars to create programs to get high-speed broadband infrastructure to the areas that lack it.   We cannot waste this opportunity by allowing these programs to lose focus or fail.

There are seven pillars in this effort that we believe are key to achieving our Nation's collective goal of getting broadband to all Americans.

First, target funds to areas truly lacking service.

Broadband programs should target funding to areas where private investment is not going to occur. A high percentage of homes in a proposed project area should lack service to qualify.

Some programs fund areas where as little as 50 percent of the households already have broadband service. Again, this takes funding away from areas that are truly unserved.

Funding should also not be awarded in areas that are being built out due to other government awards or private investment. Midco was overbuilt by ReConnect awards in South Dakota even though we were building a network that was funded by the FCC. But because Midco had not yet finished construction, the area was deemed unserved by USDA.

Speed thresholds also matter. Areas should only be eligible if they do not receive a basic level of broadband service, such as 25/3. Otherwise, providers will naturally pursue projects to upgrade service or overbuild areas that already have broadband service. Unserved areas again are at the back of the line.

Number two, encourage and enable ISP participation.

Funding programs should encourage the broadest participation of qualified providers. Some programs have advantaged government networks, nonprofits, or cooperatives due to their legal structure.

Preferences should be reserved for providers that have a proven track record of successful deployment and experience to get the job done right.

Number three, coordinate approach.

With numerous Federal agencies and nearly all States dedicating funding to broadband deployment, the government must establish better communication among

them so that they do not duplicate efforts. Programs' eligibility standards and requirements should be as consistent as possible so that applicants cannot forum shop for the least restrictive program.

Midco recently successfully challenged some grants under the ReConnect Program in North Dakota; however, the provider took the exact same applications and applied for ARPA funding and was successful in obtaining funds to overbuild areas that Midco serves.

Number four, remove regulatory impediments.

Agencies administering funding for programs must resist the temptation to layer on policies and regulations. Rate regulation, interconnection, open-access requirements, and burdensome labor rules discourage applicants like Midco from applying.

Number five, address post-award barriers to broadband deployment.

Once we secure an award, we must meet specific deadlines or we risk forfeiting the funding. But first we have got to navigate a labyrinth of State, local, or Federal permitting requirements to even gain necessary access to the right of way to begin construction or we may have to rely on others who control poles for deployment.

These permitting regulations need to be streamlined.

Number six, keep Americans connected.

The ACP program grants low-income households a subsidy to use towards purchasing their broadband service, and this has been a success.

Midco is happy to participate in this program. We developed new services tailored to ACP requirements, identified qualifying households, and helped educate families about the opportunities broadband offers. Yet, only a year later, this program risks losing continued funding.

And finally, number seven is let's retool before we refuel.

Once this tremendous influx of funds has been put into the marketplace, Congress should evaluate its impact and whether or not a program that is supported can be reduced or even eliminated.

In particular, given that USF imposes substantial fee burdens directly on consumers, Congress and the FCC should evaluate distribution reform and whether continued distributions are needed or even appropriated before considering any contribution reforms.

In closing, I commend the subcommittee for its interest in ensuring that the post-BEAD world looks very different from the marketplace that we see out there today.

Thank you again for inviting me here.

[The prepared statement of Mr. Forde follows:]

******** COMMITTEE INSERT ********

Mr. <u>Latta.</u>   Well, thank you for your testimony.

And, Dr. Wallsten, you are recognized for 5 minutes for your opening statement.

STATEMENT OF SCOTT WALLSTEN

Dr. <u>Wallsten.</u>   Chair Latta, Ranking Member Matsui, and distinguished members of the committee, thank you for the opportunity to testify here today on rural broadband funding.

My name is Scott Wallsten.   I am president and senior fellow at the Technology Policy Institute.   I have a Ph.D. in economics from Stanford, and I have spent decades researching universal service programs and have published widely on the topic.   I hope my comments here today will prove helpful.

Since the Telecom Act of 1996, we have poured over $100 billion into rural telecoms, which has included broadband since 2011.   Yet independent and government studies find we have little to show for that investment.

Recent legislation has added another $100 billion, about $70 billion of which targets rural build-out, and as Chairs Latta and Rodgers noted, the GAO recently identified over 130 broadband subsidy programs across 15 agencies.

As many have said, this is a once-in-a-lifetime opportunity to bridge the digital divide, and although a lot of money is available, it is not infinite and, in any event, should be spent carefully and cost effectively.

While State and Federal agency staff are dedicated and working hard, I believe we are mostly not doing what is necessary to get the biggest bang for the buck.   Research

24

and experience suggests that we should follow the following four guidelines.

First, use competitive mechanisms like reverse auctions to distribute money. They spur competition and stretch our dollars. In practice, we observe reverse auctions reducing per-location subsidy costs by over 50 percent.

I know reverse auctions are not popular at the moment because of problems with the Rural Development Opportunity Fund. Those issues were due not to the auction, which worked well, but to weak eligibility rules. A well-run auction will generate the most cost-effective outcomes.

Two, demand rigorous, unbiased evaluations.

It is vital to measure the real world impact of these subsidies, which goes beyond merely verifying if recipients kept their promises. That is compliance, which is important, but it is not evaluation.

Comparisons between, say, subsidized and nonsubsidized areas or whether trend lines have changed because of the subsidies can give us a real understanding of whether the subsidy made a difference.

Crucially, such studies should be built into the programs from the beginning.

Three, focus on broadband specifications based on what people want and value, not on the technology behind it. For example, my research and that of others finds that people value speed increases less as bandwidth increases.

So, for example, jumping from 1 megabit per second to 10 megabits per second makes a huge difference, and people value that a lot. But moving from 100 megabits per second to 1 gigabit per second, they value it but not as much, that increase.

Additionally, the time to service being available is important. Think about a family in a very high-cost area that has no service currently. Is a 120 connection

tomorrow worth less to that family without service than a gigabit connection in 3 years?

I don't know the answer, but we can find out, and then let real world, empirically grounded research guide us on what consumers prefer.

Four, ensure subsidies are one time only. We don't want the Universal Service Fund to grow. In this era of new competition, it should be getting smaller. We must avoid giving subsidy recipients reasons to ask for more later.

For example, regulated prices to satisfy vaguely defined terms like "middle class affordability" might give a provider an excuse to come back for more by arguing that they were required to operate an unprofitable network.

Let's be smart now to reduce the chances of these one-time subsidies snowballing into permanence.

To wrap up, we have put a lot of taxpayer dollars on the table, and I hope these guidelines will help policymakers invest that money carefully and efficiently, yielding the maximum benefits possible.

Thank you for your time, and I am happy to answer any questions.

[The prepared statement of Dr. Wallsten follows:]

******** COMMITTEE INSERT ********

Mr. <u>Latta.</u>   Well, thank you very much for your testimony.

And, Ms. Nichols, you are recognized for 5 minutes for your opening statement.

STATEMENT OF SARA NICHOLS

Ms. <u>Nichols.</u>   Chair Latta, Ranking Member Matsui, Chair McMorris Rodgers, Ranking Member Pallone, and members of the subcommittee, thank you for inviting me to speak about the importance of rural broadband and digital equity funding.

My name is Sara Nichols.   I am a senior planner who specializes in broadband and digital inclusion.   I work for the Land of Sky Regional Council, a local government development district that serves rural mountainous counties in the Appalachian region of western North Carolina.

One of our region's greatest challenges is the lack of access to broadband. Broadband connectivity is essential to our residents, especially those living in our most rural areas where broadband holds power to lessen barriers posed by geographic distances.

Broadband helps people living in our communities work, learn, connect with loved ones, and access healthcare and government services, and yet 13,000 households in our region still lack reliable broadband.

My work is to make sure these communities are seen, heard, and represented so our region will have all the digital opportunity tools we need to thrive.

In order to achieve this, we need a holistic approach to the digital divide that includes infrastructure, affordability, devices, and skills.

Today I want to address two key points: the importance of the Affordable Connectivity Program and the need for continued funding for fiber, especially in rural communities.

First, I will address ACP.

Poverty is everywhere, but higher in rural America. In our region, the reason most people can't adopt service is due to lack of affordability. This impacts more hospitals than lack of infrastructure alone.

