



## Legislative Fiscal Bureau

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October 31, 2019

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Public Service Commission: Section 16.505/.515 Request to Provide 1.0 Permanent Position for Broadband Expansion Grant Management -- Agenda Item IV

On September 24, 2019, the Department of Administration (DOA) submitted for the Committee's approval, under a 14-day passive review, a request by the Public Service Commission (PSC) for the creation of 1.0 PR grant specialist position in the PSC's State Broadband Office. The request would also provide funding of \$53,000 PR in 2019-20 and \$70,700 PR beginning in 2020-21 for salary and fringe benefit costs of the position. The position would be budgeted under the PSC general appropriation for utility regulation, funded by assessments on regulated entities.

On October 14, 2019, the Co-Chairs notified DOA that an objection had been raised, and the Committee would schedule a meeting to consider the matter. The request is now before the Committee under s. 13.10 of the statutes.

### **BACKGROUND**

The PSC administers the broadband expansion grant program, created by 2013 Wisconsin Act 20. 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. Grants are to be used for projects that increase broadband access and capacity in underserved areas of the state. Priority is given to projects that include matching funds, involve public-private partnerships, affect areas with no broadband service providers, are scalable, promote economic development, or affect a large geographic area or a large number of underserved individuals or communities.

Broadband expansion grants are supported by the universal service fund (USF), which was created to ensure that all state residents receive essential telecommunications services. Funding for USF programs is derived from PSC assessments on companies providing retail intrastate voice telecommunications services. Providers pay assessments monthly based on an assessment rate that the PSC adjusts annually. In general, broadband expansion grants have been funded from: (a) federal

funds under the e-rate program, which is administered by DOA; (b) unencumbered balances of the USF; and (c) amounts transferred from DOA telecommunications and information technology program funds.

Table 1 shows historical broadband expansion grant funding, including amounts provided under 2019 Wisconsin Act 9, the 2019-21 biennial budget act. In 2019 Assembly Bill 56/Senate Bill 59, the Governor had recommended \$74.6 million in increased grant funding, which would have included: (a) \$50.4 million in general purpose revenues (GPR) in a new biennial appropriation, with \$20 million GPR as annual base funding; (b) \$24.2 million in federal e-rate funds transferred on a one-time basis from DOA in the biennium. Changes by the Committee deleted proposed GPR funding and instead transferred \$22 million to the USF from federal e-rate funds each year, but only on a one-time basis in the 2019-21 biennium. These funds are in addition to unencumbered amounts from other USF SEG appropriations, which are transferred to broadband expansion grants for use the following year. PSC is provided at least \$2 million each year from the USF, should transfers not reach that amount, for which PSC can make assessments to ensure a minimum grant funding level each year.

**TABLE 1**  
**Broadband Expansion Grant Funding**

Year	Appropriations				Awards	Available Balance
	PR	USF SEG	E-Rate FED	Total Available		
2013-14	\$4,300,000 <sup>a</sup>			\$4,300,000	\$500,000	\$3,800,000
2014-15				3,800,000	452,600	3,347,400
2015-16	-3,347,400 <sup>a</sup>	\$6,000,000 <sup>b</sup>		6,000,000	1,500,000	4,500,000
2016-17				4,500,000	1,500,000	3,000,000
2017-18			11,000,000	14,000,000	9,189,000	4,811,000
2018-19		2,242,600 <sup>c</sup>		7,053,600	7,053,600	0
2019-20		3,075,700 <sup>c</sup>	22,000,000	25,075,700	n/a	n/a
2020-21		<u>2,000,000<sup>d</sup></u>	<u>22,000,000</u>	<u>24,000,000</u>	<u>n/a</u>	n/a
Total	\$952,600	\$13,318,300	\$55,000,000	\$88,729,300	\$20,195,200	

<sup>a</sup> From the Department of Administration's appropriation for information technology and communications services to nonstate entities. Remaining amounts were transferred to the general fund under 2015 Act 55.

