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## ISSUE REVIEW

Fiscal Services Division

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## Office of the Chief Information Officer Broadband Grants

### ISSUE

This **Issue Review** provides an overview of the background and application of the Office of the Chief Information Officer (OCIO) Broadband Grant Program, discussing the history, progress, and application process of the grant program.

### AFFECTED AGENCIES

Office of the Chief Information Officer

### CODE AUTHORITY

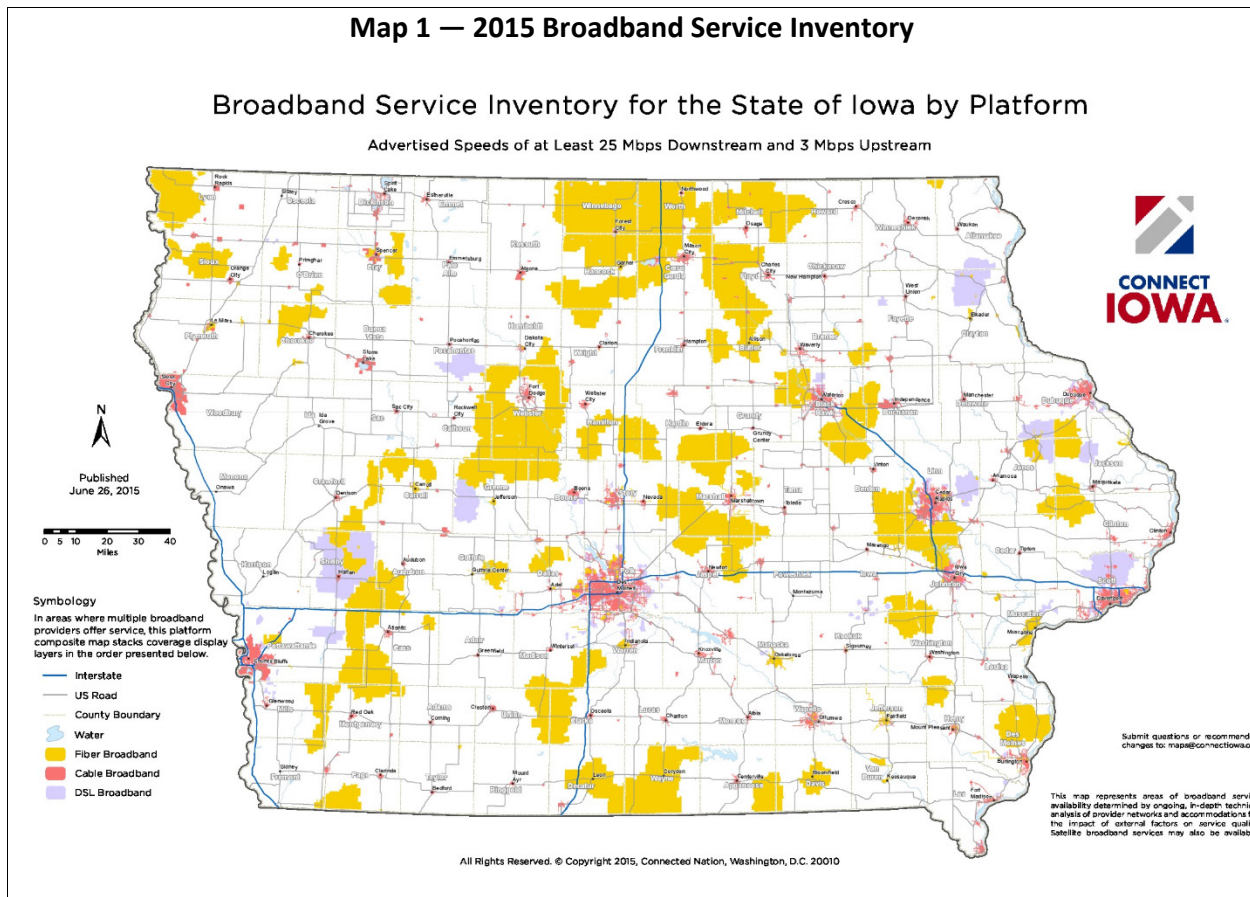
Iowa Code chapter [8B](#)

