Broadband Stimulus Hearing Turns Contentious

Rachelle Chong | March 1, 2013

Wednesday's hearing on the Broadband Stimulus grants before Chairman Greg Waldon (R-Ore.) and the House Subcommittee on Communications and Technology in Washington was marked with specific allegations of overbuilding in areas that already had broadband and improper purchasing practices by one project. Most of the allegations were brought to light in the first panel, where Lawrence Strickling, Asst. Secretary for Communications and Information and Administrator, National Telecommunications and Information Administration (NTIA) of the Department of Commerce, and John Padalino, Acting Administrator, Rural Utilities Service (RUS), of the US Department of Agriculture appeared.

In its briefing memorandum, the House Majority Staff posed the overarching question of whether taxpayers are "getting their money's worth" four years after the American Recovery and Reinvestment Act of 2009 (ARRA) as to the $7 billion for broadband grants and loans administered by NTIA and RUS. NTIA is administering $4.7 billion in the Broadband Technology Opportunities Program (BTOP) and the State Broadband Initiative (SBI).   The BTOP programs cover broadband mapping projects, broadband adoption projects and broadband infrastructure projects, particularly middle mile projects. (The "middle mile" is the segment of the telecommunications network

connecting a network operator's core network to the local network plant, enabling fast, large-capacity connections between the network backbone and last mile connection.) The RUS is administering a $2.5 billion Broadband Initiatives Program (BIP), which are mostly focused on projects to bring broadband to end users in rural areas without fast Internet service.

Strickling's testimony stated that as of the end of 2012:

- 86,000 miles of broadband infrastructure was deployed or upgraded;
- almost 12,000 community anchor institutions (schools, hospitals, libraries, community centers, public safety providers, etc.) were connected to high speed broadband Internet service;
- 600 interconnection agreements were entered to leverage or interconnect these networks;
- 40,000 workstations in public computer centers were installed in 20% of the nation's libraries;
- 9.9 million hours of technology training was provided to 2.8 million users;
- 520,000 new broadband subscribers were generated; and
- 4,000 new jobs were funded each quarter for the past five quarters and enabled those who took digital literacy training to secure "thousands more."

Seventy percent of the funding ($2.8 billion) has been expended so far in the NTIA's program, with $900 million more in matching funds. The NTIA grant recipients are building more than 2,600 " points of presence" (or network nodes) in 1,500 communities. Over 80% of these communities will receive speeds greater than a gigabit per second.

To tackle the fact that one-third of households (100 million Americans) do not subscribe to Internet access at home, NTIA funded many local digital literacy programs. Strickling highlighted efforts by the California Emerging Technology Fund, which funded local California non-profit organizations that helped 2,600 people find jobs by providing digital literacy training with a $14 million grant. Rep. Doris Matsui (D-Cal.) asked about the NTIA's preparation of a Digital Toolkit for digital literacy. Strickling answered that the Digital Toolkit will help communities who wish to teach digital literacy and contains best practices from the successful funded Digital Literacy projects of BTOP.

RUS' Paladino reported on the $2.33 billion in grants and $1.19 billion in loans that were made to 320 projects, totaling over $3.5 billion. Of the original 320 projects, 297 were for broadband infrastructure, four for satellite broadband service support, and 19 for technical assistance, mostly for tribal communities. Thirty-eight project grants were terminated, and $266 million returned to the Treasury. He said all 19 technical assistance awards have been disbursed, 86% of the satellite broadband program was disbursed, and 116 projects of the broadband infrastructure projects have been completed and are partially operational. Loans or grant funds have been drawn in 98.4% of these projects.

Paladino further noted that rural areas remain behind urban and suburban areas in broadband deployment. He quoted the FCC's Eighth Broadband Progress Report

that 14.5 million rural Americans living in 6.5 million households (a quarter of the rural population) lack access to "robust broadband service." He pointed out that the digital divide is most exacerbated along racial and ethnic lines, and the FCC's cost estimate of $23.5 billion to make broadband available to those rural households.

At the Subcommittee hearing, contentious debate occurred over whether waste, fraud and abuse had occurred relating to a specific West Virginia project that received a $126.3 million BTOP award. The Department of Commerce Inspector General and the West Virginia Legislative Auditor found that there was an allegedly illegal, non-open bidding process used by the grantee to purchase Cisco routers for its project, and further issues about whether less expensive routers might have sufficed. Strickling stated that as of yet, there is no real showing of waste relating to this project.

Another contentious project relating to EAGLE-Net in Colorado received a lot of hearing time, with House member Cory Gardner (R-CO) and later Pete Kirchhof, EVP Colorado Telecommunications Association, in the second panel, alleging overbuilding by the $100 million project in places where broadband already exists. Strickling repeatedly assured members that NTIA was looking into the allegations. As to the allegations of overbuilding, Strickling strongly made the point that even if broadband exists, it may be of an inadequate speed and capacity to handle a rural school of 1,000 students which requires 100 Mpbs. He explained that EAGLE-net changed its initial build plans from using microwave connections in some places to fiber, which Strickling felt was a positive decision, but this change to on-the-ground facilities has required significant changes in the project's environmental assessments and now implicates endangered species impacts and the attendant delays in construction.

A few House members, including Rep. Henry Waxman (D-CA) and Rep. Adam Kinzinger (R-IL) asked about the suspended seven public safety communication ARRA projects – located in Los Angeles, CA, San Francisco Bay Area, CA, Charlotte, NC, Adams County, CO, the State of Mississippi, northern New Jersey and Albuquerque-Santa Fe, NM — and the impact of the creation of FirstNet, a new national public safety communications network. Strickling testified that the FirstNet board just last week indicated a board member had visited the site of each of the seven projects, and that in the next 90 days, FirstNet will seek to negotiate a spectrum license with each of the projects, which would allow the project to move forward so long as each is interoperable and consistent with the national public safety network plan which was established in the Middle Class Tax Relief and Job Creation Act of 2012.

Joe Barton (R-TX) questioned the need for the whole broadband economic stimulus program at all, given 96% of Americans have access to broadband, and the impending sequestration cuts in federal funding. Both agency officials strongly defended the programs as a proper expenditure of federal funds because broadband enhances economic development, and pointing to substantive benefits various communities are realizing due to these projects.

This story was originally published at Techwire.net

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