Testimony of
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Chairwoman Landrieu, Ranking Member Snowe, and Members of the Committee, thank

you for the opportunity to testify today on behalf of the National Telecommunications and

Information Administration (NTIA) on "Connecting Main Street to the World: Federal Efforts to

Expand Small Business Internet Access."

Consistent with President Obama's and Secretary Locke's vision of a nationwide, 21st-

century communications infrastructure, Congress allocated $4.7 billion to NTIA for the

implementation of two initiatives to increase broadband access and adoption across the country –

the Broadband Technology Opportunities Program (BTOP) and the State Broadband Data and

Development Program.

For small businesses, these Recovery Act broadband initiatives, along with the U.S.

Department of Agriculture's Broadband Initiatives Program (BIP), present a significant win-win

opportunity. Small businesses can receive these funds directly or partner with awardees, whether

for broadband infrastructure projects, establishment or expansion of public computer centers, or

implementation of sustainable adoption projects. On a broader scale, small businesses stand to

be major beneficiaries of these projects through increased broadband availability for both

themselves and consumers. Small businesses can leverage broadband for increased innovation

and expanded commerce, as well as through the ability to generate greater efficiencies and cost

savings in their daily operations. With broadband access, these businesses and communities will have new opportunities to participate in and help build our Nation's economic recovery.

In addition to pursuing these Recovery Act initiatives, NTIA, as the President's principal adviser on communications and information policy issues, has also worked with the Federal Communications Commission (FCC) on broadband issues impacting small businesses. The National Broadband Plan ("Plan"), released by the FCC last month, provides a thoughtful blueprint for policy makers, legislators, and the Administration on ways to bring affordable broadband service to every American. Many of the recommendations contained in the Plan reflect activities and goals NTIA has already been working hard to implement. And as co-chair of a White House interagency group tasked with coordinating the Administration's consideration of recommendations contained in the Plan, I am focused on implementing broadband initiatives in a manner that delivers meaningful benefits to small businesses by driving innovation throughout all sectors of the economy.

My testimony today will focus on NTIA's Recovery Act broadband initiatives by describing the BTOP grants awarded to small businesses to date and demonstrating how hundreds of thousands of small businesses also are the indirect beneficiaries of BTOP grants. Then, I will provide an overview of small business participation in Round Two and our ongoing oversight and compliance activities of all awardees. Finally, I will discuss the Administration's consideration of the National Broadband Plan's recommendations and how these efforts will bring important commercial and innovative benefits to small businesses and the communities and consumers they serve. On this last topic, I'd like to highlight the opportunities the Department of Commerce has to partner with the Small Business Administration and the FCC to foster small business growth online.

I.   Direct and Indirect Benefits of Recovery Act Broadband Initiatives For Small Businesses.

The Recovery Act provides up to approximately $4 billion to fund infrastructure projects to expand and enhance broadband capacity and adoption in areas where the need is great. Overall, at least $250 million will be used to encourage increased and prolonged adoption of broadband services, and at least $200 million will enhance public computer center capacity to make it easier for those without computers or broadband at home to access the benefits of the Internet. These projects will not only meet the near-term economic stimulus objectives of the Recovery Act, but they also will continue to pay dividends far into the future in the form of improved education and healthcare, heightened innovation, and long-term local, national, and global economic benefits and increased competition.

a. BTOP Grants in Round One.

In the first funding round, NTIA awarded 134 Recovery Act grants totaling approximately $1.3 billion. NTIA has funded projects in all 50 States, the District of Columbia, and several territories as well. This includes 52 broadband mapping grants totaling more than $100 million, and 82 BTOP grants worth more than $1.2 billion. These projects are designed to increase broadband access and adoption in communities, create jobs, and lay the groundwork for sustainable economic growth for years to come.

As of today, NTIA has funded 49 infrastructure projects, 20 public computer center projects, and 13 sustainable broadband adoption projects. These projects will improve broadband use and capabilities in 36 states and territories that are currently underserved or unserved.

In Round One, 20 for-profit entities received grants, all of which will fund infrastructure projects and which account for about $300 million or 25 percent of the $1.2 billion awarded. This includes awards to eight small businesses totaling over $73 million.[1] Below are descriptions of some of our awards to small businesses:

- In Maine, Biddeford Internet Corporation was awarded $25.4 million to build an open access fiber-optic network extending to the most rural and disadvantaged areas of the state – from the Saint John Valley in the north, to the rocky coastline of downeast Maine, to the mountainous regions of Western Maine – linking the unserved and underserved areas of the state together with a modern communications network. This 1,100-mile network will pass through more than 100 communities and make broadband more readily available to as many as 110,000 households, 600 community anchor institutions, and a number of last mile broadband service providers.