### BACKGROUND

In 2015, Governor Branstad signed 2015 Iowa Acts, chapter 120 ([Iowa Cell Siting Act](#)). Among other things, this Act established an initiative to provide broadband Internet access to rural Iowa. The Act directed the OCIO to administer a Broadband Grant Program to award grants to communication service providers to reduce or eliminate “targeted service areas” by installing broadband infrastructure in those areas. The Act defined a “targeted service area” as a “United States census bureau census block located in Iowa, including any crop operation located within the census block, within which no communication service provider offers or facilitates broadband service at or above 25 megabits per second of download speed and three megabits per second of upload speed as of [July 1, 2015].” **Map 1** displays the statewide coverage of broadband service providing 25 megabits per second of download speed and three megabits per second of upload speed as of June 26, 2015.<sup>1</sup>

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<sup>1</sup> [connectednation.org/iowa/wp-content/uploads/sites/11/2018/10/IA\\_Statewide\\_Broadband25M-pdf.jpg](http://connectednation.org/iowa/wp-content/uploads/sites/11/2018/10/IA_Statewide_Broadband25M-pdf.jpg)



The Act required the OCIO to include representatives from schools, communities, agriculture, industry, and other areas as appropriate to review and recommend grant awards. This grant program was limited to 15.0% of the communication service provider's total project cost, requiring the applicant to contribute the remaining 85.0%, and a grant deadline was set for July 1, 2020. The OCIO was given five specific competitive criteria upon which to base the awarding of grants, and discretion to include any other factors deemed relevant. The five specific factors are as follows:

- 1) The relative need for broadband infrastructure in the area and the existing broadband service speeds.
- 2) The percentage of homes, farms, schools, and businesses in the targeted service area that will be provided access to broadband service.
- 3) The geographic diversity of the project areas of all the applicants.
- 4) The economic impact of the project to the area.
- 5) The applicant's total proposed budget for the project, including the amount or percentage of local match, if any.

### **EMPOWER RURAL IOWA INITIATIVE**

In 2018, Governor Kim Reynolds issued [Executive Order Number 3](#), establishing the Empower Rural Iowa Initiative. This initiative created three subject matter task forces named the Investing in Rural Iowa Task Force, the Growing Rural Iowa Task Force, and the Connecting Rural Iowa Task Force.

The charge given to the Connecting Rural Iowa Task Force was to review the existing State policies and programs related to broadband connectivity in rural Iowa. The Task Force would then assess the impact of these policies and programs on rural Iowa and propose potential new policies and programs in addition to changes to those already in existence. The Task Force was directed to consider policy matters that could improve broadband connectivity in rural areas through regulatory adjustments, addressing funding issues, and cooperation with private service providers. The order required each task force to submit a report of initial recommendations to an Executive Committee, which in turn would provide an initial report to the Governor no later than December 31, 2018. Additional reports are required to follow on an annual basis.

The initial recommendations submitted by the Connecting Rural Iowa Task Force established two general goals. The first was to optimize the existing broadband grant program to ensure State funding could leverage as much private funding as possible, and the second was to identify a consistent funding source for the broadband grant program.

To accomplish the first goal, the Task Force recommended that the broadband connectivity maps throughout the State be updated, as at that time the most current maps were from 2015. The Task Force further recommended that if the remapping project was cost prohibitive, then an appeals process should be put into place to allow service providers to assert that the 2015 map did not contain current information. Accurate assessment mapping of current connectivity throughout the State would ensure that grants would be approved in areas with the greatest need. This would aid an additional Task Force recommendation that the grants target areas of the State with low connectivity rather than overbuild networks where broadband connectivity was already available.

