Broadband stimulus moves at dial-up speeds

December 3 2009, By Chris O'Brien

Mark Morgenthaler wants nothing more than to hire 15 people to help expand his wireless Internet service, Surfnet Communications in the Santa Cruz Mountains. He can't wait to start accepting applications, interviewing candidates, and making job offers.

Unfortunately, waiting is about all Morgenthaler has done since he applied for a slice of the more than $7 billion in so-called "broadband stimulus" funding. That money was part of the $787 billion federal package adopted in February to give a jolt to the economy.

That's an awesome amount of money. But the big number has created unrealistic expectations about the size and the speed of its impact. Already there's a debate raging about whether the stimulus funding has worked.

Here's the reality: Most of that stimulus money hasn't been spent. According to figures from the Recovery Accountability and Transparency Board, a government agency that monitors stimulus spending, only $234.2 billion had been allocated as of Nov. 20. And when you consider that almost one-third of the stimulus money is tax credits, the amount of cash actually being injected into the economy is even lower.

As for the remaining money, well, spending such a large sum is a lot harder -- and slower -- than it looks.

To understand why, and just how hard it is for the government to

stimulate the economy, there's no better illustration than the repeatedly delayed attempts to get broadband stimulus funding into the hands of people like Morgenthaler.

Surfnet is in Los Gatos up in the mountains. The company's mission is to provide high-speed Internet connections to residents of Santa Cruz County who otherwise don't have broadband access.

When Morgenthaler heard about the stimulus funding, he saw an opportunity to do something more ambitious.

But right from the start, the nature of the funding created a tricky balance between spending the money fast, and spending it right.

It didn't help matters that the program was being run jointly by two federal agencies: the National Telecommunications and Information Administration and the U.S. Department of Agriculture's Rural Utilities Services Program. They took five months to write the rules _ and then gave applicants only 40 days to apply for the first round of funding.

"That was a lot of stress on us," Morgenthaler said. "And I think the quality of a lot of the proposals really suffered."

Morgenthaler scrambled. He teamed up with the Central Coast Broadband Consortium and the city of Grover Beach to submit a request for about $3 million in grants and loans. The group hopes to use that money to extend broadband coverage to 74,000 households and 2,000 businesses from Santa Cruz down to San Luis Obispo.

But since Morgenthaler submitted his proposal in August, there has been a deadline extension for applications and then a delay in awarding the first round of grants from November to December. And even now, the agencies are retooling the rules for the next round, leading to more

confusion.

I called the NTIA to discuss the progress of the program, and a spokesman sent me a copy of testimony given to a Senate oversight committee last month by Lawrence E. Strickling, an assistant secretary at NTIA.

Strickling explained that the agencies were trying to balance the need for speed with the desire to get things right.

"NTIA is committed to ensuring that taxpayers' money is spent wisely and efficiently," he testified. "We have been working with the Department of Commerce's Inspector General to design this program in a manner that minimizes the risk of waste, fraud, and abuse."

Fair enough. And even Morgenthaler understands the need for taking time to make sure they make the right decisions.

But if people are going to believe the federal government can be competent and effective, then getting things done right and getting them done fast can't be a trade-off. They need to be standard procedure.

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