- In Idaho, First Step Internet was awarded $2.4 million to build a regional network of 10 microwave towers to extend high-capacity Internet service in the north-central part of the state. The project will directly connect 42 anchor institutions, including healthcare facilities, emergency response agencies, libraries, and government offices, as well as institutions that provide service to a Native American tribe. The 550-mile network will facilitate more affordable broadband Internet service for local consumers, including as many as 21,000 households and 700 businesses. The awardee is also partnering with the Nez Perce Tribe of Lapwai, Idaho for the use of its telecommunications and technology network services.

- In Oklahoma, Pine Telephone Company will use its $9.5 million grant for innovative wireless technology that will deliver affordable broadband service to portions of rural, remote, and economically disadvantaged areas in the southeast region of the state (within the Choctaw Nation) to spur economic growth and job creation and to enhance education, health care, and public safety. The project plans to offer broadband service to nearly 5,000 households and potentially benefit an estimated 84 small firms and home-based businesses. In addition, the project covers tribal lands and will collaborate with the Choctaw Nation to increase services to its government center, its outreach and education programs. These programs will include broadband education and building awareness of online resources that will increase broadband adoption.

- In Ohio and Pennsylvania, Zito Media Communications will use its $6.1 million grant to create a 382-mile fiber ring in high unemployment, low-income areas that are generally underserved by broadband due to low population density. The project will directly connect an estimated 60 community anchor institutions and will facilitate affordable broadband Internet service for local consumers, including as many as 135,000 households, 5,000 businesses, and more than 100 community-based organizations.

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[1] For purposes of BTOP, NTIA defines a small business as a firm, including its affiliates, with average revenues of $40 million or less during the preceding three years.

Beyond these direct awards to small businesses, tens of thousands of small businesses are likely to benefit indirectly from BTOP projects, through increased broadband availability for themselves and their customers. The potential commercial benefits of broadband access for small businesses are clear, including more affordable access to information and job training for employees; improved access to partners, vendors, and suppliers; faster, more cost-efficient outreach to potential and actual consumers through Websites, emails, and e-commerce; more efficient business management through cloud computing and other online tools; and access to extremely expanded or even global markets. Greater broadband availability and use not only helps small businesses succeed, but also improves and enriches the lives of those living and working in the communities in which they do business.

Socially and economically disadvantaged businesses (SDBs) are also benefited by NTIA's recent awards. Specifically, 31 of the 82 grants awarded in the first round involve SDBs as project partners. These projects account for 38 percent of all first round BTOP grants.

During the first funding round, we found a compelling, common theme developing among the strongest, most sustainable infrastructure projects. We call them "Comprehensive Community" projects because they took a comprehensive approach toward meeting the unique broadband needs of communities as a whole by addressing the needs of several interest groups, engaging local partners, and leveraging public and private resources. These projects not only bring high-speed middle mile infrastructure into communities or regions that need it, but they also connect key community anchor institutions – such as libraries, hospitals, community colleges, universities, and public safety institutions. These projects will allow community institutions to obtain the robust broadband connections necessary to enable them to deliver critical services such as remote medical care, distance learning, online job training, access to e-

government benefits, and more. Building this core infrastructure will also enable providers of

services to homes and businesses to improve their service offerings and reach neighborhoods that

are not adequately served today. The Comprehensive Community theme also synthesizes the

infrastructure, computer center, and broadband adoption aspects of our broadband program into a

fully-integrated approach to solving the Nation's broadband challenges.

Some of the projects we've funded to date that illustrate the breadth and scope of the

impact BTOP awards will have on small businesses and their surrounding communities include:

- In Arizona, California, Colorado, Idaho, Maryland, Minnesota, Missouri, New Mexico, Pennsylvania, and Texas, Mission Economic Development Agency (MEDA) will create new public computer centers and expand five existing ones for its Latino Microenterprise Tech Net project impacting 13 communities throughout the United States. It will connect Latinos to organizations with microenterprise and business development expertise. MEDA will be partnering with SDBs in multiple ways. For example, an SDB will help the awardee promote local economic development by providing customized technology training to help Latino entrepreneurs establish and grow businesses.

