



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #546

### Funding for State Broadband Office (Public Service Commission)

[LFB 2015-17 Budget Summary: Page 375, #3]

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#### CURRENT LAW

The Public Service Commission (PSC) maintains a State Broadband Office within the Division of Business and Communication Services. The office maintains the state broadband map, administers the broadband expansion program, and performs other functions.

#### GOVERNOR

Increase expenditure authority for the PSC's utility regulation appropriation by \$250,000 PR annually to provide funding for the state broadband office. The administration indicates that the additional expenditure authority would be used to continue contracts with third party providers who maintain the state's broadband map and collect information from telecommunications providers related to broadband access and capacity. The utility regulation appropriation is funded with revenues from PSC assessments on investor-owned and municipally-owned public utilities. Consequently, there would be a corresponding increase in program revenues.

#### DISCUSSION POINTS

1. In 2009, the PSC was designated Wisconsin's lead agency for state broadband data and development, which allowed it to apply for and receive grants from the National Telecommunications Information Administration (NTIA) in the U.S. Department of Commerce. At that time, federal law required the NTIA to develop and maintain a comprehensive, interactive, and searchable nationwide inventory map of available broadband service capability. Through the grant

program, each state has developed its own broadband map, subject to federal specifications, with a link to the nationwide map. Semiannual updates to the map are required that include information on the availability, speed, and location of broadband services throughout the state. Updates also include information on the broadband services that schools, libraries, hospitals, and other community institutions use. Knowledge of the availability, speed, location, and use of broadband services facilitates planning for future deployment of broadband services so that those services can be more fully integrated into local economies.

2. Since 2009, federal grant payments to the PSC have totaled more than \$4.5 million. Those dollars have been used to develop the state's broadband map and to engage in broadband planning. The PSC's initial data submission to NTIA occurred on March 31, 2010, reflecting data as of June 30, 2009, and the PSC has provided semiannual updates to the map since then. In 2014, the Federal Communications Commission (FCC) assumed responsibility from NTIA for maintaining the nationwide map. The transition was intended to streamline the submission of data, largely for the benefit of broadband providers. The first data submission to the FCC occurred in late 2014, based on broadband coverage as of June 30, 2014.

3. Wisconsin's broadband map is an interactive map that depicts the availability of different levels of advertised broadband service within each of the Wisconsin's 250,000 census blocks. In addition, technology-based tools, or applications, have been developed that complement the map. For example, one such tool helps consumers determine how much band width they need. The map is available at [link.wisconsin.gov](http://link.wisconsin.gov).

4. The federal grant expired earlier this year, and the PSC submitted its final grant report on January 15, 2015. In anticipation of the expiration, DOA submitted a s. 16.505/16.515 request to the Joint Committee on Finance in April 2014, seeking authorization for 3.0 PR permanent positions in the State Broadband Office to continue the work performed under the grant. Two of the positions would have been converted from FED project status, and the third position would have been created. The positions included a mapping architect, a mapping coordinator, and an outreach and communications manager, who would have performed functions previously performed by subcontractors.

5. At a meeting on May 6, 2014, the Committee voted to modify DOA's recommendation by eliminating the outreach and communications manager position and shifting spending authority for the position to supplies and services so that the functions related to the position could continue to be performed by contractors. The two other positions were authorized as PR project positions through June 30, 2015. The Committee specified that neither the positions nor PR funding (\$477,400 in 2014-15) was to be included in the PSC's base year spending authority for purposes of developing the 2015-17 biennial budget.

6. The \$250,000 in requested expenditure authority would be combined with \$100,000 in existing authority, and \$350,000 would be used for contracts with vendors. The contractors would be used to collect the data necessary to maintain the broadband map and to perform related work. To date, CostQuest Associates has been the primary contractor, and CostQuest has subcontracted some work to other vendors. Telecommunications providers have expressed a preference to provide their data to a third party vendor, rather than directly to the PSC.