ACP has been an important part of the solution to this challenge. In NC-11, for example, there are 39,000 households enrolled. Although the program is still new, it already has connected nearly 21 million households to broadband across the country. It is a program we simply can't afford to lose.

Furthermore, internet service providers in our region can deploy at a lower cost because they can anticipate higher adoption rates in low-income areas.

Despite its importance, the future of ACP is in jeopardy. If Congress does not renew at the end of this year, it is projected to run out of funds and cease to exist.

If this happens, it will lead to higher-cost infrastructure projects that slow down our deployment, meaning rural folks across the country and my neighbors in western North Carolina will have to wait longer to have access to broadband in their homes.

In renewing ACP, I also recommend that Congress consider making adjustments. In some areas of our region a $30 subsidy is enough to cover the cost of service, but in other areas the subsidy is not nearly sufficient.

Second, I want to address the importance of continuing to invest in broadband infrastructure.

Challenging terrain and low population density in our region make broadband

deployment expensive. As we continue to serve areas that have been overlooked, we can only expect that those costs will continue to increase.

Our rural communities know to ask for fiber because other technologies fail them; however, fiber is the most expensive to deploy.

Recent funding opportunities, like the American Rescue Plan and the Bipartisan Infrastructure Law, have given us a chance to solve some of those connectivity issues.

The opportunity for increased fiber empowers our rural areas to compete on a level playing field with our urban counterparts and strengthens backbones for other technologies.

We are extremely grateful for the immense support from Congress towards closing the digital divide, but the fight to close the gaps is not over. We need more funding to build fiber, not just in the last mile but also in middle mile networks that connect our communities.

Additionally, we are appreciative to the diversity of broadband programs but need Congress' help to increase the efficiency of nationwide deployment.

I urge you to continue to invest in broadband, ACP, and digital equity because the work is not over. It needs to evolve.

By making these investments, you are showing rural communities like mine that our futures, our children, our safety, and our quality of life are worth investing in.

Thank you for the opportunity to testify today and raising awareness on this important issue. I look forward to answering any questions.

[The prepared statement of Ms. Nichols follows:]

******** COMMITTEE INSERT ********

Mr. Latta.   And thank you very much for your opening statement.   And that does conclude our opening statements for our witnesses.

We will now proceed to questions by the members of the subcommittee, and I will recognize myself for 5 minutes.

Mr. Forde, since 2020 Congress has created a number of new programs to create various broadband needs, such as serving high-cost areas, low-income households, schools and libraries, and telehealth.   However, we have funded these priorities for years through the Universal Service Fund.

Given the recent broadband spending, do we still need the Universal Service Fund?   And if so, which program should continue?

Mr. Forde.   Well, I certainly think we need to go back and evaluate the Universal Service program and evaluate each of the programs to see which ones are truly needed out in our service territory.

For example, in the Dakotas, the high-cost program.   We serve the exact same areas for people that receive high-cost support under USF, and that is to the tune of $1.3 billion in both of the Dakotas for high-cost support.

Midco could take over serving those entire areas and save the Federal Government $1.3 billion under that scenario.

And then also, in regards to the low-income programs, as we have touched on, one program that serves -- that works very well for our consumers, that works well for our providers, and works very well for the government is what we need for low-income, a simple program that works for all to make sure that we can still keep all of our folks connected.

Thank you.

Mr. Latta.   Thank you.

Mr. Spalter and Dr. Wallsten, what reforms to the USF should Congress consider?

And, Mr. Spalter, if you would like to start.

Mr. Spalter.   I am sorry.   You asked?

Mr. Latta.   What reforms to the USF should Congress consider?

Mr. Spalter.   We really have a great opportunity to move forward with significant and important reform for USF.   We need to move USF into our modern connectivity landscape.   And I think there are two fundamental things that we need to do in order to be able to do so.

First is that the Congress needs to provide the FCC with the clear authority that it needs to be able to expand the contribution base.   That is absolutely fundamental.

We believe that that contribution base should be expanded to not only include broadband providers, but essentially must also include the dominant internet big tech companies that still do not contribute to America's quest for digital connectivity, affordability, and equity.

These are going to be essential mechanisms to actually have a sustainable USF program, one that will actually be able to fulfill its purpose of providing the funds that will be necessary to ensure that our investments in broadband access can be sustainable, durable, and intact over time.

Mr. Latta.   Thank you.

Dr. Wallsten?

Dr. Wallsten.   Thank you for that question.

I think the first thing we need to do, we need to be aware that we should let it get

31

smaller, which currently is just about impossible because the rules themselves prevent it.

The 2011 reforms to the high-cost program did not set a ceiling, as many people think.   It set a floor on the amount of money the FCC had to collect, which is $4.5 billion.

The amount that had been going out every year had been decreasing up to that point and then, of course, stopped decreasing because it had to.

So that needs to change, for one thing, so that it can get smaller.   And as new competition comes online, it should be getting smaller.

The areas that cannot support competitive broadband, there are fewer and fewer such areas over time, as I think you pointed out.

And another way to do that also is to again require evaluation, because nothing in the Universal Service Fund is evaluated currently, not the high-cost fund, not E-rate. And if we don't do that, we just don't know how effective it is, aside from these independent evaluations, which sort of find that it isn't very effective, and they have no reason to be more so because it is not checked.

And then a third, which I know is much more difficult, is to remove cost-based support.

We know that cost models are bad.   They radically overestimate the cost of providing service.   The inputs into them are all measured with error.   You put it together, huge error on either side.   People think that these are accurate estimates; they are not.   And we see that when you have competitive bidding because the bids for the subsidies always come down to often half or more of what they were before.

I know it is a really hard lift to ever do that, but it is crucial to letting the Universal Service Fund get to the size that it really would need to be.

Mr. Latta.   Thank you.

32

With my last 20 seconds remaining, Mr. Forde, I am going to just ask a real quick yes or no, if I may.

Is it important for all Federal agencies to use the FCC broadband map?

Mr. Forde.   Yes.

Mr. Latta.   Thank you.

Mr. Forde.   Yes, absolutely.

Mr. Latta.   Thank you very much.

My time has expired.   And I now recognize the gentlelady from California, the ranking member of the subcommittee, for 5 minutes.

Ms. Matsui.   Thank you very much, Mr. Chairman.

The Affordable Connectivity Program, ACP, is successfully helping more than 21 million families afford an internet connection.   Unfortunately, it is this success that is driving the rapidly approaching funding expiration date.

Ms. Nichols, does the ACP have a disproportionate impact on rural areas?   And does an expiration of funds impact the likelihood of future rural build-outs?

Ms. Nichols.   Thank you for the question.

Yes, rural households are disproportionately -- have been systematically challenged by poverty issues.   So they are more likely to qualify for ACP and participate in it if they have the broadband infrastructure to do so.

Ms. Matsui.   All right.   Thank you.

We know that in rural areas the cost of broadband can vary significantly.

Ms. Nichols, can you talk about the disparate impact the ACP benefit can have on consumer bills depending on the market they live in?

Ms. Nichols.   Yes.   Can you repeat the question?

Ms. Matsui. Can you talk about the disparate impact the ACP benefit can have on consumers, consumer bills, depending on the market they live in?

Ms. Nichols. Yes. Cost of infrastructure in rural areas is very high. So we encourage providers to offer affordability plans in those areas.

But the real challenge is that they need to make their money back and need to be a business as a provider. So by offering the ACP program, you lower their cost to infrastructure and allow the buy-in.

Ms. Matsui. Fine. Thank you.

The Bipartisan Infrastructure Law established the BEAD program, which is the single best tool to close the digital divide we have had in years.

States are working hard to put this funding to use, and I know Members in both red and blue districts are excited about the connectivity it will bring to their constituents.

Concerningly, there have already been calls for States to return BEAD funding.

Mr. Spalter, yes or no, do you think all funding appropriated for the BEAD program should be used to increase broadband access?

Mr. Spalter. Yes.

Ms. Matsui. Great.

Mr. Spalter. Absolutely, yes.

Ms. Matsui. Wonderful.