The Task Force also recommended that new broadband infrastructure installations should be “future ready.” The original legislation in 2015 placed connectivity targets at 25 megabits per second for download speeds and 3 megabits per second for upload speed. The Task Force recommended increasing that rate to 100 megabits per second for download speeds, with a preference for systems that offer upload speeds that match download speeds. By increasing the speed threshold, the program would be making rural Iowa future ready by providing connection speeds that would be not only sufficient for use by businesses, schools, and residents in the present, but would not become obsolete as quickly as infrastructure designed to provide the previous 25 megabits per second requirement.

Another recommendation was that the grants be awarded on a platform-neutral basis and that no preference should be made for the means in which the required connectivity speeds are delivered. The Task Force said that applications for fiberoptic, mobile networks, fixed wireless, satellite Internet, or any other networks should be equally reviewed on the basis on their ability to provide reliable Internet connectivity to rural Iowa.

To make the most efficient use of public funds, the Task Force also recommended using partnerships with private entities. By encouraging investment from telecommunications providers and rural electric cooperatives, the State funds devoted to the project would maximize the benefit to rural Iowa.

## **FUNDING**

To address the issue of consistent funding, the Task Force considered two potential revenue sources. The first was to use online sales tax revenue to increase Iowans’ access to the online

economy, which would in turn increase tax revenue from the online economy. The second suggested revenue source was new gaming revenue. At the time the Task Force issued the recommendations, a recent U.S. Supreme Court ruling had made it possible to expand sports betting within the State. The Task Force acknowledged that the Legislature could potentially expand gaming programs, resulting in increased gaming revenue. As existing gaming revenue supported the State's infrastructure through contributions to the Rebuild Iowa Infrastructure Fund, the Task Force reasoned that it would be appropriate to devote new revenue to broadband, as broadband is another piece of Iowa's infrastructure.

The broadband grant program remained unfunded until the 2018 Legislative Session. For FY 2019, the Governor recommended appropriating \$2.6 million from the Rebuild Iowa Infrastructure Fund for the program. The Legislature in turn appropriated \$1.3 million for FY 2019 from the Rebuild Iowa Infrastructure Fund for broadband grants.<sup>2</sup> The OCIO received 17 applications requesting a combined total of \$4.8 million. Of the 17 applications, seven were approved and received the entirety of the \$1.3 million. The details of the seven approved grant applications will be discussed in greater detail below.

