



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

MEMORANDUM

To: The Honorable Bill Lee, Governor
The Honorable Randy McNally, Lieutenant Governor
The Honorable Cameron Sexton, Speaker of the House of Representatives

From: Bob Rolfe, Commissioner
Economic and Community Development

Date: April 17, 2020

Subject: Broadband Accessibility Grant Report – FY2018-2020

Introduction

Pursuant to Tenn. Code Ann. § 4-3-708(h) as amended by the Tennessee Broadband Accessibility Act (“TBAA”), the Tennessee Department of Economic and Community Development (“TNECD”) provides this report on the status of grants under the Broadband Accessibility Grant program including progress toward increased access to and adoption of broadband services.

The TBAA, passed in April 2017 with overwhelming support from the General Assembly, established the State’s broadband efforts around three main areas of focus: investment, deregulation, and education. The TBAA was the result of nearly two years of study and discussion on the part of the TNECD and the Tennessee Advisory Commission on Intergovernmental Relations (“TACIR”). Furthermore, a follow-up to TACIR’s initial “Broadband Internet, Deployment, Availability, and Adoption in Tennessee” report is expected in 2021.

FY2020 marks our third year of operating under the TBAA, and while reaching our goals related to broadband access and adoption is a multiyear approach, progress is being made. The FCC’s 2019 Broadband Deployment Report released in May 2019 showed that broadband access (defined as a fixed, 25/3 connection) was up from 91% in their February 2018 report to 91.3%. While a small increase, this demonstrates the continued work that has been done by the providers of all types across the state. Additionally, the minimal increase from 2018-2019 could be attributed to the FCC’s focused efforts on correcting some erroneous data from previous reports, which resulted in a smaller change in 2019. Note that the data presented in the FCC’s most recent report does not yet reflect state investments in broadband grants, as the data was collected prior to the completion of the first round of grant projects. The FCC’s report also detailed an increase in the adoption rate of 25mb/3mb services from 46.8% to 53.4% over the same time period. Of note, Tennessee’s broadband programming was recently highlighted among nine states in the Pew Charitable Trusts “How States Are Expanding Broadband Access” report.

Investment

The investment component of the TBAA established the Broadband Accessibility Grant program. \$10M in funding was appropriated in FY2018, \$15M for FY2019 and \$20M for FY2020. This technology-neutral program, open to any type of internet provider, is designed to offset the capital costs associated with providing broadband to high-cost, unserved areas.

For the third round of funding, the FY2020 application period lasted from July 22 to November 20, 2019 and resulted in the timely submission of 50 applications requesting more than \$62 million. To



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be considered eligible, a proposed service area must have lacked a terrestrial, fixed 25mb/3mb connection based on FCC Form 477 data or supplemental information provided by applicants. This represented a change from previous rounds, where applications were accepted only for locations lacking a terrestrial, fixed 10mb/1mb connection. In order to ensure the program adhered to the TBAA that requires prioritization of areas lacking 10mb/1mb, a significant amount of scoring points were awarded to those project areas lacking 10mb/1mb speeds.

To support applicants, TNECD provided program guidelines, eligible area maps, and FAQs in addition to hosting webinars and one in-person regional meeting in Bolivar, a region where the program hoped to encourage more grant applications. Applicants included a variety of different types and sizes of providers: telephone companies, cable companies, electric cooperatives, telephone cooperatives, municipal utilities, satellite providers, and other private providers.

Application scoring was conducted by an internal TNECD team from the Community and Rural Development Division. An external consultant with Connected Nation also provided technical expertise related to network design and applicant business models as needed. Scoring was designed to comply with statutory priorities and evaluated areas such as eligibility, need for grant funding, sustainability and implementation readiness, speed and scalability, affordability, and community impact. In response to Governor Lee's Executive Order 1, the program adjusted its scoring this year to include additional points for projects located in federally distressed or at-risk counties. Applicants were provided a scoring rubric during the application period.

To ensure grant funds would be awarded only for deploying to locations lacking a terrestrial, fixed 25mb/3mb connection, Connected Nation conducted field verification for grant projects likely to be funded in cases where existing service availability was in question.