Mr. Spalter, do you have concerns that if States are pressured to give up broadband funding for other causes, like paying down the national debt, we could leave households unconnected?

Mr. Spalter. We unquestionably will leave households unconnected if we do so.

Ms. Matsui. Okay. Thank you very much.

The Sacramento region is home to some of the most pioneering science and food systems innovation. We are strengthening the pipeline from the laboratory to the field and working on developments that will actually make a difference for farmers and consumers.

The AI Institute for Food Systems at UC Davis is developing inexpensive wireless sensors to help farmers measure nitrate, potassium, and moisture levels in the field.

Ms. Nichols, given Ashfield's rich history in agriculture, do you believe connectivity on cropland will help the region's family farms better compete with larger players over the next few decades? Just a yes or no.

Ms. <u>Nichols.</u> Yes.

Ms. <u>Matsui.</u> Okay.

Ms. Nichols, can you discuss the relationship between connectivity on farms and the ability of rural areas to attract younger talent?

Ms. <u>Nichols.</u> Yes. Advances in technology will help appeal to a younger audience. With the aging ag community, this is a critical component.

Ms. <u>Matsui.</u> All right. Thank you.

I introduced the Digital Equity Foundation Act to ensure access, affordability, and adoption efforts receive the investments they need to succeed.

While we have made progress, adoption gaps remain based on factors such as age, income, and education that need to be addressed.

Ms. Nichols, do you believe adoption efforts should be a pillar of connectivity policy alongside access and affordability?

Ms. <u>Nichols.</u> Yes.

Ms. <u>Matsui.</u> Okay. Can you talk about the relationship between adoption rates

and broadband providers' ability to serve a market?

Ms. Nichols.   Adoption encourages infrastructure.

Ms. Matsui.   That is good.

As we work to close the digital divide, it is imperative that the Federal Government is a partner, not an obstacle to deploying broadband.   Unfortunately, permitting can be extremely burdensome for broadband deployment on public lands.

I introduced the Digital Applications Act with Congresswoman Cammack here to introduce needed transparency and accountability to the Federal permitting process. Our bill establishes a one-stop shop online portal to ensure companies have the information they need to bring connectivity to communities that lack it.

Mr. Spalter, I was going to ask you, but I have run out of time.   Perhaps my colleague can follow up later on.

Thank you very much.   And I yield the balance of my time.

Mr. Latta.   Thank you.   The gentlelady yields back.

The chair now recognizes the chair of the full committee, the gentlelady from Washington, for 5 minutes.

The Chair.   Thank you.

Today we have two communication programs targeted at addressing broadband adoption for low-income households, ACP and Lifeline.

Mr. Spalter, do we need two programs targeting at low-income households? And if we do not, how should we address the duplication?

Mr. Spalter.   It is an excellent question.   And my perspective, our perspective, is that we need to be able to extend the opportunities that ACP gives now to 21 million households that have access to this program, but the way that we can do that I think is

very straightforward.

As I said in my oral, we can have Congress give the FCC the authorities that it requires to be able to expand the contribution base, integrating the ACP within the USF program, and thereby allowing the potentially out-of-control contribution factor that will potentially bog down the viability and longevity of Universal Service Fund mechanisms to go down.

And in so doing, it can expand the contribution base sufficiently to allow not only broadband but, importantly, the dominant internet -- excuse me -- the dominant big tech companies to participate so that we would effectively fuse the Affordable Connectivity Program with Lifeline and do so in a way that would actually not require appropriated dollars from Congress.

The Chair.   Thank you.

Mr. Forde and Dr. Wallsten, do you agree?

Mr. Forde.   Yes.   I mean, I think that when you look at the programs, one program is easily for our consumers and our customers to understand.

Also, these programs can be burdensome to providers as we have to work with the government agencies and get folks qualified as well, and that can take up time and resources from an internal perspective and, obviously, focusing on the folks that truly need it.

I think one program that can do all those three things and really serve its intended purpose is the way to go.

The Chair.   Thank you.

Dr. Wallsten.   Yeah.   I mean, it really is a good question.   Lifeline and ACP really are targeted at the same things, and it makes sense to think of them together.

But the answer to how they can continue is one of the nice things about ACP is that it comes from general revenues, which is the way all support for USF should go as far as what I think of, and that has the broadest contribution base that you can get.

And I know, again, that that may not be popular, but general revenue is, from an economics point of view, the right answer.

Also, if we focus on adoption, which I agree is important, absolutely, other things matter than the price as well. And we actually don't know a lot about that, all the different factors that keep low-income people from adopting. The FCC has done some really nice experiments in the past trying to learn this and discovered that there is a lot we don't know and we should learn.

The Chair. Thank you.

Well, I have a lot of concerns about how the programs are being implemented also, and I believe it is important that we are technology neutral, and it seems that the administration is favoring some technologies over others.

And in parts of my district in eastern Washington that just doesn't work when you have a lot of mix in terrain and you have mountainous regions. And it is not going to work to ensure universal connectivity in a cost-effective way.

So, Mr. Forde, why is it important for Federal broadband programs to use all available technology?

Mr. Forde. It is absolutely essential for our government to be technology neutral. We want to use the best technology for our consumers and your constituents to reach those folks in rural areas, and we have to take into consideration what is best for them.

So we love the availability of being a company that has multiple forms of

connectivity to reach all of them and their intended needs. In many areas the terrain and the cost is simply too --

The Chair. Thank you. Thank you. I appreciate that. I am going to move on just because I am running out of time.

Dr. Wallsten, I wanted to ask, from your perspective, should we first determine what we want the USF to subsidize before determining how to fund the USF? That is, should we focus on the distribution reform before the contribution reform?

Dr. Wallsten. Yeah, we should be doing everything we can to know that we are funding exactly what it is we want to fund, and the way we are doing it makes a difference. And so far we are pretty much not doing any of that. So absolutely I think so.

The Chair. Lots of money flowing, but we need to answer that distribution question first.

Thank you all for being here, providing your insights. I will follow up with more questions.

I yield back at this point.

Mr. Latta. Thank you. The gentlelady yields back.

The chair now recognizes the gentleman from California's 29th District for 5 minutes.

Mr. Cardenas. Thank you, Chairman Latta, and also Ranking Member Matsui, for holding this very important hearing.

And I want to thank the witnesses for imparting their knowledge and their expertise with us and their opinions, especially in front of the American people.

Several of you have made references in your testimony to the importance of

continued funding for the Affordable Connectivity Program, otherwise known as ACP, a position I fully agree with.

Across the country Americans depend on the $14.2 billion the Bipartisan Infrastructure Law invested in the ACP to access affordable broadband to the tune of 21 million households.

In my district, 30 percent of households participate in this program.   That is over 69,000 families who depend on these resources for their affordable broadband.

As things stand, the program could run out of money in early 2024, and participants may begin receiving notifications as early as December of this year.

If we want to talk about ensuring that no Americans are left without broadband access, we must talk about the importance of continued funding for the ACP.

Ms. Nichols, this program, that has connected millions of Americans with affordable broadband, can you speak to the challenges that providers, participants, and the FCC would encounter when relaunching the program if it were to lapse and the funding of the ACP would run out?

And also, Mr. Spalter, would you like to speak to that same question?

Ms. <u>Nichols.</u>   Thank you for the question.

Aside from the fact that you would be cutting them off from critical services, there would be massive trust issues from participants.

In many cases, the people who struggle with affordability may have problems with other digital divide aspects, and they won't understand the complexities of what we are discussing today.

Mr. <u>Spalter.</u>   Thank you for your question, Congressman Cardenas.

In the absence of access to the ACP, at a time where we are tantalizingly close to

closing the digital divide fully and finally, it would deal a devastating blow to the promise and future of universal connectivity.

We know that affordability is an aspect of why we haven't been able to close the digital divide, and the ACP is an essential program to allow that affordability mechanism to be extended to those families in need.

Mr. Cardenas.   Thank you.

Mr. Forde, can you describe the preparations that are being made to notify participants that funding for the ACP is expected to run out in early spring?

Mr. Forde.   We haven't gotten to that point where we have started to address that with our consumers.

But certainly we want to make sure that all of our friends and neighbors have access, regardless of their income, to that program and certainly want to work to continue to try to provide connectivity for them.