- In Louisiana, the state's Board of Regents will deploy 900 miles of fiber-optic network to expand broadband to some of the most economically distressed regions of Louisiana, which include an estimated 15,000 businesses. The 3,488-square-mile service area includes 12 impoverished parishes targeted by the state's Louisiana Delta Initiative and will spur more affordable broadband for an estimated 100,000 households and 1,200 anchor institutions, by enabling local Internet providers to connect to the project's open network at 38 points of interconnection.

- Also in Louisiana, the Deaf Action Center has prior and continuing partnerships with several SDBs. As a provider of services to the deaf, the Center contracts with certified sign language proprietorships owned by Black American females. The Center will install 81 new videoconferencing stations and enhance the user experience at 19 existing stations that serve individuals who are deaf or hard-of-hearing in Northwest Louisiana, and sites in Alabama, California, and Texas. Each state-of-the-art video conferencing unit is expected to connect to trained American Sign Language interpreters working at a central call center or otherwise remotely.

- In Michigan, Merit Network will build a 955-mile advanced fiber-optic network through underserved counties in Michigan's Lower Peninsula to serve institutions, businesses, and households. The project will improve broadband access for an estimated 45,800 businesses and also will make broadband more easily available to more than 886,000 households and 422 community anchor institutions. Merit Network has a Memorandum

of Understanding with Sky Telecom, LLC, which is a female owned small business with less than 20 employees. Sky Telecom will provide engineering, design, and implementation services to prepare facilities for the fiber optic network being delivered to the anchor institutions.

- In Indiana, Zayo Bandwith, LLC will deploy a 626 mile fiber-optic network. The project will provide 413 points of interconnection along the route, enabling last mile providers to serve an area with an estimated 480,000 households, 49,000 businesses, and almost 4,800 anchor institutions, including health centers, schools, public safety organizations, and government offices. Zayo Bandwith has agreements with six SDBs to assist with project construction, cabling, and installation.

- In Washington, the Inland Northwest Community Access Network will train an estimated 12,000 people over three years with an expected broadband adoption rate of 1,500 new broadband users, including 300 small businesses. The awardee will provide training from basic computer skills to advanced multi-media production, e-commerce, and Internet for small businesses, as well as conduct community-based outreach campaigns to highlight the benefits of broadband for vulnerable populations of Spokane. The awardee will educate small businesses about creating an online presence, selling on the Internet, and using social media, and low-cost, targeted web advertising.

- In Maryland, Coppin State University will provide broadband access and computer education to a low-income neighborhood with a high minority population. Consistent with the community's existing revitalization plan, Coppin State University, a minority serving institution, will establish a 60-workstation computer center for use by the local community, and will offer 15 training and educational courses on a regular basis, serving more than 500 users per week and more than 12,000 unique users within two years. Among the project partners is a small and disadvantaged business that will provide advanced technology integration and mixed network communications solutions.

- In North Carolina, MCNC, an independent not-for-profit broadband provider, will build a 494-mile network serving almost half the population of North Carolina in 37 counties, improving broadband access for 139,000 businesses. The project also will connect community colleges, the State's charter schools, 50 free healthcare clinics, 179 county health agencies and hospitals, 181 libraries and their public computer centers, and the three largest state museums. Additionally, it will enable service providers to directly connect to the network to make broadband more easily available to approximately 1.8 million households and more than 2,400 anchor institutions.

- In Massachusetts, the University of Massachusetts-Lowell proposes to increase the adoption of broadband services by working with a diverse set of partners and using an inter-generational approach to bridging the digital divide. The initiative is designed to reach low-income and at-risk youth, the unemployed, residents without college degrees, and seniors. The project intends to build out 11 public computer centers to serve 6,650 new broadband users and add 7,500 additional broadband subscribers in the Lowell and Merrimack Valley. The awardee has established agreements to create relationships with

two small businesses to assist with computer build out, repair, and on-site servicing for each year of the grant.

- In Georgia, the Columbia County Georgia Information Technology Department will build a 220-mile, county-wide fiber middle mile network to connect nearly 150 community anchor institutions. The project will create 60 free Wi-Fi hotspots in public locations to expand broadband Internet access for the public and encourage economic development, job creation, and education by enhancing broadband capabilities for critical community facilities in underserved areas. In addition, it will facilitate more affordable and accessible broadband service to approximately 33,000 households and 2,400 businesses by enabling local Internet providers to connect to their open network. The awardee is partnering with an SDB, which owns and operates a microwave broadband access network providing broadband services in a six-county regional area in and around Augusta.

b. Benefits of the State Broadband Data and Development Grant Program.