### **AWARDED GRANTS**

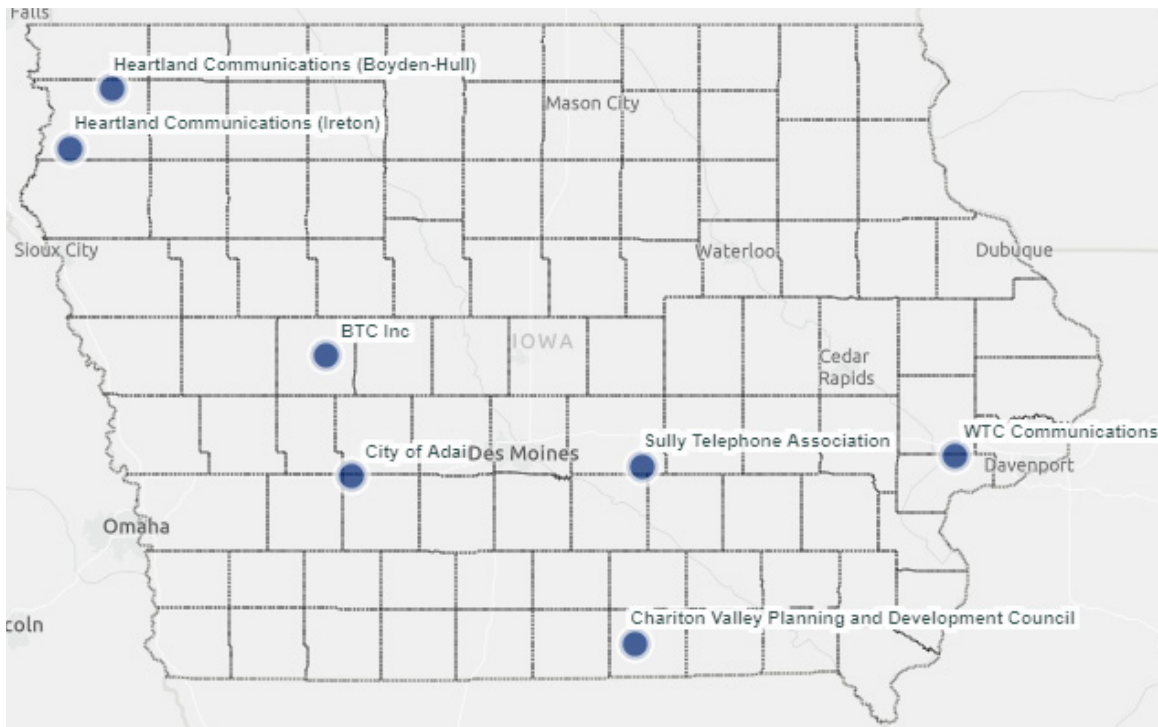
The initial Notice of Funding Availability was issued on December 17, 2018, and applications for grants were accepted between February 18 and March 15, 2019. The applications then underwent a technical review before being both posted for public comment and submitted to the members of the review committee on April 1. The OCIO then began its review of the applications on April 15, 2019, and issued its Notice of Intent to Award Funds on April 30, 2019.

The OCIO granted seven of 17 applications for the \$1.3 million appropriated in 2018 Iowa Acts, chapter [1162](#). The \$1.3 million in public funds were used to fund projects totaling approximately \$12.9 million. The seven awarded project areas contained a combined population of 12,804 people in 6,219 households. Once completed, the newly installed broadband infrastructure will serve 1,070 businesses and four schools. **Map 2** shows the locations and **Chart 1** shows a detailed breakdown of the names, amounts, and demographics of each of the seven awards.<sup>3</sup>

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<sup>2</sup> 2018 Iowa Acts, ch. 1162

<sup>3</sup> [iowa.maps.arcgis.com/apps/webappviewer/index.html?id=47e9ac13be784ceb9c9c573daf952eba](http://iowa.maps.arcgis.com/apps/webappviewer/index.html?id=47e9ac13be784ceb9c9c573daf952eba)

**Map 2 — Broadband Grants Awarded — FY 2019****Chart 1 — Broadband Grants Awarded — FY 2019**

Name	Award	Households	Businesses	Schools	Population
BTC Inc. - CR1 Carroll Fiber Optic Project	\$ 98,448	61	22	0	205
Chariton Valley PDC - Lockridge Networks	\$ 13,651	3,889	507	2	7,180
City of Adair Fiber Project	\$ 138,900	393	91	0	760
Heartland Telecommunications - Ireton	\$ 303,653	376	133	0	1,156
Heartland Telecommunications - Boyden and Hull	\$ 436,056	146	49	0	369
Sully Telephone Association	\$ 75,714	152	29	0	395
WTC Communications - Wilton	\$ 233,578	1,202	239	2	2,739
	\$ 1,300,000	6,219	1,070	4	12,804

**EMPOWER RURAL IOWA ACT**

For FY 2020, the Governor recommended appropriating \$10.0 million from the General Fund for the program via the OCIO's budget. The General Assembly then approved legislation appropriating \$5.0 million to the OCIO for the grant program in HF [759](#) (Appropriations and Related Statutory Changes Involving Certain State Departments, Agencies, Funds, and Certain

Other Entities, Providing for Regulatory Authority, and Other Properly Related Matters Act). Additionally, the 2019 legislation extended the original sunset date from June 30, 2020, to June 30, 2025, in HF [772](#) (Empower Rural Iowa Act). Both HF 759 and HF 772 were later signed by the Governor.