And, frankly, ACP is the best program we have for the consumers.   It is the best program we have for the providers.   And there are folks that would truly go without that service if ACP isn't continued.

Mr. Cardenas.   Well, we are dangerously close to even keeping the government open.   So I would prepare if I were you, because I don't know if we have high hopes that we are going to be able to continue the ACP with other negotiations and bringing together the minds of Members of Congress in both houses.   So hopefully you can prepare sooner than later.

Ms. Nichols, if we allow ACP funding to lapse, what other affordable broadband options will be available for families who currently rely on the program today?

Ms. Nichols.   Unfortunately, there aren't many options.   Lifeline would be able

41

to help some people with their connectivity needs. But for many this will mean that connectivity ends.

So we would hope that providers would help us, step up to the plate, and offer affordability options, but our optimism is low given the cost of deployment.

So this would be devastating, and I would be looking for support for public WiFi.

Mr. <u>Cardenas.</u> I think it is important that when we were debating and coming up with the success of funding ACP, we talked about the children who had to sit in parking lots and families who had to sit in parking lots of businesses in order for them to connect and get their homework done, just to get basic access to the things that some of us Americans are fortunate to take for granted. Let's not forget that.

I really appreciate this opportunity for us to discuss this before the American people. And being that over 21 million American families have been connected since we have brought this into existence, I think it is important for us to understand it. In order for us to continue to have trust with the American people, we need to figure out a way to continue this program.

Even if we change it, even if we modify it, even if we learn from our mistakes and the things that maybe are true today that weren't true yesterday, we have to come to grips with the fact that if we don't continue this program, we are going to lose the faith and confidence of many, many families across America, people who need us the most.

My time has expired, and I yield back, Mr. Chair.

[9:58 a.m.]

Mr. Latta.   The Gentleman's time has expired, and the chair now recognizes the Gentleman from Florida's 12th district for 5 minutes.

Mr. Bilirakis.   Thank you, I appreciate it very much, Mr. Chairman.   Our committee has worked on closing the divide, the digital divide, for decades, as you know. Yet, millions of rural Americans remain on the wrong side of connectivity, unfortunately. And for Hernando and Citrus Counties, the counties that I represent in Florida -- I also represent Pasco County -- reliable connectivity continues to be a top tier issue.

All American families need access to reliable high speed internet regardless of their zip code.   Focusing on closing this divide as quickly as possible is my goal, and I believe it is a bipartisan goal, so that citizens get connected and taxpayers are off the hook.   Speed is key.   Permitting disputes and delays can stop construction in their tracks and dis-incentivize the build-out to the very communities we are trying to target with all these federal programs.

Delays result in the forfeiture of billions of dollars in economic gains every year, gains that would otherwise benefit people across the country and encompass commercial, educational, health, agricultural, and endless other benefits.   The importance of broadband is too great, and the investments by taxpayers are too big for us to not consider common sense permitting reforms.   Florida has recognized this and already acted to make some of these reforms for broadband access to more residents.

So Mr. Spalter, I have a couple questions.   Can you provide some examples of how existing whole attachment loopholes have delayed or prevented build-outs un -- to

really unserved, not just underserved areas? And can you estimate the additional time and cost that result from these delays?

Mr. Spalter. Just recently, Congressman Bilirakis, we heard from one of our mid-south members, a local provider, that told us shockingly that because a rural electric co-op that was a pole owner made it difficult for them to actually access those poles, that their build-out program for an area where there were unserved and underserved residents was delayed over a year. This is untenable. If we want to actually have a need for speed, just as you said, we actually have to make sure that Congress does close the municipal and rural electric co-op loophole within Section 224 and remove this as a barrier to speedy, efficient, and importantly comprehensive rural broadband deployment.

Mr. Bilirakis. Thank you. Again, for Mr. Spalter. We have seen a few States, and most recently, my great State of Florida, pass legislation to streamline and create a more uniformed pole siding process for all market participants. Have you found that this has incurred build-out in those areas, and are there any other benefits to this action, please?

Mr. Spalter. Absolutely. The more we have a level playing field parody when it comes to actually accessing poles and actually the deployment of the poles, we will absolutely be able to expedite the process of rural broadband deployment, and do it more efficiently and at lower cost. It is really important we move forward with these types of initiatives.

Mr. Bilirakis. Thank you. At the end of day, if we can lower the cost, again, of build-out taxpayer money can be spent more effectively today -- and I know you probably all agree on that -- so we no longer have a sacrifice more taxpayer money to this problem tomorrow. So I appreciate you having this hearing and giving me the opportunity, Mr.

Chairman. Thank you. I yield back.

Mr. <u>Latta.</u> Thank you. The Gentleman yields back. The chair now recognizes the Gentleman from Florida's 9th district for 5 minutes.

Mr. <u>Soto.</u> Thank you, Chairman, for hosting this important oversight hearing today. We have a big job to do. Historic investments from the infrastructure law of over $65 billion, add in 10 billion from the American Rescue Plan, and we have the capital to be able to fundamentally alter America to make sure we bring internet to every American across the nation, and our job is to make sure it is overseen right.

In my home State of Florida, we see $2.7 billion coming in to help with this build-out. Also, we look at the work that is being done in my own district, places like Kenansville and Bull Creek, and Deerfield, among others. These are rural enclaves with, at best, a few hundred people, but they need to have access to internet. And they are working hard to feed America in our local ranches, doing great work to help with wildlife corridors and hunting leases and other key areas of industry in our rural areas. So it is about access.

But it is also about affordability. That is where the ACP is also a key part of this equation. As we look at nearly 70,000 households in Florida's 9th congressional district enrolled through ACP, we appreciate the United Way and a lot of our local cable and internet companies for really helping seniors, persons with disabilities, and folks who are working every day and just trying to make ends meet.

In addition, I am an honored co-introducer of the Rural Internet Improvement Act of 2023 that merges the pilot reconnect program with existing programs to help, through the Department of Agriculture, to really bring this to the next level in rural areas. I know we are here to today to talk about, among other things, the future of the Universal

45

Service Fund, but there is a reason to be worried. The Fifth Circuit recently heard a challenge to the constitutionally of the USF. While aspects of USF need to be modernized, this fund has helped countless schools and libraries provide internet connectivity to students and the public to help build-out 5G and other wireless technologies in rural America.

Mr. Spalter, what would the impact be if the court finds in favor of the plaintiffs in this case and eliminates USF as we know it?

Mr. Spalter. I can't speculate on how the court will actually move this decision.

Mr. Soto. But let's assume they strike down the program, what would be the result if that happened?

Mr. Spalter. It would absolutely be a force majeure in industry, and we will guarantee that we will never be able to close digital divide in this nation if we don't have viable, sustainable and Universal Service Fund. And Congress needs to be able to ensure that longevity and sustainability.

Mr. Soto. So the concerns that Representative Cardenas just brought up about that gap and learning we saw during the pandemic of folks in many districts, including some in mine, in parking lots of restaurants trying to catch a little bit of wifi so they could do their homework. More of this would happen if this fund goes down; is that correct?

Mr. Spalter. You can guarantee that that will happen.

Mr. Soto. Mr. Forde, I introduced a bill with Congresswoman Cammack that I referenced already, the Rural Internet Improvement Act 2023, requiring USDA to use FCC maps to determine eligible funding areas. Why is this important for federal agencies to work off the same maps to steer new investments, and how can this increase coordination between agencies that distribute these grants?

Mr. Forde.   Yes.   We absolutely support the rural internet improvement act. Two things, if everybody used the same maps, it would be much better to limit overbuilding.   And also the Rural Internet Improvement Act, of course, makes sure that -- ups that higher costs -- or excuse me, ups the threshold of the number of people that could be overbilled, which is essential because that percentage as high as possible to make sure that USDA programs are not overbuilding many other government programs, which we see a lot today.   So I think those two things and some continued stronger requirements can eliminate that, and we appreciate your support of that act.

Mr. Soto.   And a lot of these rural areas, we are talking about areas that are helping feed America, extraction areas that help with new EV vehicles and other major industrial products.   How critical is it to our economy to make sure we get internet to these areas?

