

MTA Commentary-Role of the States in Broadband Deployment
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There's roughly \$7 billion of grant and loan money available under the federal economic stimulus package, or the Recovery Act, for the deployment of broadband telecommunications services to hard-to-reach areas of the nation.

Broadband grants are intended: 1) to provide access to broadband service to consumers residing in unserved areas of the U.S.; 2) to provide broadband services to consumers in underserved areas; 3) to provide broadband education, training, and support to various constituencies like schools, libraries, healthcare entities, low income, and other vulnerable populations; 4) to improve access to public safety agencies; and 5) to stimulate demand for broadband services.

There's a number of other grant criteria enumerated in the Recovery Act. For example, the federal portion of a broadband project funded by a grant cannot exceed 80% of the total cost of the project. In other words, applicants need to provide 20% of the cost of any project funded by a grant. Grants must be completed within two years of grant award. And 50% of all grant money must be given to projects that can be started before June 17 of this year. This is the so-called "quick start" requirement.

Eligible applicants can be state or local government entities, non-profit organizations, or any other entity including broadband service providers.

The Recovery Act says that to the extent possible, there should be at least one grant allocated for each State, and that the Department of Commerce "may" consult with States with respect to various aspects of the grant program, including such matters as determining unserved and underserved areas and allocation of grant funds within the state.

And this provision is a matter of considerable debate. What *is* the proper role of the states in the broadband grant program? Giving a hunk of money for states in turn to allocate certainly is easier for federal grant making agencies than having to parse through potentially thousands of individual applications. Moreover, proponents of a strong state role argue that states have a

comprehensive view state's broadband needs, and they're not driven by an immediate need to demonstrate returns on investment. Others point out that states can provide an advisory role, without actually getting into funding specific projects.

The Departments of Commerce and Agriculture, along with the FCC, have been soliciting comments on such questions in a series of public conferences on how they should implement the broadband grant program. At a recent joint conference, opponents of a strong state role pointed out that states, like any other party, may have their own biases; they may not be as close to the consumer as other entities, and any state-initiated projects may impose long term financial burdens on the taxpayer. For example, the Consumer Federation of America pointed out that states might merely add another layer between a grant and the consumers the grant is intended to benefit, causing costly delays and not accomplishing the goals of the stimulus package.

If you do the math, \$7 billion, divided by 50 states, means that there's less than \$150 million available to each state, ***if*** all broadband funds are divided roughly equally among the states. When it comes to building telecommunications infrastructure, \$150 million does not go a long way especially in an expansive rural state like Montana.

Not surprisingly, Montana's rural telecom providers are willing and able to take advantage of broadband stimulus funds to deploy broadband services efficiently and effectively to areas where they are needed most. Projects that otherwise would not be economically feasible can now be contemplated, if rural telecom providers were able to obtain one-time-only investment funds through the broadband stimulus program. These private sector entities know their territories and where they can start projects immediately. They can provide at least 20% matching funds, or even more, through private—rather than taxpayer—financing. They are market tested, and can complete projects in a timely manner, and sustain on-going costs without returning to the taxpayer for additional infusions of public funds.

Ideally, state and local governments will work with private sector providers to maximize the effectiveness of broadband economic stimulus funding, and thereby ensure that stimulus funds are targeted, timely and temporary. States can provide an advisory role to help steer funds to unserved areas where they most are needed; and rural telecom providers can efficiently deploy infrastructure and services, without burdening taxpayers with on-going financial obligations.

The next few months present an exciting opportunity for collaboration among state and local governments and rural broadband providers who are looking forward to implementing the broadband stimulus package.

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