The Empower Rural Iowa Act made several revisions and modifications to the program in addition to extending the sunset date. The Empower Rural Iowa Act also modified the download and upload speed requirements established by the Iowa Cell Siting Act in 2015. The standard is now set to match “the download and upload speeds identified by the [F]ederal [C]ommunications [C]ommission pursuant to section 706 of the federal [Telecommunications Act of 1996](#), as amended.” Section 706 states that “the Commission and each State commission with regulatory jurisdiction over telecommunications services shall encourage the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans.” The Act goes on to define “advanced telecommunications capability” as “high-speed, switched, broadband telecommunications capability that enables users to originate and receive high-quality voice, data, graphics, and video telecommunications using any technology.”

In line with the recommendations provided by the Connecting Rural Iowa Task Force, the Empower Rural Iowa Act directed the OCIO to periodically make renewed determinations of whether a communication services provider offers to the public broadband services at or above the download and upload speeds specified by the Act. The Act also directed the OCIO to adopt rules establishing a procedure to allow applicants an opportunity to challenge the OCIO’s award of grants. These modifications to the grant program were intended to ensure that the data regarding rural connectivity is as current as possible and allows for service providers to challenge that data if the service provider believes it to be inaccurate or obsolete. The Act also added language directing the OCIO to leverage federal funds and public and private partnerships wherever possible.

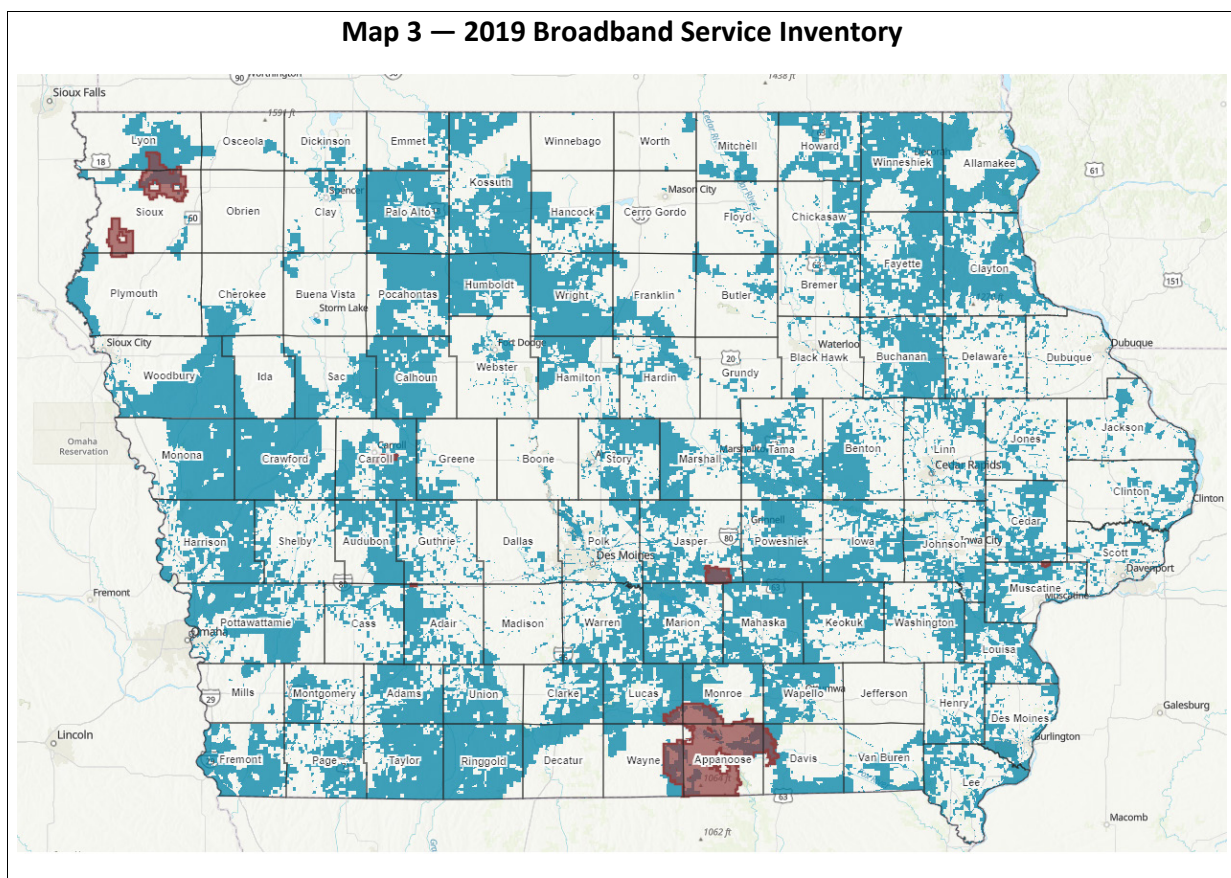
The Empower Rural Iowa Act also modified the criteria for granting the award. In addition to the discretion to include additional factors the OCIO deems relevant, the updated criteria provided in Iowa Code section [8B.11](#)(4), as of the date of this publication, are as follows:

