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House broadband hearing calls for re-writing funding rules

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There's less than a week left before the July 14-Aug. 15 signup period begins for the first \$4 billion in federal grants and loans for rural broadband deployment. But in a House Agriculture subcommittee hearing Thursday, broadband industry witnesses detailed problems with the program. USDA Deputy Undersecretary for Rural Development Cheryl Cook said the government's broadband workshops have heard similar concerns. In response, she said there may be changes to program terms within the next two weeks. She also explained that one reason that the program's total \$7.2 billion is being dispersed in stages is that there will be an opportunity to rewrite the rules for subsequent funding rounds based on what's learned from the initial \$4 billion round that starts next week.

A major industry concern is that current program rules could make it impossible for many rural areas to qualify for more than 50% grants. Witnesses said this could make it too expensive to provide service in some cases, saying that areas which could not qualify as "remote" could nevertheless require 100% grants. USTelecom Association President and CEO Walter McCormick pointed to the contradiction of rules which provide up to 80% grants for some "underserved" urban areas while putting a 50% limit on grants to some "unserved" rural areas.

At the hearing, Rep. Michael Conaway (R-TX), Ranking Member of the Subcommittee on Rural Development, Biotechnology, Specialty Crops, and Foreign Agriculture, raised concerns about the short timeframe for launching the program, about the difficulty USDA may face in administering a broadband loan and grant program far larger than it has handled in the past, and privacy concerns. He and Subcommittee Chair Mike McIntyre (D-NC) also pointed to the need for a national map to identify unserved and underserved areas. Mark G. Seifert of the Commerce Department's National Telecommunications and Information Administration (NTIA) said privacy will be protected and that a national map should be completed by next January. He said "NTIA is encouraging all states to collect broadband data for use in the national map mandated by the Recovery Act" and added that he hopes members of Congress will encourage their states to complete state maps ASAP.

Delbert Wilson, General Manager of Hill Country Telephone Cooperative of Ingram, Texas, and speaking for the National Telecommunications Cooperative Association (NTCA) which represents more than 580 small, rural, community-based communications

service providers, said federal help is needed to provide rural communities with broadband. Detailing the problem, he said that “According to a recent study conducted by Hill Country, 522 miles of fiber optic cable would need to be installed to provide broadband service to the 5 percent of our market that remains unserved. This effort would cost \$20 million at an average cost of \$37,000 per subscriber – about four times the average cost per subscriber of the other 95 percent of our market. . . It is in these unserved areas that support from the [USDA’s Rural Utilities Service] RUS and National Telecommunications and Information Administration (NTIA) broadband funding incentives, which are associated with the American Recovery and Reinvestment Act of 2009 (Stimulus Bill), will be critical in enabling our system to overcome the economic challenges of providing broadband to 100% of our customers.”

USTelecom’s McCormick said that “the scoring system for prioritizing applications for funding has some troubling implications. For example, out of a possible 100 points awarded to an application, only a maximum of 5 points are awarded for serving rural residents located in unserved areas. And each of those 5 points requires serving 10,000 unserved households – the vast majority of our members have substantially less than 10,000 customers in their entire service areas, so smaller companies or those seeking funding for smaller scale projects serving pockets of customers without broadband service may be ignored. These are the very places that we believe Congress intended to support through the ARRA and this proposal appears to unduly disadvantage these areas. Of similar concern is the reduced availability of grant funding for “non-remote” rural areas – those within 50 miles of towns larger than 20,000 people. It can be prohibitively expensive to provide broadband in these areas, and we are concerned that a maximum of 50 percent grant funding may not be adequate to structure a financially feasible project.

To read witness testimony in the July 9th House Agriculture Subcommittee hearing, go to: <http://agriculture.house.gov/hearings/statements.html>

For more details on the administration’s broadband initiative being run by USDA and the Department of Commerce, including workshop dates and locations, go to: <http://www.agri-pulse.com/uploaded/20090707H.pdf>