

MTA Commentary—Economic Stimulus Package: Broadband Investment  
February 18, 2009

Only one month ago, President Obama had just been inaugurated, and the U.S. House of Representatives released a discussion draft of the federal economic stimulus package. What a month it has been!

Since Inauguration Day, the House passed its version of the economic stimulus package. Then the Senate passed its own version with slightly less spending and more tax cuts than the House. Then, a very small group of House and Senate conferees, including Montana's senior senator, Max Baucus, ironed out the differences between the House and Senate bills in near-record time. The resulting conference agreement was then approved by both the House and Senate, and finally, yesterday, the President signed the conference agreement into law. While Congress is known, indeed designed, for a slow and deliberative pace, the institution moved at supersonic speed during the last month.

Both the House and Senate versions of the stimulus package contained provisions to encourage more rapid deployment of high-speed, or broadband telecommunications infrastructure in rural America. The policy rationale for ubiquitous access to broadband technology is sound. That is, advanced telecommunications technology and services increase economic efficiencies and expand commercial and social opportunity. And while there is some dispute over how much bandwidth is, or is not, available in rural America, we have not yet achieved ubiquitous access, yet, to broadband technology. Thus, pushing broadband technology access out to the farthest reaches of the country makes sense. Trouble is, pushing out broadband to the few remaining unserved areas in the country is expensive. Moreover, there's not a lot of people living in those unserved areas, making recovery on broadband investment tenuous, at best. In this regard, the broadband provisions of the stimulus bill can help.

The House bill provided \$6 billion in broadband funding. Half the funding was directed to the Department of Agriculture's Rural Utility Service for providing loans, loan guarantees and grants to rural broadband providers. The other half

was directed to establishing a new Broadband Technology Opportunities grant program to be run by the National Telecommunications and Information Administration, (NTIA), which is part of the Department of Commerce.

The Senate bill, on the other hand, directed \$9 billion to NTIA alone, with a provision that would have allowed NTIA to funnel up to half of the money to the Department of Agriculture's rural broadband loan program. The Senate bill also created a broadband investment tax credit to encourage investment in broadband technologies in rural areas.

House and Senate conferees more or less split the difference. First, they got rid of the Senate's broadband tax credit provision. Then, they settled on \$7.2 billion in broadband funding incentives, with \$4.7 billion for NTIA's Broadband Technology Opportunities grant program, and \$2.5 billion for the Department of Agriculture's rural utilities program.

The funding comes with a number of conditions. For example, Department of Agriculture loans, loan guarantees, and grants must be targeted to rural areas, where at least 75% of the area lacks sufficient access to broadband service to facilitate rural economic development. Similarly, NTIA grants give preference to funding broadband service to consumers residing in unserved areas. Importantly, the NTIA grant program requires a non-federal match of at least 20%, meaning that applicants for grants must put some of their own financial resources on the table. This match can be considered a "due diligence" requirement that ensures accountability and commitment by applicants.

The broadband grant program further allows state and local governments to apply for grants. Government entities are required to meet the same 80/20 match, meaning they'll have to come up with appropriations to make the 20% non-federal portion. Regardless of the match requirement, allowing government entities to apply for, and potentially receive, federal funding for broadband infrastructure investment threatens to discourage private investment in such infrastructure.

In keeping with the lightening speed with which the stimulus package was passed, the new law now moves into an equally ambitious implementation

phase. All broadband grants are to be awarded by the end of 2010. Moreover, the bill states as a goal using at least 50% of the funds for activities that can be initiated within the next 120 days. And even before then, agencies have to come up with application procedures and rules, preferably with some public input.

Finally, a major section of the stimulus package is dedicated to public accountability and transparency. Funding applicants, including government entities, must show detailed analyses justifying their applications and demonstrating how any money received is spent. All of this data will be published on the Web, and overseen by a Recovery Accountability and Transparency Board.

By all accounts, the stimulus package represents a major legislative accomplishment. Turning from legislation to implementation will take no less effort. Montana's rural telecom industry is committed to investing in broadband infrastructure throughout rural Montana and we look forward to leveraging the investment incentives of the stimulus package.

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Contact: Geoff Feiss, General Manager  
Montana Telecommunications Association  
406.442.4316  
[gfeiss@telecomassn.org](mailto:gfeiss@telecomassn.org)