- 1) The relative need for broadband infrastructure in the area and the existing broadband service speeds, including whether the project serves a rural area or areas.
- 2) The applicant’s total proposed budget for the project, including the amount or percentage of local or federal matching funds, if any, any funding obligations shared between public and private entities, and the percentage of funding provided directly from the applicant.
- 3) The relative download and upload speeds of proposed projects for all applicants.
- 4) The specific product attributes resulting from the proposed project, including technologies that provide higher qualities of service, such as service levels, latency, and other service attributes as determined by the OCIO.
- 5) The percentage of the homes, farms, schools, and businesses in the targeted service area that will be provided access to broadband service.
- 6) The geographic diversity of the project areas of all the applicants.
- 7) The economic impact of the project to the area.

Additionally, the OCIO was directed to afford the greatest weight to the first three factors listed.

### **CURRENT APPLICATION STATUS**

[Notice of Funding Availability #002](#) was preissued on August 19, 2019. This opened a feedback opportunity period for interested applicants to discuss the terms of conditions of the next round of grant applications. The Notice was issued on September 20, 2019, officially opening the application window. Applications were due on October 18, 2019, then the applications underwent a technical review and were posted for public comment on October 25, 2019, and the OCIO review began on October 28, 2019. The anticipated date for the Notice of Intent to Award Funds is November 22, 2019. **Map 3** displays the OCIO's broadband coverage areas as of November 1, 2019.<sup>4</sup> In this map the areas shaded in blue are targeted service areas eligible for the grant program, and the areas shaded in red represent areas covered by prior State grant awards.



The application for grants requests information on the delivery platform, prospective product attributes, and demographics of the targeted service area. This will provide the OCIO with information on the means and quality of broadband connectivity the service provider's project is expected to provide, as well as which areas of the State and how many people, households, businesses, and schools will benefit from the project. The application asks how many people, households, businesses, and schools are already sufficiently supplied with broadband access to ensure that funding is provided in areas where there is a current lack of broadband options, rather than allowing the grants to be used to create redundancy.