Comprehensive efforts to bring robust and affordable broadband to America benefit enormously from an accurate baseline picture of the current state of broadband. With the State Broadband Data and Development Grant Program funded by the Recovery Act, NTIA is now well-positioned to obtain the most complete set of data on the deployment of broadband service in communities across the country.

The Recovery Act directed that up to $350 million of BTOP funding be used for the development and maintenance of a national broadband inventory map. NTIA now has awarded 54 grants to 50 states, three territories, and the District of Columbia, totaling over $100 million. We have already received substantial amounts of data from our mapping grantees and have begun to assess the information. We are partnering with the FCC to utilize these data in the National Broadband Map, which will be available to the public no later than February 2011. The map will educate consumers and businesses about broadband availability, enable broadband providers and investors to make better-informed decisions regarding the use of their private capital, and allow federal, state, and local policy-makers to make more data-driven decisions on behalf of their constituents.

II.   Overview of Applications Received in Round Two.

The filing window for Round Two BTOP applications closed at the end of March and NTIA received 886 applications requesting well over $11 billion in funding for proposed broadband projects reaching across the United States. That's about four times as much as we will be able to fund.   When including the approximately $4.5 billion in matching funds committed by applicants, there are over $15.5 billion in proposed broadband projects under consideration in this round.

These applications are closely aligned to the Comprehensive Community framework and aim to further expand broadband access and adoption to help bridge the technological divide; expand economic opportunities; create jobs; and improve health care, education, and public safety. The applications were submitted by a diverse range of applicants including state, local, and tribal governments; nonprofits; industry; anchor institutions, such as libraries, universities, community colleges, and hospitals; public safety organizations; and other entities in rural, suburban, and urban areas.

To improve opportunities for small business participation in BTOP's second round, NTIA sought and received the Small Business Administration's approval to enlarge the small business size standard for BTOP. Accordingly, a small business is a firm that, together with its controlling interests and affiliates, has gross revenues not exceeding $40 million for the preceding three years. We appreciate the Small Business Administration's assistance in advancing our mutual goal of enhancing opportunities for small business participation in Recovery Act programs.

NTIA made a special effort to reach out to small businesses and entrepreneurs in the BTOP second round and we are pleased with their response. NTIA's outreach to small

businesses included the establishment of BroadbandMatch, which allows applicants to identify potential project partners. This online tool helped small business infrastructure providers to strengthen their application by identifying potential project partners, like universities, hospitals, or libraries for a proposal to bring high-speed Internet service to their facilities. Approximately 1,500 entities signed up for BroadbandMatch, including anchor institutions, small and disadvantaged businesses, non-profits, public safety entities, municipalities, tribal organizations, technical experts, and others. This forum led to truly comprehensive projects that meet the broad needs of entire communities.

The level of small business involvement also shows that our traditional outreach efforts proved effective. To assist potential applicants, NTIA and RUS embarked on an education campaign earlier this year, holding grant workshops across the country, including six pre-workshop events to encourage minority stakeholders, including SDBs, to participate in the Recovery Act's broadband initiatives. Three of these events focused specifically on developing successful BTOP proposals to close the digital divide in minority communities. In Atlanta, NTIA also partnered with the Minority Business Development Agency (MBDA), our sister agency at the Commerce Department, to present a vendor fair in conjunction with a minority outreach pre-workshop event to facilitate opportunities for potential applicants to meet SDB partners. NTIA continues to collaborate with MBDA and the Department of Commerce's Office of Small and Disadvantaged Business Utilization to identify SDB contracting opportunities for BTOP grantees.

NTIA was also pleased to see strong participation from SDBs in the second funding round. Of the approximately 886 applications to the BTOP program, 208 were from SDBs or from applicants collaborating with SDBs. Specifically, 72 SDBs applied, and another 136

applicants indicated collaboration with SDBs, either as sub-awardee, contractor, subcontractor, or vendor. In this round, 189 small businesses requested approximately $3.25 billion in federal grants with a total match commitment of $1.3 billion.

III. Oversight and Compliance.

With Round One of BTOP completed and Round Two well underway, NTIA is focused on oversight of all awardees to ensure their compliance with the conditions of their grants. Since the inception of the program, NTIA has worked with the Department of Commerce's Inspector General to design the program in a manner that minimizes the risk of waste, fraud, and abuse. NTIA is committed to ensuring that taxpayers' money is spent wisely and efficiently and has worked to develop comprehensive monitoring, reporting, and oversight systems to ensure that BTOP funds fulfill the purposes of the Recovery Act.