7. Regular updates to the map are important because the market for broadband service is highly competitive and changes to service levels are constantly occurring. While the map includes a tool that connects consumers with service providers, the map is also useful in broadband planning. Broadband planning enables the efficient allocation of broadband resources. These resources are valuable to the state's economic development and assist in the delivery of public safety services. Broadband services also improve the quality of life for the state's residents.

8. The broadband map and its underlying data also assist the PSC in its administration of the broadband expansion grant program. That program provides grants which help fund projects that increase broadband access and capacity in underserved areas of the state. Profit and not-for-profit organizations, telecommunications utilities, and those organizations and utilities in partnership with municipalities and counties are eligible to apply for grants. Currently, grant funding is set at \$500,000 annually, but another provision in the bill proposes to increase funding. A separate Fiscal Bureau budget paper addresses the proposed funding increase.

9. In 2010, the PSC maintained a separate division, which was responsible for overseeing the telecommunications industry in Wisconsin and regulating those services that were within its jurisdiction. The Telecommunications Division had a staff of 17 FTE employees at that time. In response to increased competition in the telecommunications industry the Legislature enacted 2011 Wisconsin Act 22. As a result of the Act, telecommunications utilities in Wisconsin have become largely free of traditional utility regulation with respect to their offering retail services to customers.

10. In response to 2011 Act 22, the PSC has downsized its telecommunications staff, merging its Telecommunications Division with its Division of Administrative Services on October 1, 2013. Not counting the division administrator and the two project positions authorized through June 30, 2015, the newly-created Division of Business and Communications Services currently contains only five positions performing telecommunications functions related to universal service programs, certification of eligible telecommunications carriers, area code assignment, caller identification, choice of local providers, local exchange competition, slamming (the unauthorized change from one long distance provider to another), the police and fire protection fee, resellers, rural call completion issues, and broadband. Only one of those positions is assigned exclusively to the state broadband office, and two of the staff members contribute about 50% of their time to broadband issues. Most of the other positions from the Telecommunications Division have been eliminated, although some have been re-assigned.

11. The two project positions authorized under the Committee's s. 16.505/16.515 review are not included in the positions described above and will terminate on June 30, 2015. In addition to the one position re-assigned to the State Broadband Office, positions assigned primarily to other activities in the Division assist in some broadband functions. Commission staff indicate that the PSC plans to "provide a seamless transition of the program" under the bill and may reassign existing positions that become vacant to the state broadband office to assist with the maintenance of the mapping function.

12. If the transition does not occur as planned, DOA could make a s. 16.505/16.515 request to the Finance Committee on behalf of the Commission, similar to the one in 2014. Another option would be for the Committee to authorize the requested funding for 2015-17 but not include it

as base funding for the 2017-19 biennium. This would afford the Committee the opportunity to reevaluate how the state broadband office is functioning before authorizing on-going funding. This is presented as Alternative 2.

13. Except for a relatively small amount of federal revenue, most funding that the PSC receives is either program (PR) or segregated revenues, generated by assessments on public utilities. The proposed increase in expenditure authority would be funded through the PSC's remainder assessment, authorized under s. 196.85(2) of the state statutes. The remainder assessment is used to fund the PSC's PR expenditures that are not related to a specific utility, power district, or sewerage system, and is imposed on public utilities, power districts, and sewerage systems in proportion to each entity's gross operating revenues in the prior year.

## **ALTERNATIVES**

1. Approve the Governor's recommendation to increase expenditure authority for the PSC's utility regulation appropriation by \$250,000 PR annually to provide funding for the state broadband office.

2. Approve the Governor's recommendation to increase expenditure authority for the PSC's utility regulation appropriation by \$250,000 in each year of the 2015-17 biennium to provide funding for the state broadband office, but specify that the funding be one-time and not be included in the base year for purposes of developing the 2017-19 biennial budget.

3. Delete provision.

<b>ALT 3</b>	<b>Change to Bill</b>
PR	- \$500,000

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