



Statement

Of

J. Frederick Johnson

Chief Executive Officer

Farmers Telecommunications Cooperative, Inc.

Rainsville, Alabama

Before the

United States Senate

Committee on Agriculture, Nutrition, and Forestry

Subcommittee on Rural Development and Energy

Washington, DC

May 17, 2023

Chairman Welch, Ranking Member Tuberville, distinguished members of the Committee. Good afternoon. My name is Fred Johnson and I have the pleasure of serving as the Chief Executive Officer of the Farmers Telecommunications Cooperative (FTC), Inc. in Rainsville, Alabama. FTC was organized in 1952 to serve a portion of Northeast Alabama declined by investor-owned telephone companies. It received its initial debt capital from what was then the Rural Electrification Administration. Since its beginning, FTC has had a long and proud history of leading Alabama in communications excellence. We installed the state's first digital multiplex switch and, over three decades later, we became the first Alabama company to deploy a widely adopted gigabit Internet access service. We currently serve an area of approximately 662 square miles and our world-class broadband network is based entirely upon optical fiber with more than 2,528 route miles currently in service. Our network is fully capable of delivering multi-gig speeds throughout our service area and has been for quite some time.

My career spans 41 years associated in some way to either rural electrification, rural telecommunications, or a combination of the two. It has been an exceptionally gratifying career. It is telling that I will be the last CEO of FTC who both knew and was personally influenced by the forward-thinking men and women involved in the early rural development of our area. Their commitment to the economic viability of our region was not lost on an impressionable high school boy who was himself growing up in the home of a co-op leader. Neither have I forgotten their charge to carry on that concern for the future of Northeast Alabama. To that end, I am both extremely grateful, and humbled, to have the opportunity to speak to the United States Senate at this point in my career. Congress's work to expand broadband, including in the 2023 Farm Bill, will impact the lives of the people I serve as well as the millions like them across the United States. The task, however, is daunting and there are several pitfalls that need to be avoided if we are to be successful in expanding broadband to the hardest to reach areas. The 2023 Farm Bill affords an opportunity to ensure the wise use of scarce taxpayer resources. I firmly believe FTC's experience provides a good example of a job done right.

In 2007, our trustees made a courageous decision to deploy optical fiber to 72% of our service area. There was little evidence to support the notion that economics would allow further extension. Cooperatives typically struggle with such a commitment that does not benefit all service members. However, our trustees understood the economic imperative for modernizing our communications infrastructure. Our improvement plan left no business community or industrial park unserved, and our efforts were rewarded. For the next fifteen years, we worked hard, engineered smarter, and carefully grew our footprint, in such a way that we did what was once thought impossible. By December 31, 2021, every member of our cooperative, along with several thousand locations adjacent to our original service territory were served with optical fiber. FTC now has what is arguably one of the most robust broadband networks in America. Many factors contributed to our success, including: the availability of RUS financing, the ability to leverage the existing telecom network, the willingness of our members to provide equity financing, state broadband grants, and adequate public policy support assuring that basic connectivity to the nation's communications network was as affordable to our customers as those in urban and suburban America.

I highlight these factors because they are imperative when it comes to deploying and then maintaining a sustainable broadband network. There is a strong tendency to view funding the deployment of networks as a job well-done. Instead, it is but a start, and the complexity of sustainable broadband networks must not be overlooked. Robust broadband networks require substantial maintenance, operational support, and robust connectivity to the backbone of the Internet, all of which comes with a cost. Even more importantly they require a long-term commitment. Current funding levels have produced many emergent providers with an expressed willingness to undertake the deployment challenge. However, providers –like FTC – have established a long and storied history of serving rural and small-town America and are committed to the long-term success of our communities. Community-based providers, like FTC, and other members of this panel can speak to how we have been successful in our

communities and what lessons could be learned for the 2023 Farm Bill. Below I highlight the factors I believe Congress should consider as Farm Bill discussions are underway.

First and foremost, Congress must assure that broadband deployment resources provided under the Farm Bill are used for getting broadband to those who do not have it. The goal is not to duplicate existing investment or to generate artificial competition in areas that already cannot support even a single unsubsidized competitor. If scarce taxpayer resources are to be used effectively for deployment specifically, that support must go first and foremost to those who are unserved.

One discussion that directly impacts this objective concerns eligibility thresholds for funding proposed service areas. Commonly, USDA funding has required that at least 90% of a service area be unserved. There abound suggestions to lower that threshold. The discussion is a valid topic. However, one important fact remains. The lower the threshold, the higher the possibility that taxpayer dollars will be used for unwarranted duplication of investment which would, in some cases, further imperil the ability of existing providers to leverage their networks in economically efficient ways toward the public policy objectives upon which we all agree.

On this precise point, the State of Alabama has a good track record in the administration of its state broadband grants, primarily by focusing on the whole of proposed funding areas. Even would-be competitors have rallied around a program that does not foster conflict among providers but, rather, enables deployment to the truly unserved. Indeed, in addition to the use of state funds, two of my Alabama colleagues, Pine Belt Telephone and Communications and the Hayneville Telephone Company, have received USDA funding of approximately \$75 million, combined, for deploying broadband in some of the poorest areas of Alabama. To the best of my knowledge, this is the largest collective investment in that area of the state to date and it is in keeping with the highest aspirations of these programs. This investment is yet another success story of government programs working as designed. I should also note

that my colleagues at Pine Belt and Hayneville are family-owned community-based providers. Despite FTC being a cooperative provider, we do not encourage preferences in the rules that negatively impact privately owned companies with a demonstrated history of investing in, and providing for, their communities. All providers seeking federal funding should be on a level playing field. It is for this reason FTC encourages Congress to codify that providers seeking USDA funding should not be favored based on the form of their organizational or commercial status.

Other important issues for this Committee to consider when drafting the 2023 Farm Bill:

- Ensure that broadband deployment programs are used to build networks that meet the needs of rural consumers. 100 Mbps symmetrical broadband has recently been and should continue to be USDA's minimum standard of service for deployment. USDA's investments should support technology that can be readily upgraded to deliver the fastest speeds over the long-term. Some technologies may appear cheaper to deploy now but will be unable to keep pace with consumer demand.
- Please ensure that federal grant dollars, when used for the intended purposes of funding broadband deployment, are not subjected to federal taxation. There is no logic in awarding a grant which must be entirely spent for its intended function and then requiring a portion to be returned via taxation.
- Pay heed to the permitting roadblocks and hurdles, at all levels of government, that competent broadband providers must overcome when they deploy their networks. There must be public policy improvement in this area to avoid significant application and construction delays.
- Be aware of technical financing hardships caused by requirements that providers expend all matching funds prior to receiving grant funds. Allowing for concurrent expenditures of both

private and public funds obviates this hardship while preserving the much-needed requirement that grant recipients be sufficiently invested.

- Continue your efforts at coordinating the award of federal resources across all aid platforms and programs. Remember also that basic voice telephone connectivity, including 9-1-1 service, is still essential in those large swaths of America that do not have reliable cell service. Support the efforts of your colleagues to modernize the future on the Federal Universal Service program that supports this worthy objective.

Know that I, and the people I serve, appreciate your leadership and willingness to assure that rural America remains connected to the rest of our world. Thank you for your service to our nation and for allowing me to address the Committee this afternoon.