

**Statement of John Padalino**

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**United States Department of Agriculture**

**House Energy and Commerce Subcommittee on Communications and Technology**

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

Among the goals of Congress and this Administration is to increase the number of rural Americans with access to robust broadband service. Broadband has already diminished the barriers of distance and increased web-based business and services, helping strengthen rural economies. Continued investment in broadband infrastructure will allow rural areas to take full advantage of the same speed and efficiency that the Internet delivers to nonrural areas.

Because access to affordable broadband is crucial for economic development, RUS remains focused on Recovery Act projects. We continue to work to expedite delivery of affordable, robust broadband service through this program.

Infrastructure investment has been a cornerstone of this Administration's economic recovery strategy. Broadband creates jobs when projects are planned and built, adds jobs when these

projects become operational, and continues to contribute to job growth as these services are used by communities to spur further economic expansion.

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

RUS targeted grant funds to areas in the greatest need of service and the most rural. RUS also leveraged grant dollars with additional private investments in broadband infrastructure projects to help communities gain “sufficient access to high speed broadband service to facilitate rural economic development,” as directed by the Recovery Act.

RUS BIP investments will bring broadband access to nearly 7 million rural Americans, along with more than 360,000 businesses and critical community facilities, such as schools, healthcare facilities, and rural public safety agencies. These projects will span more than 300,000 square miles in 45 states and 1 U.S. territory. These projects also overlap with 31 tribal lands and 125 persistent poverty counties, and are estimated to create more than 25,000 immediate and direct jobs for rural workers in a variety of industries.

Rural broadband systems, which are large infrastructure projects, may take as many as five years to build out. All RUS projects must comply with federal and state environmental, historic preservation and in some cases tribal or intergovernmental reviews that can require significant consultation with the public prior to receiving loan and/or grant funds. Also the RUS worked closely with Federal and state partners to complete required reviews and to address regulatory or processing issues. RUS technical and financial oversight continues throughout the project's life and beyond.

To ensure recipients comply with the BIP requirements, including the budget and network system design submitted during the application process, RUS technical and financial staff review requests for funding advances and continue to provide technical and financial oversight throughout the project's life and beyond. Our rigorous project oversight has led to the rescission of 38 Recovery Act awards. As a result, nearly \$266 million has been returned to the Treasury.

Under the Recovery Act, contracts signed by awardees require that all loan or grant funds must be advanced by September 30, 2015. Funds not advanced will be rescinded by RUS and returned to the U.S. Treasury. However, in light of the current economic climate and the urgent need to put Americans back to work, in September of 2011, the President directed Federal agencies to take steps to complete all Recovery Act projects.. RUS and senior USDA officials have repeatedly encouraged awardees to complete Recovery Act projects as quickly as possible. RUS field employees continue to vigorously monitor the progress of construction and

compliance of the projects. Projects are progressing well and within the Department's expectations.

All 19 Technical Assistance awards have been fully disbursed.

The \$100 million satellite broadband program has now disbursed 86 percent of its funds to date to the four satellite awardees.

Infrastructure projects, many of them large and complex, continue to progress and offer more rural residential and business consumers access to broadband service. Of these, 116 projects, representing \$1.5 billion in funding, are partially operational or have been completed. About \$2.6 billion of construction for projects has been completed or is actively being worked on. Because recipients generally determine the timing of the loan or grant advances, the pace of construction continues to exceed the pace of reimbursement.

Loan or grant funds have been drawn in 98.4 percent of these projects, representing approximately 98.2 percent of the funding. RUS continues to closely oversee the few projects that have not yet advanced far enough to draw funds and is working with these awardees, Federal partners, and government entities to address issues affecting completion of these projects. RUS will work to ensure that projects remain viable. Our goal is to make each award a success.

Determining the financial feasibility and sustainability of the proposed service territory continues to remain a significant challenge in funding broadband construction in unserved rural areas. It is important to ensure the availability of sufficient revenue from all sources to make projects successful in accelerating broadband service to underserved areas of the country. RUS has played an important role in financing rural telecommunications since 1949. Our current rural broadband expansion efforts were initiated through RUS' telecommunications programs, including the Telecommunications Infrastructure Loan Program, the Rural Broadband Loan Program and the Community Connect Program. The traditional Telecommunications Infrastructure Loan program, authorized in 1949 under Titles II and III of the Rural Electrification Act (REA), was created to ensure rural areas had access to reliable and affordable telecommunications systems. Beginning in 1995, RUS required that telecommunications infrastructure financed be broadband-capable to facilitate business, educational, and medical service needs. Since 2009, this program has provided broadband service to more than half a million rural subscribers. For this reason, the Recovery Act gave priority in funding to REA Title II borrowers.

The Rural Broadband Loan Program, first authorized under the 2002 Farm Bill and revised by the 2008 Farm Bill, has provided broadband loans to independent telephone companies, cable companies, and wireless broadband service providers. Community Connect grants are available to areas completely lacking broadband service. The funds are used to build broadband infrastructure, and awardees are required to establish community centers that offer free public access to broadband.

These programs, with a combined loan portfolio of over \$6 billion, help deliver affordable, reliable advanced telecommunications services critical to the future prosperity of rural communities.

Despite this investment, recent surveys and studies indicate that in general, rural areas remain behind urban and suburban areas in broadband deployment. The Federal Communications Commission (FCC) noted in its Eighth Broadband Progress Report that 14.5 million rural Americans living in 6.5 million households — nearly one-fourth of the rural population — lack access to robust broadband service. This digital divide is most exacerbated along racial and ethnic lines. The FCC estimated that it will cost \$23.5 billion to make broadband available to those homes currently without access.

Since this data was released, the pace of rural broadband investment has slowed, although the need for rural broadband service remains high. We continue to address the challenges in bringing broadband to rural communities. Solutions to difficult terrain, sparse population, low income levels, limited access to a skilled workforce, and issues surrounding the long term financial feasibility of small rural systems are not easy to develop.

RUS also continues to work to expand broadband connectivity and capacity, and to extend service to the millions of rural Americans still lacking affordable access to the Internet.

Infrastructure investment offers returns—building, deploying, and using broadband increases access to health care and education, expanded markets for business, and jobs.

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