



October 3, 2016

Margaret Anderson Kelliher
Chair, Governor's Broadband Task Force
St. Paul, MN

Dear Chair Anderson Kelliher:

Our organizations represent a broad cross-sector of statewide and community interest groups – schools, economic development, and local government. This letter is built on the priorities that our group has discussed based on our knowledge of our community opportunities and challenges and our observations about broadband trends. We strongly urge the task force to consider our priorities as you develop and adopt recommendations for legislative and executive branches and help policy leaders understand the central role that robust broadband plays in rural community vitality.

Our priorities are:

1. Fund the Office of Broadband

The Office of Broadband is a visible sign that improving broadband networks and services – Border-to-Border – is a shared and non-partisan priority for Minnesota. The Minnesota legislature charged the office with a long list of important goals critical to the well-being and economic prosperity of all Minnesotans. These include to:

- drive job creation, promote innovation, and expand markets for Minnesota businesses;
- serve the ongoing and growing needs of Minnesota's education systems, health care system, public safety system, industries and businesses, governmental operations, and citizens; and
- improve accessibility for unserved and underserved communities.

The OBD must be adequately resourced to accomplish those important goals. Accordingly, we urge the Task Force to again include, as it did in its 2015 report to the legislature, a recommendation to create an Office of Broadband operating fund to advance and support programs and projects aimed at promoting broadband adoption and use.

2. Fund the Border-to-Border Broadband Fund

Creating the partnerships, plans, financial models, engineering, and market information necessary to submit an application for funding requires long timelines and sustained efforts and is costly to all project partners – local governments and providers alike. Increased funding as well as sustained funding from year to year is necessary for good planning. Funding uncertainty creates disincentives for applicants weighing the costs/benefits of mounting the considerable efforts needed to craft successful and impactful projects.

We urge the Task Force to again include in its 2016 report a recommendation that the legislature allocate \$100 million to the border-to-border broadband fund. Additionally, we urge the Task Force to recommend that the legislature explore options for putting the fund on a more sustainable and predictable footing.

3. Fix the Border-to-Border Broadband Fund

We believe that there are a number of policy elements with a significant negative impact that are slowing down the process and discouraging some communities from applying. This bottleneck may not only hinder disbursement of the 2016 allotment of \$35 million, but may give policymakers the wrong impression that funds are neither needed nor desired by the target communities.

First, the challenge process is vague and overly protective of incumbent providers that are not delivering broadband consistent with state speed goals in rural Minnesota. Though official information is not yet available, the word among applicants is that nearly all applications have generated challenge letters from incumbent providers. With no remedy for obstructive challenges, the net result of the current challenge process has been to create confusion and uncertainty, which in turn has discouraged and stifled prospective applications.

Second, providers that challenge projects are not required to commit, in writing with financial guarantees, to deploying equal or better broadband to that proposed by grant applicants within specific, enforceable timeframes. With Gigabit broadband increasingly common, it is not in the public interest to prevent community leaders and their competitive provider partners from submitting projects that will provide better service than the incumbent would provide after using the challenge process. The challenge process should revert to its original form as adopted when the grant program was created that allows conversations to happen among providers while allowing the Office of Broadband flexibility.

Third, in a competitive grant environment, all grant funds should be used to deliver broadband services that are transformative, not incrementally better than what exists today. At a minimum, all networks funded should be able to reach the 2026 goal of 100 Mb/20 Mb when installed.

Fourth, Minnesota's commitment to "border-to-border broadband" means that we must find a way to bring broadband even to the most difficult to serve areas of our state. Financial models and experience show that even with a 50 percent grant, some areas will not provide adequate cash flow to pay for debt service and operations. The grant program guidelines should be made flexible enough so that state grants could exceed 50 percent of project costs.

Thank you for your consideration of our recommendations. A representative of our Broadband Coalition plans to participate in the public comment portion of the October broadband task force meeting.

Sincerely,

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Association of Minnesota Counties (AMC)

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