For instance, grant recipients are required to report quarterly and annually on the progress of their projects and their use of grant funds, with a deadline for the first BTOP quarterly and financial reports of April 30. In addition to BTOP-specific reporting requirements, grant recipients are complying with Recovery Act reporting requirements that include detailed information regarding the use of funds and jobs created. The first awardees are in the early stages of turning their funded proposals into reality; mapping grantees are providing their first data sets. It will be important to measure the results against the baseline, capture the lessons learned, and share the information so that successes can be replicated.

In the short term, these Recovery Act investments promise to create jobs to build infrastructure, install computers, and develop and implement outreach to broadband consumers. At this early stage, it is impossible to predict the precise number of jobs the BTOP program will create. However, the jobs range from the manufacture of fiber optic cable and other high-tech

components, to the stringing of that fiber from pole-to-pole, to trenching, and to the installation

of broadband networking hubs. Computer centers need to be built, and new computers and

related hardware and software will be installed and networked into public computing centers.

Outreach strategies need to be planned and executed, and trainers will need to be trained how

best to provide communities with needed broadband information and skills. The data we collect

in the near-term will show how the broadband initiatives contributed to the overall Recovery Act

economic stimulus activity. It will also start establishing the measurable impact these projects

will have.

In the longer-term, BTOP investments will have secondary benefits that will be critical to

our Nation's overall economic future. BTOP-funded projects will help bridge the digital divide,

improve the Nation's education, improve access to better health care, heighten safety and

security, increase employment options, foster innovation, and boost economic development for

communities held back by limited or no access to broadband. These investments also will help

preserve America's economic competitiveness in the world, and, in particular, will accrue

benefits to disadvantaged, rural, and remote America. The ripple effects of these broadband

investments could be positively transformative.

Looking forward, I am confident that the NTIA team will continue to meet the challenges

that will arise between now and September 30th. As you know, the Recovery Act does not

provide authority or funding for administration and oversight of BTOP-funded projects or

maintenance of the national broadband plan beyond Fiscal Year 2010. For this reason, the

President's FY 2011 budget includes authority and funding for NTIA to administer and monitor

the execution of grant projects and to protect taxpayer investment. These funds are vital to

ensuring that BTOP projects are sustained, and I look forward to working with you to achieve this important objective.

IV.   Leading Administration Efforts to Realize the Promise of the National Broadband Plan.

The recent issuance of the National Broadband Plan was an important milestone in the Recovery Act's broadband provisions. The Plan discusses the cross-cutting importance of broadband in modern society, analyzes mechanisms for ensuring and maximizing the availability of broadband access to all, and makes many recommendations on improving the nation's broadband landscape. The Plan includes several recommendations that may benefit small businesses, which NTIA and the rest of the Administration are considering.

Upon the FCC's issuance of the National Broadband Plan, President Obama committed to "build upon [] efforts over the past year to make America's nationwide broadband infrastructure the world's most powerful platform for economic growth and prosperity." To that end, U.S. Chief Technology Officer Aneesh Chopra established a Broadband Subcommittee of the National Science and Technology Council's Committee on Technology, co-chaired by myself and Scott Blake Harris, General Counsel of the Department of Energy.   The White House directed this group to review the Plan and advise the Administration on actions it can take to increase broadband access and adoption and use broadband to address many of the nation's challenges.

To start the process, the interagency group has held its inaugural meeting and is now collecting information from each Executive Branch agency discussed in the Plan as potentially having a role to play in the coordinated effort to increase nationwide access to broadband. The interagency group will consider the programmatic, legislative, and policy actions that may be appropriate for the Administration to undertake in furtherance of its broadband objectives. The

White House interagency group is mindful that the Plan is not the end of the story but merely an excellent catalyst for Administration action. We look forward to considering these and the other recommendations in the Plan in the coming months.

In particular, I look forward to the prospect of my umbrella agency, the Department of Commerce, partnering with the other two federal agencies represented on today's panel. The Small Business Administration has an extraordinary set of tools for supporting that important sector of our economy. In the Plan, the FCC recommits itself to lending its expertise to small business growth. The Department of Commerce has its own tools. Our Economic Development Administration supports development projects in distressed areas, our Minority Business Development Administration supports growth of minority-owned businesses, and our International Trade Administration (ITA) is tasked with helping companies of all sizes access foreign markets. We are confident that, with appropriate coordination, we can use these tools to reinforce the efforts of the SBA and FCC, and as a result accelerate the growth of small business activity online.

V.   Conclusion.

Thank you again for the opportunity to testify. I am happy to answer your questions.