Mr. Forde.   It is essential that we get after that and we got to use -- be technology neutral so we can provide the right type of service to reach the right enduser with that fast connectivity.

Mr. Soto.   Thanks.   I yield back.

Mr. Latta.   Thank you.   The Gentleman yields back.   The chair now recognizes the Gentleman from Michigan's 5th district for 5 minutes.

Mr. Walberg.   Thank you, Mr. Chairman, and thanks to the panel for being here. I have been known to be a dripping faucet, to some of my colleagues may be a pain in the keister on this issue of the necessity of rural broadband.   I don't want our students having to go to parking lots of restaurants and libraries, et cetera, to do their work.   But I certainly don't see how we can get the combines and tractors today that need all of this technology as well to park in a parking lot.   Just doesn't work well for harvesting or

planting.

And so, we need to continue pushing on this and making rural America as a top priority. But also we can't waste our funds or our efforts either. There has to be coordination. And that is why I introduced the Planned For Broadband Act. It stems from the GAO report that some of our witnesses mentioned as critical in their testimony today. I appreciate that.

Dr. Wallsten, how could a lack of national strategy with set roles and objectives impact providers and their ability to connect to all of America?

Dr. Wallsten. Yeah. Thanks for that question. All of these programs will have overlapping objectives. It is going to make it harder to achieve any particular goal. We will end up with -- I am sure there will be waste and overbuilding, as Mr. Forde pointed out, already seen some. I don't want to imply that it would be easy to have a national strategy. I was the economics director on the SEC's National Broadband Planning, 2010. And so, you know, coming up with a national strategy is difficult, but having all of these programs is clearly not the best way to go, at least without having a strategy for them.

Mr. Walberg. Let me jump over to Mr. Forde, then, and ask you to elaborate on any coordination problems you have had as your company works with these programs?

Mr. Forde. Yeah. I mean, it is very challenging, right? In some cases, it is like you are playing defense defending against federal programs in these areas. You put a lot of time and effort into a challenge process or trying to show folks that you have broadband there, you the speed there, and customer testimonials of all those things. And you may be successful with one federal agency. And then the provider who wants thee grant for that area will go to another agency and form shop and try to get funds to overbuild that same area. That is just very frustrating, right?

So if agencies can't coordinate, and you know, we need to start stamping some of these areas served, right? We need the to share that paperwork with us and notify us that this is challenge that has been successful, notify the provider, notify all the other federal agencies that this area is off the map, and this area has been taken care of. So we really, really need to get after that because otherwise these areas that truly don't have service still remain that way. We have got to have that strategy the people that truly have no broadband get served first. It is not okay for folks to get a second, third, fourth bite of the apple to upgrade speeds or overbuild with all of the concern for those folks that truly don't have broadband today.

Mr. Walberg. Yeah. Yeah. Mr. Forde, ACP has connected many people who could not previously afford it, but that doesn't mean we shouldn't explore reforms. The program currently provides a $30 subsidy to help make broadband affordable for low income Americans. MidCo participates in ACP. How does the $30 subsidy influence how you design your broadband plans, and do you feel that you have appropriate flexibility?

Mr. Forde. Yeah. I think the ACP giving consumers, you know, a choice there in that $30 helps them provide the level of service that they need. Certainly, that works, you know, well for providers as well. So, as I mentioned before, the tools that ACP offers is better than the other programs as Lifeline. It is a little bit easier to work with. Again, that right tool at that right price point that works for the three constituencies here, your constituents, you know and ur consumers. And obviously, easy to operate, continuing to have these programs be easy to work through with our customers, and then also, of course, the taxpayer as well. So if it could work for those three things, that is what we really need in a low income program to make sure that our low income folks can

really, you know, gain the benefit of that connectivity to find a job, to do their schooling, to do things that they really need to do. And we feel that that is essential.

Mr. Walberg. Okay. Well, I have two more questions, and we will submit that to get answers. But I don't want to be a pain in the keister to my chairman here. So I will yield back.

Mr. Latta. My good friend from Michigan yields back the balance of his time. The chairman now recognizes the Gentlelady from New Hampshire for 5 minutes.

Ms. Kuster. Mr. Walberg, you are never a keister. I want to focus my remarks today to the key message of this hearing, connecting every American. To provide broadband nationwide and close the digital divide, we need to address the unique barriers to access for the communities that are still unserved or underserved, such as my district and our rural communities.

Ms. Nichols, you specialize serving rural mountainous regions, similar to my district New Hampshire. I know you understand the challenges these communities face, and the importance of providing them with broadband services. In your testimony, you stated we must take wholistic approach to closing the digital divide by addressing both lack of access and affordability.

Can you speak to how the Affordable Connectivity Program helps to address the dual barriers of affordability and available broadband infrastructure?

Ms. Nichols. Yes. We work a lot in this space of trying to get connectivity in the places that need it most. That does include some mixes of technology and affordability. So we found that the high poverty rates in rural areas lend itself to needing to take a one, two approach of access and affordability. But even those things alone do not close the digital divide.

Ms. <u>Kuster.</u>   And the ACP is currently helping to bridge the affordability gap and connect 21 million Americans to internet, including over 18,000 in my district in New Hampshire.   Congress must continue to invest in the ACP, and I join my colleagues in sending a letter to the President and congressional leadership, urging them to come to an agreement to continue funding this program and prevent it from lapsing next year.

I want to thank my colleagues in the rural broadband caucus, our cochairs, Representatives Craig and Whitman for leading this letter and showing the necessary bipartisanship to get this done.   Mr. Chair, I would like to submit this letter to the record.

Mr. <u>Latta.</u>   Without objection.

Ms. <u>Kuster.</u>   Thank you so much.   Congress had made major federal investments to the nation's broadband infrastructure, like BEAD and the Middle Mile Program.   The county of Grafton in New Hampshire was recently awarded a $12 million Middle Mile Grant to install fiber at the backbone of this region's broadband network. Investments like these will transform access to broadband for this rural region of my district.

Again, Ms. Nichols, can you speak to how this investment in fiber backbone bone will support the build-out of additional technologies needed to reach rural communities?

Ms. <u>Nichols.</u>   Yes.   Middle mile networks are excruciatingly necessary to build-out.   The last mile is dependent on them to reach every American in this country. Additionally, they are effective to support other technologies, such as wireless and are needed to help emergency management support services.

Ms. <u>Kuster.</u>   Thank you.   For many granite staters living in rural and unserved or underserved regions, the lack of broadband access means that many of these streaming

services are still out of reach.   I am committed to providing broadband service to every household in America, and I look forward to working with my colleagues to ensure we to not take steps backwards in our efforts to close the digital divide.

And with that, I yield back with over a minute to go.

Mr. Latta.   Well, thank you very much.   The Gentlelady yields back.   The chair now recognizes the Gentleman from Georgia, the Vice Chair of the subcommittee for 5 minutes.

Mr. Carter.   Thank you, Mr. Chairman, and thank all of you for being here.   This is extremely important.

You know, I represent south Georgia, and we have a saying in Georgia.   There are really two Georgias.   There is Atlanta and everywhere else.   And I represent everywhere else.   Everywhere else is rural.   And we are trying to close the digital divide.   That is what we want to do.   We want to make sure everybody has got access, but it is -- we also want to make sure that these programs are working efficiently and effectively.

I have to be quite honest with you.   I am very thoroughish; simplify, simplify, simplify.   Over 130 programs, though?   I mean, it just seems like we have got way too many.   And that is what really concerns me.   I just don't know why we need 130 of them.   I think we are all after the same goal of closing the digital divide, but 130, goodness gracious.

Let me ask you, Dr. Wallsten: According to the FCC there are over 20 million households that have enrolled in the Affordable Connectivity Program.   How many of these enrollees are new broadband subscribers?   Do you have any idea?   How many of them are just -- these subsidies are going to consumers who have already been

connected?

Dr. <u>Wallsten.</u>   Well, we don't actually know the answer to that question.

Mr. <u>Carter.</u>   See, that is the kind of question I need answers to.

Dr. <u>Wallsten.</u>   I agree.   Yeah.   I think there is mistake of -- we confuse inputs with outputs.

