

Commentary—Broadband Issues: Funding, Planning, Mapping & Ranking
July 8, 2009

In February of this year, President Obama signed into law the American Recovery and Reinvestment Act of 2009. This Recovery Act appropriated over \$7 billion to the U.S. Departments of Agriculture and Commerce for grants and loans awarded in a competitive application process to eligible broadband providers.

On July 1, the Departments of Commerce and Agriculture released the rules by which applications may be funded. The first \$4 billion will be awarded to applicants who file applications by August 14. The remainder of funds will be awarded in two subsequent application rounds. All funds will be awarded by September 30, 2010.

Department of Commerce grants will fund projects that deliver broadband service to unserved and underserved areas. “Unserved” areas are areas in which at least 90 percent of households in the area lack access to broadband service. “Underserved” are defined as areas lacking either sufficient speed, availability or adoption of broadband service.

The rules define “broadband” as either fixed or mobile two-way data transmission with advertised speeds of at least 768 kbps downstream and at least 200 kbps upstream. These are fairly conservative speeds, but they’re capable of reasonably delivering most commonly-used broadband applications today. And since the Recovery Act provides relatively limited funding, the more conservative speed requirements mean that dollars can be stretched to reach more areas than if the speed (and consequent cost) requirements were more aggressive. The theory behind the rules appears to be to get basic broadband to unserved and underserved areas first, then worry about increasing speeds on a gong-forward basis.

The Department of Agriculture’s Broadband Investment Program will use \$2.5 billion from the Recovery Act to provide loans, grants and loan/grant combinations to expand access to broadband services in Rural America. By

combining \$2 billion of grants and \$0.5 billion of loans the Department estimates it can yield a potential total investment of \$9 billion in rural broadband.

Obviously, there's lots of interest among Montana's rural telecommunications providers in applying for broadband stimulus funding. Companies are currently reviewing the recently-released rules, which are over 120 pages. Among the many technicalities of the rules is a requirement that applications must demonstrate that any stimulus funding is directed at projects that otherwise would not have been undertaken without stimulus funding. While it's understandable that funds should not pay for projects that have already left the starting blocks, the flip side of this policy is that available funds effectively reward telecommunications providers who have failed adequately to invest in their networks. Companies that have committed to deploying broadband networks do not stand to gain from stimulus funding, while companies that have sat on their hands potentially stand to benefit substantially. Another troublesome provision appears to award bonus points for every 10,000 households served. Again, that would appear to penalize companies, like Montana's rural telecom providers, that have deployed broadband to the edges of their networks, and might apply for stimulus funds to reach the final few hundred, or perhaps a thousand—but certainly not 10,000—customers in an unserved or underserved area.

The Recovery Act includes two other key provisions. One requires a national broadband inventory, which more accurately will measure broadband access and usage in the U.S. Hopefully, this will put to rest oft-cited inaccurate data from Paris-based Organisation for Economic Cooperation and Development (OECD), which places the U.S. at 15th or lower in broadband usage among 30 industrialized nations. Contradicting the OECD rankings, the Pew Internet and American Life Project released its Home Broadband Adoption study last month. That study finds a home broadband adoption rate of 63% of adult Americans this year, up from 55% a year ago, with the most significant growth among lower income populations. While there remains room for improvement, the research by the Pew Internet Project and other institutions like the Phoenix Center for

Advanced Legal and Economic Studies, clearly refutes OECD's inaccurate findings. So a national broadband inventory will help establish a common benchmark by which broadband availability can be measured.

Finally, the Recovery Act requires the Federal Communications Commission to develop a National Broadband Plan and report to Congress next February. The Commission received hundreds of comments in June and is now planning a series of public workshops in August and September. For more information on this initiative, visit www.broadband.gov

Montana's rural telecom providers continue to invest substantially in deploying advanced broadband networks throughout their service areas—with or without stimulus money. Meanwhile, the Recovery Act potentially may help by encouraging even further investment in broadband services in America's unserved and underserved areas.

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