<sup>b</sup> From the unencumbered balance of the USF.

<sup>c</sup> Sweeps of \$2,242,600 and \$3,075,700 in 2017-18 and 2018-19, respectively, of unexpended amounts in other USF appropriations.

<sup>d</sup> Minimum amount. If sweeps from other USF appropriations are insufficient, PSC is authorized to assess USF contributors an additional amount sufficient to meet the \$2,000,000 minimum.

Table 2 shows the broadband expansion grants awarded over the program's history. Grant applications for up to \$24 million in 2019-20 grant funds are currently being accepted and are due by December 19, 2019. PSC staff expect all funds available under Act 9 for the 2019-21 biennium will be awarded during the biennium.

**TABLE 2**

**Broadband Expansion Grant Awards**

<u>Round</u>	<u>Applicants</u>	<u>Amount Requested</u>	<u>Awards</u>	<u>Amount Awarded</u>
1 (2014)	24	\$2,967,609	7	\$500,000
2 (2015)	13	1,860,352	7	452,579
3 (2016)	28	4,413,096	11	1,500,000
4 (2017)	37	5,288,385	17	1,500,000
5 (2018)	51	7,413,227	13	1,500,000
6 (2018)	78	22,257,583	46	7,688,982
7 (2019)	<u>83</u>	<u>17,181,829</u>	<u>37</u>	<u>7,053,577</u>
Total	314*	\$61,382,081*	138	\$20,195,138

\*Totals may reflect double-counting of projects that reapply for funding.

Under a staffing reorganization initiated in mid-2019, the State Broadband Office is now part of the Office of Broadband and Telecommunications Access. The State Broadband Office currently has 4.0 staff, including 1.0 analyst, 2.0 information services positions assigned to broadband service mapping, and 1.0 broadband expansion grants manager. In August, 2019, the Commission filled a vacant 1.0 position as the broadband expansion grant manager, which previously was assigned to web development. The full-time grant manager and analyst share responsibilities for broadband expansion grant program administration, although the analyst maintains other telecommunications program duties outside the broadband expansion grant program. The request would increase staff dedicated in whole or in part to broadband expansion grant administration to 3.0, with an additional 2.0 mapping positions working alongside grant management staff.

PSC staff note existing grant management staff allocate work hours as follows: (a) approximately 50% of time to managing in-progress grants, including drafting agreements, monitoring project status and benchmarks, drafting grant amendments, reviewing reimbursement requests and closing grants; (b) approximately 30% to grant application evaluation and review, which includes assisting commissioners in reviewing proposals and awarding grants; (c) approximately 10% to preparing grant application rounds, including updating application documents, updating mapping resources, and conducting outreach for prospective applicants; and (d) approximately 10% to media and legislative requests, and fulfilling other public inquiries or contacts.

**ANALYSIS**

The request is identical to a provision in the Governor's biennial budget recommendations, which sought 1.0 PR position in conjunction with the bill's proposed increased grant funding. Committee action made no changes to PSC base position authority, deleting the proposed position from the bill.

PSC staff argue an additional 1.0 position remains necessary to adequately complete all tasks

associated with grant management, including: (a) monitoring activities under open grants; and (b) drafting grant amendments to address changes in projects. PSC staff contend additional grant oversight is needed to maintain sufficient fiscal controls of grant expenditures. PSC staff also note the number of grants awarded each cycle has generally increased, particularly as additional funds have been appropriated to the program. Although grant awards have not yet been made for the 2019-21 biennium, Commission staff expect that the total amount of awards will be larger, and the complexity of projects will be higher, as remaining unserved or underserved areas likely require relatively larger allocations of funding to establish broadband infrastructure.

PSC staff report grants typically have a two-year execution period, with extensions possible for good cause. Reimbursement and closing may take additional time. As such, grants awarded throughout the 2019-21 biennium will likely be open into the 2021-23 biennium, and perhaps as late as the beginning of the 2023-25 biennium.