Mr. <u>Carter.</u>   Yeah.   Yeah.   How would you -- Dr. Wallsten, how would you evaluate whether the ACP is a success or not?

Dr. <u>Wallsten.</u>   I think you are on the right track.   Well first, we want to know exactly what the goal of ACP is.   And if it is to close the digital divide, then question is how many additional people are subscribing because of the ACP and also how many people stayed on because of the ACP.   The latter is much harder to know.   So that is the question, what is the --

Mr. <u>Carter.</u>   The former is not hard to know.

Dr. <u>Wallsten.</u>   It shouldn't be.

Mr. <u>Carter.</u>   Right.   Right.   What kind of reforms would you make to the ACP to make it more effective if you had the chance?

Dr. <u>Wallsten.</u>   Right.   So -- well, let me start off saying one really good thing about the ACP is that it is from general revenues, which I think is appropriate.   It is a voucher program which let's the consumer choose where they want the money to go. Those are really good things.   But other things could change.

So, for example, it is a $30 subsidy.   I don't know whether that is too much or too little.   But we know that because it can only go to one company, any price between 0 and 30, is $0 to the consumer.   So it kind of has not a great effect on price competition at the low end.   One possibility might be to allow the voucher to be split, for example,

between two companies. Then that might restore competition on the low end of the market. So I think things like that could be very helpful.

Mr. <u>Carter.</u> Mr. Spalter, you have any suggestions?

Mr. <u>Spalter.</u> I think that it is -- given the fact that the roll out for ACP is -- we are still in its infancy. We are going to need some time to do the kind of evaluation that Dr. Wallsten suggested is going to be absolutely critical to ensuring that if we are going to suggest any effective reforms, that we have the right kind of data to be able to do so.

Mr. <u>Carter.</u> Okay.

Mr. <u>Spalter.</u> I would say, however, what is absolutely critical is that we extend the program so that we can ensure that your constituents and others that are represented by many of you can have access to the broadband and the choices that come with the ACP --

Mr. <u>Carter.</u> Okay.

Mr. <u>Spalter.</u> Over time.

Mr. <u>Carter.</u> All right. Mr. Forde, in your testimony you mentioned how permitting regulations impede broadband development. And I know you find this hard to believe, but I got a bill for that. The bill is the American Broadband Deployment Act, and it would streamline these procedures. And again, you know, I am thoroughish. I want to simplify, simplify, simplify. I want to streamline. How does permitting play a role in the future of broadband and how does it promote U.S. global competitiveness?

Mr. <u>Forde.</u> Thank you for the question. That is absolutely key. You know, we were just recently working on a project in the Black Hills in South Dakota, probably not that much different than the areas you serve. And we had issues with -- there was a road through the area, but it was through forest service land. We weren't able to access

that right away. We tried looking at drilling through rock. $200,000 per mile to drill fibers through that rock. Found that there was poles there, very old poles that we could potentially have access. But the pole company, you know, challenges with wanting them to hang on to that poles or replace all the poles because they were 40 to 50 years old at our expense.

So the reality of that is when you are running into all of these different challenges to serve one of our last truly unserved places in America, it just puts a tremendous burden on our provider to try to solve all those issues in a very short period of time with government funding. It makes it very difficult. Where if we would have had some of those challenges eliminated, we could have had service to those folks today.

Mr. Carter. Right. Right. Thank you, all. I am out of time, but 130, too many. Thank you, Mr. Chairman. I yield back.

Mr. Latta. Thank you very much. The Gentleman's has time expired. The chair now recognizes the Gentlelady from Illinois for 5 minutes.

Ms. Kelly. Thank you, Chair Latta and Ranking Member Matsui for holding this hearing and thank you to our witnesses for participating.

Over the years, I, like many of my colleagues, serving on this committee, have been increasingly concerned by the digital divide in this country. As many of you know, my in Illinois has become increasingly rural. And I am proud to say that now I represent more than 2,000 farms. Much of this rural farmland in my district and the rest of rural America has outdated broadband services at high prices, if they have it all.

As I have said before, my constituents back home in Illinois, there is no dispute that disbanding access to reliable and affordable high speed internet services is one of the most beneficial things that could happen to my constituents and will ensure that all

Americans can participate in our modern society.

I commend the Biden administration's commitment to closing the digital divide by signing into law the historic bipartisan infrastructure law, which made a $65 billion broadband investment to bring high speed reliable and affordable internet services to every U.S. household. The programs established by the bipartisan infrastructure law will pave the way for people of all socioeconomic backgrounds to have and effectively use internet services.

One such program I would that I would like to highlight is the $42 billion Broadband Equity Access and Deployment Program to expend high speed internet access by funding the planning and deployment of broadband infrastructure. The BEAN program will have a substantial impact on all communities, but particularly rural, unserved, and underserved communities. My district starts in Chicago, and then goes 3 hours south, and some amount of time west.

Ms. Nichols, in my home State of Illinois, 10 percent no households have no internet access or a device that connects to the internet. As the National Telecommunication and Information Administration continues to roll out the BEAD program to address this very issue, may you please discuss the importance of States and local governments working with the private sector to find the most affordable solutions to connect rural, underserved, and unserved communities?

Ms. Nichols. The programs are complicated, and there is a lot of work to be done. I agree that there needs to be a streamlined approach, but coordination between the federal, State, local governments and providers, businesses, and the residents of these communities is an effective strategy because collectively, we can make the right map and make the right build-out.

Ms. <u>Kelly.</u>   Let's move to the ACP program that has helped hundreds of thousands of Illinoians and millions of American households access the internet without foregoing other necessities like food and groceries, medicine, utilities, and housing. Given their reports that ACP could run out of funding as soon as early to mid 2024 -- and I have heard as early as March -- how important is it for Congress to act to ensure that ACP remains funded?   And after you give your answer, if any other panelists would like to comment.

Ms. <u>Nichols.</u>   ACP is a critical part of how rural and America is gaining access to those critical services.   Losing it at this point would be devastating, cause massive mistrust between the relationships we have built with our communities.

Ms. <u>Kelly.</u>   Thank you.   Any other witness like to comment?   No.   Okay.

Mr. Spalter, in your testimony you note that it is important for Congress to continue to make strides towards achieving universal connectivity.   Do you think ensuring Americans are sufficiently aware and educated on AI is an important component of digital connectivity and literacy?

Mr. <u>Spalter.</u>   It absolutely is an important component, not only of our future digital literacy, but the fundamentals about how our networks eventually are going to actually working.   AI will be a driver significantly of -- and they already have been integrated into our networks, for how we actually are going to be communicating across the future networks of our nation.   And AI needs be thought comprehensively through as to how it actually can be an accelerator of connectivity.

And we need to take an approach towards it because I think it is actually one of optimism to see what benefits it can bring, rather than more of a regulatory instinct at first.   And when we do so, I think we will find potential benefits for AI's integration and

the future of American connectivity in our networks.

Ms. Kelly. We need to do a lot more education. I mean I have learned a lot since I have been in Congress. I mean, it is more to learn, but -- because I think the public tends to be a little afraid of it. Thank you, and I yield back.

Mr. Latta. Thank you. The Gentlelady's has time expired. The chair now recognizes the Gentleman from Utah for 5 minutes.

Mr. Curtis. Thank you, Mr. Chair. I need just a half second to get in my seat here. I -- this is an important topic to me. I had the opportunity to serve as mayor of a city, and the city tried to bring broadband into the city and through a number of efforts that were sometimes not very successful. We were able to bring gig speed in, 15 or 20 years ago, into the city, and offer free internet to all of our residents. Not sure there is another city in the country that has actually done that.

And as I look at this program that we have to sure that everybody has access to internet, I can acknowledge all the good in it, but also worry about the stability and the foundation that is underneath it. And maybe just quickly could ask Dr. Wallsten to talk to me a little bit about the foundation and how stable the foundation is.

Dr. Wallsten. So I guess there are maybe two parts to that. One is USF, and one is the current BEAD and other programs. I do worry about the long-term, what will happen in the long-term because of BEAD. We want to make sure that these are one time subsidies to build out and not reasons to make the Universal Service Fund grow even more because it is easy to see networks coming back in a few years and saying we need more money for this. And it seems to be hard to say no to more money. So that is a problem.

