

Senate Energy, Utilities, Technology and Communications Committee
January 13, 2009

Madam Chair, members of the Committee, thank you for the opportunity to provide comments today. My name is Diane Wells and I am here representing the Telecommunications Division within the MN Department of Commerce.

Before I address the specific topic before the Committee today, I thought it might be helpful to briefly discuss broadband and the State of Minnesota.

First of all, broadband is a high speed method for connecting to the Internet. Currently, the FCC defines broadband as data transmission speeds faster than 200 kilobits per second in at least one direction. For telephone company DSL service and cable modem service, the lowest speed offered is most likely to be in the range of 1 to 2 megabits per second. We are even seeing some applications up to 20 Mbps for DSL and 40Mbps for cable modems. The more megabits per second that your connection can transmit at, the faster you can send or receive files, pictures, videos, etc. So, faster is better and, where available, the higher speeds have a higher monthly cost.

Who provides broadband in Minnesota? Landline telephone companies offer DSL (digital subscriber line) service and a few companies also offer broadband directly over fiber to the home; cable companies offer cable modems, wireless broadband is available from wireless companies, we have some more local or niche type companies offering fixed wireless broadband, we have some municipalities that are offering broadband, and it's my understanding that we did have some broadband over power line (BPL) in MN.

Thanks to legislation that was passed last session, there is a broadband mapping project underway in Minnesota, and preliminary maps should be available in February. That project will tell us where geographically we have no broadband available, where there is one provider, or where there are multiple providers. The information will also tell us the speed of that broadband at a county level. (Session laws 2008, ch. 296, section 30)

In addition to the mapping project, the Ultra High-speed Broadband Taskforce was also created by legislation last session. That group, made up of a cross section of providers and users, has been meeting since July and will be submitting a report by November 1, addressing issues such as the connection speed that is reasonably needed by all citizens by 2015; a description of policies and actions necessary to achieve that goal; how the public and private sectors can cooperate; an evaluation of the security, vulnerability and redundancy actions necessary to assure reliability; the costs to reach the goal; a description of the economic development opportunities made possible by the wide dissemination of broadband; and an evaluation of how broadband can benefit education, healthcare, community-based organizations and government. (Session laws 2008, ch. 212)

Finally, I wanted to discuss the regulatory context of broadband. The FCC has determined that broadband is an information service, not a telecommunications service, so we do not regulate broadband at the state level. That means the companies that provide broadband make independent decisions on where they place broadband, the speed offered, and the monthly rates that they charge. So, unlike electricity and telephone service, where the deployment of these utilities from the 1930s through the 1950s under the REA is cited to as an example of how government can work to ensure availability, there the government also had in place a regulatory structure to oversee the end user rates charged.

Because we don't regulate broadband, we also don't know who all of the providers are in Minnesota. We'll get a pretty good idea from the broadband mapping project.

Now, turning to the issue of broadband being included in President-elect Obama's economic stimulus package, we haven't seen many details. In his speech last Thursday, President-elect Obama said, "To build an economy that can lead this future, we will begin to rebuild America." He then mentioned roads, bridges, schools, a smart electric grid, and with regard to broadband, he said, "It means expanding broadband lines across America so that a small business in a rural town can connect and compete with their counterparts anywhere in the world."

We've heard that this could be done through tax credits; it could be accelerated depreciation; it could be direct grants. If it is direct grants, what aspect would the grants address: directly to providers for the installation of the infrastructure to unserved? Underserved? Would the grants be more grass roots to communities that have demonstrated public/private cooperation? There could also be a program to stimulate broadband usage—right now we have about 75% of the households in Minnesota with a working computer and approximately 58% of those households statewide subscribe to broadband (these figures are from the 2008 Center for Rural Policy and Development survey). So you can strive for 100% broadband deployment, but if only 75% of households have a computer, 25% of that investment will go unused.

Right now, we are actively monitoring, but a lot is unknown. If it is a tax credit, that would be handled in tax filings. If it is a grant program, both DEED and DOC have experience in administering grants. (DEED has done Technology Catalyst Grants; DOC has its energy grant programs but the telecom side has some experience with telecom grants related to distributing Qwest penalty money in the past.)

If it is a more grass roots type of effort, those have been done in Minnesota. The Blandin Foundation has provided community grants for education and stimulating usage of broadband, so that is a model that is out there. Connected Nation, the company that is conducting the mapping project, has done county level teams to stimulate broadband usage in some of the other states where they've done the mapping. The Alabama advisory committee overseeing their Broadband Initiative just hired a company called CostQuest Associates to identify gaps in broadband, mapping, and to increase broadband usage in areas that lack it.

To demonstrate the uncertainty regarding what we may be called upon to respond to, I'd like to describe five from the several filings made with the Obama transition team with suggestions on how to include broadband in the stimulus package:

OPASTCO (which stands for the Organization for the Promotion and Advancement of Small Telecommunications Companies, and whose membership includes the nation's smallest telephone companies) is recommending that the stimulus package include "build-out" grants to rural telephone companies so that they can expand their networks to accommodate 25Mbps service. To receive the grants, a carrier would have to install fiber and appropriate network equipment and be a federal USF high cost program recipient.

The CWA is recommending that the stimulus package include funding for S.1492, the Broadband Data Improvement Act, which was past last year by Congress. Along with requiring studies of broadband speed and price in the United States and abroad, the law requires the Secretary of Commerce to award grants (with a 20% matching requirement) for the development and implementation of statewide initiatives to identify and track the availability and adoption of broadband services within each state, and would include funding for programs to improve computer ownership and internet access in unserved and underserved areas. The CWA is also advocating for accelerated depreciation for broadband infrastructure build outs and a broadband investment tax credit. For rural broadband, the CWA is supportive of direct grants and public/private partnership tax credit bonds. The CWA believes that stimulus funding should also be used to increase computer access and how to use the Internet through grants to community based organizations and libraries, and microloans to low income households to purchase a computer and to receive free broadband access while the household is paying off its loan.

Like the CWA, NARUC (the National Association of Regulatory Utility Commissioners) is recommending that the Obama stimulus package include full funding of the Broadband Data Improvement Act. NARUC further recommends that any federal stimulus money for broadband deployment programs be funneled through the states; that unserved and underserved areas be targeted and money not be used to fund a competitive broadband network; that any investment be to achieve next generation broadband speeds; that support go to the most efficient and economical technology that provides the necessary speed; and, that any federal program be of a specified duration and only use money specifically appropriated via the stimulus package and/or any matching or contributed State funds.

Qwest's proposal is for direct grants to be made to individual states to fund broadband deployment of unserved rural areas. The states would distribute the funds through an RFP process run by a state Office of Economic Development, which would have 60 days to review and grant or deny an application. The private industry would have the right of first refusal to deploy broadband to the target areas. Under Qwest's proposal, only if private industry did not pursue the opportunity should a governmental option be explored for the broadband deployment.

Finally, Sen. Klobuchar gave a speech on the Senate Floor indicating that last Monday she sent a letter to President-elect Obama. She indicated her belief that any broadband stimulus package must include mechanisms to bring affordable and fast broadband to this country. The stimulus package should fully fund the Broadband Data Improvement Act. It should fund matching grants for community-level partnerships that demonstrate strong cooperation among local governments, business, schools, healthcare and others. And, there should also be federal involvement in the creation of an advanced, interoperable communications network for public safety.

In conclusion, we are monitoring the situation and will continue to do so. We don't know at this time what, if any, role the Department of Commerce might have, but we can certainly stay in close communications with Committee staff as more is known on what might be in the Obama stimulus package regarding broadband.