Table 3 shows the broadband expansion grants outstanding as of each January 1 and July 1 since 2014. PSC staff indicate from the beginning of the period shown to January, 2019, staffing allocated to grant administration was typically conducted by 1.0 program and policy analyst that was not organizationally assigned to the State Broadband Office, and was also responsible for other activities outside of broadband expansion grant management. As described previously, PSC staff report the 2.0 positions are currently assigned to the program, although the analyst maintains other responsibilities outside the broadband expansion grant program. The request would allow for all or part of 3.0 positions to be assigned to broadband expansion grants.

**TABLE 3**

**Broadband Expansion Grants Outstanding by Six-Month Intervals**

	Grant Cycle (FY)							Total
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018 (1)</u>	<u>2018 (2)</u>	<u>2019</u>	
July, 2014	7							7
January, 2015	7	7						14
July, 2015	5	6						11
January, 2016	3	3	11					17
July, 2016	1	2	11					14
January, 2017	0	0	9	17				26
July, 2017	0	0	6	14				20
January, 2018	0	0	1	10	13			24
July, 2018	0	0	0	5	13	46	0	64
January, 2019	0	0	0	2	10	46	37	95
July, 2019	0	0	0	0	6	43	37	86

PSC staff note the Commission has never been directly provided staffing to administer broadband expansion grants. When PSC administered relatively few broadband expansion grants, PSC staff argue it was more feasible to accommodate program administration by diverting portions of staff time from other programs. PSC staff contend personnel resources now available are not

commensurate with the increases in issued and outstanding grants, shown in Tables 2 and 3, following substantial additional program funding under 2017 Wisconsin Act 59 and 2019 Act 9. PSC reports it considered reallocating additional positions, but determined other agency program needs required maintenance of staffing in those areas.

The current request is identical to the budget bill request, which was made assuming a position authorized effective July 1, 2019, would be filled beginning approximately October 1, 2019, and budgeted at about 75% of the cost of filling the position on an annual basis. PSC indicates it would move as quickly as possible to recruit and fill the position if approved. However, because eight months remain in the 2019-20 fiscal year, and assuming the position would still require approximately three months' time to recruit and fill, the Committee could approve the request with funding of \$29,500 in 2019-20, which would fund salary and fringe benefits for the final five months of the fiscal year [Alternative 1]. This would reduce the administration's request by \$23,500 in 2019-20.

Broadband expansion grant program funding has been supported primarily by limited-term transfers of e-rate funds in the last two biennial budgets. However, Act 9 transfers a substantial amount of available e-rate balances for broadband expansion grants in the 2019-21 biennium, and it is not certain e-rate program balances would be sufficient to support transfers to broadband expansion grants at current levels in future biennia. Therefore, if the Committee wished to provide additional staffing to meet potentially short-term program funding increases, the Committee could consider providing 1.0 four-year project position for grant management [Alternative 2]. As described earlier, broadband expansion grants awarded with 2020-21 funding may be open through much of the 2023 calendar year, should any grant projects receive extensions. A four-year project position extending to approximately December, 2023, would provide additional staffing for grants funded during the 2019-21 biennium, which would be expected to close by that time.

Consistent with its action on the 2019-21 budget, the Committee could also deny the request [Alternative 3].

## **ALTERNATIVES**

1. Approve the request for 1.0 permanent position for broadband expansion grant management under the Public Service Commission appropriation for utility regulation [s. 20.155 (1)(g)]. Provide funding of \$29,500 PR in 2019-20 and \$70,700 PR beginning in 2020-21 for salary and fringe benefit costs of the position.

2. Approve the request for 1.0 PR position for broadband expansion grant management under the Commission appropriation for utility regulation [s. 20.155 (1)(g)]. Specify the position as a four-year project position. Provide funding of \$29,500 PR in 2019-20 and \$70,700 PR beginning in 2020-21.

3. Deny the request.

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