Mr. Curtis. Someone suggested the FCC generated video streaming. Hang on a

sec.   By video streaming platforms or other edge providers to help support broadband build-out in rural areas, setting aside FCC's authority.   Putting that aside, is it necessary, even a good idea?

Dr. Wallsten.   Well, the current -- I mean, the current contribution mechanism is not going to work.   We heard the tax rate keeps going up.   Deciding -- the best option is for it to come from general revenues.   That is the way to spread it across the largest tax base.   And otherwise, we are actually I think kind of getting into sort of an antitrust style discussion of what this market looks like, and that becomes really complicated.

Mr. Curtis.   Mr. Spalter, how do you view the funding of this?   The edge providers, is that a good idea, if you set aside the authority at the FCC?

Mr. Spalter.   I think that the opportunity to expand the contribution base in a way that actually will reflect the modern connectivity landscape that we have requires us to expand that base to include the big tech internet companies.   We know that the dominant internet big tech companies now have market capitalization in excess of $9 trillion.   If we want to have a Universal Service Fund that is fundamentally reformed and capable of doing its work of ensuring that we can provide operational expenses to expand and upgrade and repair networks, it is time for those dominant companies to accountably, fairly, and reasonably become part of the solution set.   They are not at the table, and it is time that they join us.

Mr. Curtis.   Let me follow up on that a little bit.   There have been proposals to assess the contributions paid by broadband providers based on revenue generated from broadband services or based on the number of subscribers or connections that are provided.   What challenges do you see there, and Mr. Wallsten, I will give you chance to respond to that.   But Mr. Spalter, what challenges are there with that?

Mr. Spalter. I think that the inclusion of broadband or bias services into the contribution base is important. But I don't think it is sufficient. We have seen modeling that suggests that if actually broadband services are included in the formula that establishes the contribution factor, we will be able to push that factor down, but only temporarily to 4 percent. We need to actually go beyond that to include --

Mr. Curtis. I want to pause. I do appreciate your answer, but I do want to give Mr. Wallsten a chance to respond as well.

Dr. Wallsten. Yeah. I mean the foundation of that, of the contribution mechanism doesn't make sense, the tax a service to provide a service. But if we are going to head down that road, then the economics answer is the tax will have the smallest effect on consumer behavior. And that will have smallest real effect on the economy.

Mr. Curtis. I wish we had more time to explore this. And Mr. Forde, I would love to give you a minute, but I am out of time. So I am going to have to yield back.

Mr. Latta. The Gentleman's time has expired. And also votes have been called. What I would like to do is get through the ranking member of full committee's questions, and then we will recess, go vote, and come right back. So the Gentleman from New Jersey, the ranking member, is recognized for 5 minutes.

Mr. Pallone. Thank you, Mr. Chairman. We have already talked about the harm of letting the ACP run out of funding, especially right now as the bipartisan infrastructural investments is set to bring affordably high speed internet to unserved areas across the country. Let me just ask Mr. Spalter and Mr. Forde: How are internet service providers factoring ACP into their deployment planning decisions, and how does the uncertainty of the program's future effect that planning?

Mr. Spalter.   The ACP is an essential ingredient to development of broadband deployment plans, and that is particularly in the context of BEAD, where there are States that are requiring that access to BEAD funds has to have a prerequisite of participation in the ACP program.   So those are intricately tied together.   In absence of clarity about the ACP's future, it will be enormously difficult for broadband providers, small and large, to be able to plan successfully in a vigorous way to ensure that their cap-ex investments and building networks will be able to be planned in a way that will actually be able to reach the truly unserved and the low income families and households that are resident in those unserved areas.

Mr. Pallone.   Thank you.   Mr. Forde?

Mr. Forde.   Yes.   You know, we love to go and bring our services to more people who want them and more communities who want services, and then, of course, anywhere it makes fiscal sense.   So when you look at these areas to deploy and oftentimes under our franchising authority when we are going into the community, we need to serve the whole community.   And that means all the low income folks there. And we certainly don't want anybody to have to go without our MitCo services. Certainly something we take into account, and the more people that sign up for us, the better when we go into a new community.

Mr. Pallone.   Thank you.   Now, I have to say, I am struck by the numbers we heard today regarding the amount of money the country has spent over the last decade in supporting internet infrastructure in rural areas.   But it seems to be that for too long we supported good enough infrastructure that has kept these communities constantly behind the curve.   And my opinion, that is an unfortunate use of government funds.

Let me ask Ms. Nichols.   I think this is what you referred to in your testimony as

something is better than nothing projects. So can you tell us how government investment in future proof internet infrastructure combined with a sustainable ACP will help your area and local economies and rural communities?

Ms. <u>Nichols.</u> I believe the question you are asking is about not duplicating projects over and over. And fiber is the most scaleable, reliable, long-term future proof strategy we have. So the cost efficiency is really lost when we have to keep coming to these hearings and re-appropriating funds year after year to do technologies that are only Band-Aid approaches to the solution.

Mr. <u>Pallone.</u> So, I mean, what would you like to see different? I mean, what do you propose that we do differently with what we are -- with existing programs or in the future?

Ms. <u>Nichols.</u> The 25B standard is already behind and the needs for technology increases will keep going. So put in a strategy that allows for that baseline to come into play. The gigabit fiber network solves that solution. So rather than keep putting in 25 320, put in the gigabit solution now so that we can spend it when the cost is actually the cheapest.

Mr. <u>Pallone.</u> Okay. Thanks. And then my last question is about the Universal Service Fund. There is an active conversation about the entities that should pay into the fund. But I think it is important to first start with a vision of how the fund will continue to support Universal connectivity in the United States into the future.

So let me ask this, only about a minute left, Mr. Spalter and then Ms. Nichols again. What kinds of programs do you think are important for Universal Service Fund to support in the future? We will ask Mr. Spalter first, and then if there is time, Ms. Nichols.

Mr. Spalter.   It is an essential question that comes to the heart of what we are talk about when we are talking about USF reform.   I think that the critical programs are going to be those that will sustain focus on operational expenses that will allow us to continue to optimize those investments that we are making in the networks via cap-ex investments so that we can repair, upgrade, and maintain those networks over time in areas where it is simply uneconomic to do so.   I think -- so for the high cost program is absolutely critical.   Affordability is also going to be a huge part of the future of USF. Currently, Lifeline, if it can be integrated with ACP in a future USF framework, will be our best shot in actually ensuring that those families and households that simply cannot afford a broadband are able to do so.

Mr. Pallone.   Ms. Nichols, you want to add to that?

Ms. Nichols.   I agree with affordability programs.   I would add to the list other digital equity tools, such as devices and skills training, and also emergency management services, such as towers.

Mr. Pallone.   Thank you.   Thank you, Mr. Chairman.

Mr. Latta.   Thank you.   The Gentleman's time has expired, and we are in the first votes of this first series today.   So what I would like to do is we will recess, and we will come back 5 minutes after the second vote starts, if we can get that done.   Because what we can do is folks can vote early, and come right back.   So we will recess and come right back after this vote series.

[Recess.]

[11:13 a.m.]

Mr. Latta.   Well, good morning again.   The vote -- the two votes -- well, we think the two votes are over for right now.   But at this time, I would like to recognize the Gentleman from Pennsylvania for 5 minutes for questions.

Mr. Joyce.   Thank you Chairman Latta and Ranking Member Matsui for conducting today's hearing on rural broadband and the future of federal broadband programs.   The government made a historic investment in our nation's broadband infrastructure with the recent BEAD program.   Rural Pennsylvania specifically is a beneficiary of 1.6 billion going to the state, and to my district, to help those previously unserved by broadband.

Connectivity has become a necessity for my constituents as their livelihoods and as our economy becomes dependent on strong fast internet corrections for telehealth, work, for agriculture, and for more.   However, our work is just starting.   We must ensure that the government is being a responsible steward of hard earned taxpayer dollars and only promoting broadband programs that will help the American public.

