

MEMORANDUM

To: Governor Ritter
From: John Conley & Phil Weiser
Re: Decisions on Broadband Stimulus Strategy
Date: March 7, 2009

The American Recovery and Reinvestment Act (ARRA) provides a total of \$7.2 billion to spur broadband deployment and adoption. This pool of federal funds creates a series of opportunities for Colorado and fits nicely with the initiatives OIT and the Innovation Council already have in place. This memorandum explains the nature of these opportunities and sets forth a suggested strategy for your consideration and ultimate sign-off.

I. Status of Colorado Broadband Initiative

As envisioned by *The Colorado Promise*, OIT is committed to spurring the deployment of broadband infrastructure throughout the State and facilitating its use for a range of applications—distance learning, tele-medicine, more efficient operation of businesses, public safety, etc. The first step to develop and implement a Colorado broadband strategy was the creation of the Governor’s Innovation Council and its broadband task force. A second step was the holding of two Broadband Summits, the first one focusing on the nature of broadband infrastructure and the second focusing on the development of broadband-intensive applications. The third, and most significant step, is the development of a mapping initiative that will collect data as to where broadband is deployed in Colorado. Ultimately, the map will be available online to provide citizens with this critical information and enable an ongoing feedback loop that will improve the accuracy of this information. Finally, with this information in hand, we expect to be able to better develop and implement policies to spur broadband deployment to unserved areas and encourage greater use of broadband technology. The mapping initiative is ready to commence as soon as we receive legislative approval to use public funds in addition to the private ones authorized in SB08-215. We have already selected a contractor through an RFP process (Connected Nation) and have raised the necessary funds to support this initiative.

II. ARRA

The funds available for broadband fall into two categories—those grants and loans available from RUS (Agriculture) (\$2.5 billion) and those available from NTIA (Commerce) (\$4.7 billion). The RUS grants and loans are available based on a set of priorities that could prove to be restrictive and, in the past, RUS support has failed to be sufficiently attractive to the community. It remains to be seen whether RUS can tweak its program to make it more effective. At this time, it is important for Colorado to monitor and track how RUS will disburse the funds so we can partner with likely applicants when necessary.

The NTIA funding will support four distinct purposes. First, it will include \$350 million to fund the Broadband Data Improvement Act, which provides funding (based on a 80/20 federal-state match) for inventory mapping and associated state broadband planning. For Colorado, this means that we could apply again for follow-on work to our current project and, based on \$200,000 raised or contributed by Colorado, receive a total \$1 million budget. (Even if we are not as successful as we were with private funders, we believe that a fund maintained by the PUC, the possibility of continued DOLA grants, and potential private foundation support all can support such an effort.) Moreover, the grants under this program are available to the States for

three years in a row. Consequently, we envision developing such applications and maintaining a robust broadband strategy.

The second and third NTIA programs are the set-aside funds of \$200 million for expanding computer center capacity and \$250 million for developing and maintaining sustainable adoption programs. In short, applying for and administering grants for both of these purposes will flow naturally from our effort to develop and oversee a state broadband strategy out of OIT. Obviously, such a strategy—both in terms of applying for and administering grants—will require the investment of resources in the form of persons who can manage this effort. We will follow up with recommendations on that front shortly.

Finally, the most significant opportunity is the availability of \$3.9 billion for grants designed to spur the deployment of broadband in unserved and underserved areas. The FCC's current definition of broadband is 768 kilobits per second, meaning that any area that only has access to lower speeds (including dial-up) qualifies as unserved. The concept of underserved is not defined and it is believed that the NTIA will prioritize unserved areas. The application window for such grants will open shortly and the NTIA will continue granting applications until September of 2010. The total amount may well grow if the RUS funds cannot be spent and Colorado may well be able to receive a greater than a per capita share if we are more organized and effective in supporting compelling applications. Each state must be granted at least one application per the ARRA.

III. Key Decisions To Be Made

The question on how to proceed on the NTIA grants involves whether the State should be actively involved in this process. Some States have yet—at least before the enactment of ARRA—to focus on broadband deployment and thus are scrambling to develop a strategy to address the issue. For Colorado, we have already developed a level of understanding and expertise that places us in a unique position. Indeed, we believe that we are in a position to be a model state in terms of managing this issue.

We would recommend that Colorado take a four-prong strategy as to the NTIA grants. First, we envision convening a conference of all providers and stakeholders where we would ask for data as to current broadband deployment and use that information to both kick off our mapping project and create a “rough justice” guide to where in Colorado broadband is currently lacking. This guide could be conveyed to the NTIA as a basis of evaluating grants from Colorado. Second, we would propose that the State apply directly for a sum of money that the state would, in turn, grant to individual applicants within Colorado. This strategy would both enable NTIA to get money out the door more quickly and would enable Colorado to manage the application process with our greater understanding of our needs. In so doing, we could catalyze a greater level of participation in (particularly among smaller providers) competitive bids for grants to provide service to unserved areas. The statute allows for states to apply directly for grants, although that provision is ambiguous as to whether the state would be the project participant or would merely turn around to fund others. In the latter case, the state would need to ask for a waiver of the requirement that it put forward 20% of the project amount, presumably committing to require all subsequent grantees to do just that. The final two strategies would be to hold the state out as both a grader of grant applicants and as a supporter/enabler of any in-state applicant.

The Innovation Council, including all major carriers in the state, decided to recommend the hybrid model of the state both applying directly and grading other applicants. The Council recognized that some grants might well make sense to be made on a multi-state basis and those companies with such proposals should go ahead and make them, with Colorado playing a role

only in evaluating the desirability of those projects from its perspective. At the same time, the Council recognized that, particularly for smaller providers, the NTIA grant process may well be intimidating and the NTIA may fail to process such applications effectively. Indeed, some indications from the NTIA are that they are unlikely to consider an array of smaller applications and will prefer to approve block grants to states that can evaluate and manage the evaluation of such proposals. In any event, given that it is far from clear what the NTIA will decide to do, the Council decided that the hybrid model would put Colorado in the best decision to maximize the total grants that would come to our State.

We need to make a final decision on our overall strategy as soon as possible so that we can start publishing our approach and prepare our messaging materials in connection with an April 1st Technical Conference. This Conference will bring together the key stakeholders and start the process of (1) the mapping initiative; (2) the drafting of the grants discussed above; and (3) building an engaged community and inter-governmental strategy around broadband deployment and adoption. Ideally, we might even have an initial draft or at least an outline of a grant application to preview at this Conference and elicit constructive feedback.