<sup>4</sup> [iowa.maps.arcgis.com/apps/webappviewer/index.html?id=6a88a5f1522b450682e6e66692469dd](http://iowa.maps.arcgis.com/apps/webappviewer/index.html?id=6a88a5f1522b450682e6e66692469dd)

The application also collects information on the anticipated budget of the project. Applications are only approved if 85.0% of the funding comes from local, federal, or other nonpublic sources. Applicants can seek reimbursement through program funds for no more than 15.0% of the lesser of the estimated total project cost or the actual total project cost. Detailed information on these other sources is requested in the grant application process. The application also gives applicants an opportunity to provide more subjective information on the proposed project, such as discussing how the project will positively impact the area or the potential economic impacts.

Applicants are to provide detailed budgetary estimates including but not limited to the anticipated feet and cost per foot of conduit, copper or fiber cable, boring and trenching distances, and how much routing, switching, and optical equipment will be required to complete the project.

### **OTHER STATE AND FEDERAL PROGRAMS**

According to the National Conference of State Legislatures, all 50 states have created a task force, commission, or broadband project to advance broadband availability for their citizens. These programs vary from identifying underserved or unserved geographic areas to establishing statewide broadband infrastructure to promoting public and private sector joint initiatives.

Illinois created a "[Broadband Advisory Council](#)" to explore ways to expand broadband access throughout the state, including examining ways to encourage end-user customers to use available technologies, identifying barriers to adoption by residents and small businesses, assessing the availability of broadband for low-income households, and other public outreach initiatives. The creation of the Council did not include a corresponding appropriation.

Kansas established the "Statewide Broadband Expansion Planning Task Force" through [2018 Chapter 65](#). Comprised of 17 voting members, the Task Force was directed to investigate various matters regarding feasibility and scope in order to best implement a statewide broadband expansion program. This included but was not limited to reviewing current Kansas law and regulations regarding use of public utility rights-of-ways, identifying potential risks, issues, and constraints associated with a statewide broadband expansion project, and providing an upgradable, functional map of the state of available broadband service. The creation of the Task Force did not include a corresponding appropriation.

Nebraska also created a "[Rural Broadband Task Force](#)" in [LB 994](#) to assess the availability, adoption, and affordability of broadband services in rural areas of Nebraska. This Task Force was directed to determine how Nebraska's rural areas compare to similar areas in neighboring states, examine the role of the Nebraska Telecommunications Universal Service Fund in bringing broadband services to rural areas, examine alternatives, and determine what other issues may be pertinent before presenting recommendations to the governor and legislature. In addition to creating the Task Force, LB 994 created the Rural Broadband Task Force Fund and directed the state treasurer to transfer \$50,000 from the Nebraska Internet Enhancement Fund to the Rural Broadband Task Force Fund on or before July 15, 2018.

Minnesota has the "[Border to Border Broadband Development Grant Program](#)," which was created through the Office of Broadband Development in 2014 in Minnesota Statute [116J.395](#). The purpose of the Program is to provide state resources in building and expanding broadband infrastructure into unserved and underserved areas of the state. During the 2019 Legislative Session, the state appropriated \$20.0 million for each of the two following years with a maximum award limit of \$5.0 million per grant. The grants can provide up to 50.0% of the



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project's total infrastructure costs. The grant program has received applications exceeding the available funding every year that it has been available.

South Dakota enacted the "[Connect South Dakota](#)" program in March 2019, and by May 20, 2019, had awarded \$5.0 million to eight grant recipients, leveraging more than \$11.4 million in total project costs.

Wisconsin created the "[Broadband Expansion Grant](#)" program in 2013 to help meet the demand for broadband access in unserved or underserved areas. In the six years since the program's inception, \$20.1 million has been granted to 138 projects. On September 4, 2019, the application round for FY 2020 opened with \$24.0 million available.

There are more than 50 [federal broadband programs](#) offering grants, loans, and other resources for broadband-related purposes. These include broadband adoption, broadband infrastructure funding, digital skills training, planning and feasibility studies, and creating additional public computer access. The resources are available to commercial Internet service providers, utilities, financial institutions, K-12 schools and higher education institutions, hospitals, libraries, state and local governments, tribal entities, and others.

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