Mr. Forde, the FCC is nearing the third iteration of their broadband maps. These maps not only show where the service is being provided but also the level of service and technology utilized in a certain location.   As we reevaluate, what funding is still needed to connect every American, and what rules should these FCC maps play to ensure limited overlap and waste between federal agencies?

Mr. Forde.   Yes.   Thank you for the question.   We absolutely have to have everybody using the FCC's maps to make sure that there is no overbuilding that is on.   If

64

we have -- if all these programs work correctly, the resources are there to close the digital divide.   If we go after it with a technology neutral manner, and we all of our future proof technologies, all technologies are future proof, we would not deploy a connection that was not future proof, if we do that and attack all of our unserved addresses, right, there is enough money to serve those areas.

And if we can all use the same map and continue to make sure that those areas on the map are taken off it and there is no overbuilding, this can be a goal that can be accomplished with the funding that is out there.

Mr. Joyce.   Mr. Forde, many of your member companies participated in the Affordability Connectivity Program, or ACP.   In fact, as of August 1 of this year, Pennsylvania alone has over 660,000 enrollees.   However, despite this large number of households that have already enrolled in the program, it is unclear whether ACP enrollees had previously subscribed to broadband before this benefit.

Mr. Forde, do your companies keep track of how many ACP subscribes existed before the implementation of this program?

Mr. Forde.   Yes.   So MitCo has about 11,000 ACP customers, and approximately 2,000 of those customers are new to MitCo.

Mr. Joyce.   Do you feel that should be the industry standard so we recognize how much this additional funding is going to encourage and allow additional individuals to participate?

Mr. Forde.   You know, we certainly don't want anybody to go without a connection, and we want to make sure that we can, you know, provide our services for free.   So certainly, for those low income folks, we want to make sure that they are still able to access that connection so they can do the things that they need to with it, to find

a job, to have a job, and to educate their kids.

Mr. Joyce. And I agree with that, to find a job, have a job, to have the tele health access that they need so that agriculture has that necessary engagement from rural broadband as well. We all need this, every constituent, and our commitment to make sure that the funds are adequately there, but also to make sure that they are not overlapped and overspending to occur.

I thank each of the Members for being present today. I thank all of the witnesses for being here today to further this enrollment and to further the rural broadband throughout Pennsylvania and throughout America. Thank you, Mr. Chairman. I yield.

Mr. Latta. Thank you. The Gentleman yields back. The chair at this time recognizes the Gentleman from Ohio's 12th district for 5 minutes for questions.

Mr. Balderson. Thank you, Mr. Chairman. Thank you all for being here today. It is good to see everybody.

My first question is for Mr. Forde. In your testimony, you mentioned that internet service providers should be allowed to participate in federal broadband programs without favoring a specific technology. While fiber remains one of the most reliable ways to connect Americans to the available highest speeds given geographic differences, in the time it takes to build-out, it may not be viable for everywhere.

In my district, a fixed wireless company, Ohio tt, has worked with the village Somerset and Perry County to connect its residents to the internet. This was the first time some of my constituents in Somerset were about to connect to internet in their homes. It took 29 days from getting approval from the village to getting the first resident connected. Ohio tt now serves large portions of Coshocton County, another

county in my district, where fiber build-outs have been very slow.

We all want to get our constituents connected as quickly as possible.   As BEAD build-outs can take years, we can be getting rural Americans connected in a matter of months.   Again, I am fan of fiber, but I have also seen firsthand how hard it is to reach these communities in my district, can benefit from a fixed wireless at low cost to providers and to the Federal Government.

Mr. Forde, I understand that MitCo operates some of fixed wireless networks. Can you explain the benefits of these networks and under what circumstances you might choose to build a fixed wireless network rather than a fiber network?

Mr. <u>Forde.</u>   I couldn't agree more.   Again, we want to use the best tool in the toolbox.   You know, with what you said, during COVID, our folks went out and hooked up thousands of customers with fixed wireless for their needs for education over just a few days.   You know, we only have 6 months or so where we can build in most of service area because of the weather.   That is a great reason to use fixed wireless.   We have agriculture communities and very sparsely populated homes that might be 8 or 10 miles away where we can -- you know an 8 or 9-mile driveway for one residence isn't a situation where I think the government should be looking at fiber.

Similarly, there be folks that may have their very expensive vacation home up a hill, right?   You are talking about $200,000 a mile.   So there is a number of instances where that fixed wireless technology is really the best voice choice.   You hear a lot about, you know, the benefits of fiber.   We totally use fiber all throughout our network, but it isn't always the best tool in the toolbox because of all those challenges.   And you know, our fixed wireless technology, it is future proof, right?   All technologies that we deploy -- we would deploy a technology if it isn't future proof.

We are doing speeds right now of 500 over 100 via fixed wireless. I, myself, am a fixed wireless customer. I have had it for 12 years. I have 27-odd connected devices on my small family farm, three IP TVs. I have never had an issue at all with my connection. In fact, if you ask my wife if she wanted fiber to the farm, she would say nope, we are not tearing up the yard.

Mr. Balderson. Well, we want to keep her happy. My next question is for all witnesses. And I would like to move on to the Rural Digital Opportunity Fund known as RDOF. This was intended to be a two phase option, RDOF phase one awarded a total of 9.2 billion for broadband build-outs across rural America. With states receiving the BEAD funding, some are wondering if we should even move forward with phase two. This is a question for any of the witnesses, and can you tell me what you think RDOF did right and what it did wrong, and how we can improve future FCC funding programs, including RDOF phase two if it happens?

Gentleman, my mother has taught me ladies first, please. I know I was going to Mr. Spalter, but Ms. Nichols.

Ms. Nichols. Thank you for the question. RDOF in our area ties up a lot of the territory of unserved into a very long timeframe. So my chief complaint with RDOF although we are seeing build-outs and the effect start to strategize is that the BEAD funding could be implemented faster. So securing the territories and locking them up is problematic.

Mr. Balderson. Thank you. Doctor.

Dr. Wallsten. Right. So I think the key problems with RDOF were -- well, one was the eligibility or rules that allowed companies to participate who weren't able to do what they promised. And then a second was, when the FCC changed its rules after the

68

fact to disallow SpaceX, you could have an argument whether they should or should not have been included, but changing the rules after the fact creates a real credibility problem I think. I think it is important to make sure that RDOF and BEAD don't overlap because we want to avoid subsidizing multiple providers in the same place.

Mr. <u>Balderson.</u> Okay. Mr. Spalter, I'll skip you because Mr. Forde, real quick, please, my time.

Mr. <u>Spalter.</u> I will reserve.

Mr. <u>Balderson.</u> Okay. Thank you, all. Thank you, Mr. Chairman. I yield back.

Mr. <u>Latta.</u> Thank you. The Gentleman's time has expired and just gonna see if there is another Member coming through the door here in about another 30 seconds.

But again, to our witnesses, we really appreciate your testimony today because this is a topic that not only are we very interested in, but I know -- one of the numbers that -- I will let the ranker have 30 seconds too if you like, but I know that several years ago, the number was about $1.7 trillion invested by private industry out there to expand broadband seen today. It is up to 2.1. So that number is going up.

Would you like to make a comment?

Ms. <u>Matsui.</u> Thank you, Mr. Chairman. As we all know, broadband is so critically important. And we have the funding in BEAD. We are never going to get that again. And we really need to be smart about how we put this out and be really intentional about it. I think we can look back and say there were mistakes made, but let's not make any mistakes this time. We understand what is so critical here, and the public is watching. And all these unserved areas now, it is incredible.

I have a big urban presence. I have got the big city of Sacramento and two larger

69

other cities. I have got a huge territory of smaller cities and actually towns and farms, and they are hungry. This is what they really want, and we have to be successful in those rural areas. So thank you very much.

Mr. Latta. Well, thank you. Seeing that we have no other Members present at this time, I ask unanimous consent to insert in the record the documents included on the staff hearing documents list. Without objection, so ordered.

I will remind Members that they have 10 business days to submit questions for the record, and ask for the witnesses to respond to the questions promptly. Members should submit their questions by the close of business on October the 5th.

And without objection, the subcommittee is adjourned. And again, thank you to our witnesses for being with us today.

[Whereupon, at 11:25 a.m., the subcommittee was adjourned.]