TNECD awarded FY2020 Broadband Accessibility Grants to the following recipients

- Ben Lomand Connect: \$2,000,000 serving parts of Cumberland County
- BTC Fiber: \$1,500,000 serving parts of Bledsoe County
- Charter Communications (Spectrum): \$140,433 serving parts of Henderson County
- Comcast: \$568,509.64 serving parts of Cheatham and Dickson Counties
- Fayetteville Public Utilities: \$1,750,000 serving parts of Lincoln County
- Forked Deer Electric Cooperative: \$719,921 serving parts of Haywood and Lauderdale Counties
- Gibson Electric Membership Corporation: \$703,518 serving parts of Obion County
- HolstonConnect, LLC: \$361,211 serving the Mooresburg community in Hamblen and Hawkins Counties
- Meriwether Lewis Electric Cooperative: \$593,166 serving parts of south Perry County
- PVECFiber and Scott County Telephone Cooperative: \$1,908,811.24 serving part of Union County
- SVEConnect: \$1,654,882 serving the Battle Creek and South Pittsburg Mountain communities in Marion County
- Southwest Tennessee Electric Membership Cooperative: \$1,768,686 serving parts near the Brownsville community in Haywood and Lauderdale Counties



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- TEC - \$826,677.45 serving parts of the Buena Vista and McLemoresville communities in Carroll County
- Tri-County Fiber Communications, LLC: \$501,811 serving parts of Trousdale County
- Twin Lakes Telephone Cooperative: \$1,406,000 serving parts of Fentress and Overton Counties
- United Communications: \$1,331,504.80 serving the Eagleville community in rural Rutherford and Williamson Counties
- West Kentucky and Tennessee Telecommunications Cooperative: \$2,000,000 serving parts of Weakley County

The seventeen grantees selected demonstrated a high need for grant funding, the ability to implement and sustain the project long term, strong community support and the economic impact of the infrastructure deployment. These awards total \$19,735,131.13 and will be matched with grantee funds of nearly \$30M for a total financial impact of \$49.5M to serve over 12,600 homes and businesses and over 31,000 Tennesseans. FY20 project construction will last up to two years with a completion deadline of May 2022.

In addition to state grant funds, Tennessee's broadband providers are utilizing multiple sources of federal funding to increase deployment into unserved areas. Since 2016, \$11.8 million of Appalachian Regional Commission funds and \$42.7 million of USDA funds have been awarded for broadband deployment projects in Tennessee.

Consistent with the statutory authorization to use up to 5% of the appropriation for administrative costs associated with the grant, TNECD has committed 0.375% for administrative costs; \$75,000 was used to secure technical services and field service verification during the application evaluation.

The TBAA also included a tax incentive program that was being administered by the Department of Revenue, but the credit was repealed in FY2019.

Round 1 grant projects, awarded in January 2018, have been successfully completed. These grants provided access to gig-capable Internet to over 7,000 locations and 17,500 Tennesseans. Providers contributed a total of \$11.1M in match funds. Combined with \$9,484,156.35 in grant funds, this resulted in an overall financial impact of \$20.6M in these rural communities. These provider match and locations served numbers are higher than originally awarded, as providers often served more homes and contributed more funds to the project than contractually obligated.

Round 2 grant projects are progressing satisfactorily. On-site monitoring has been conducted on 5 of the 13 projects. To reduce traveling during the COVID-19 pandemic, projects scheduled for monitoring in April will be rescheduled for the summer. While some projects have experienced delays due to unusually heavy rain, pole attachment agreements, or other circumstances, these delays were typical of broadband deployment and all projects are making satisfactory progress. TNECD program staff are monitoring the projects closely and are available to assist the grantees as needed.

Deregulation

The deregulation component of the TBAA allowed electric cooperatives, private, non-profit entities, to enter the retail broadband business. Since the enactment of the legislation, significant movement related to broadband has occurred among electric cooperatives. Out of the 23 electric cooperatives that geographically cover 70% of the state, 13 are currently serving customers or building



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infrastructure to that end. These cooperatives will eventually serve up to 790,000 locations, though some of these locations are already receiving service. Others are involved in an RFP process to identify potential partners or are studying or evaluating options related to broadband deployment. Additionally, nine of the FY2020 broadband grants were awarded to electric cooperatives or their partners or subsidiaries.

Education

Adoption and digital inclusion continue to be a focus of the program. Because broadband accessibility without adoption accomplishes little, adoption efforts were included in the State's plans to maximize the economic impact and increase the return on investment of State funds.

The TBAA authorized TNECD to use a portion of the grant funds for digital literacy training in partnership with the Tennessee State Library and Archives ("TSLA"). In February, TNECD and the Secretary of State's Office awarded 45 grants, up from 36 last year, totaling \$198,041 to assist with:

- Training classes to improve digital literacy including basic computer skills, how to apply for jobs, small business applications and online learning;
- Devices and hardware to increase capacity at local libraries as key access points for community members; and
- Wi-Fi hotspots for community members to rent for use at home

The second round of digital literacy training grants was completed successfully and in the process of being closed out by TSLA with \$24,702.39 of the originally granted \$136,569.00 to be recovered. A report submitted by TSLA provided details on each library's program including number of attendees, class topics and comments from attendees and librarians. Evaluations completed by class participants noted that 96.9% would participate in another class and 98.5% would use what they learned. Comments from attendees noted an increased confidence in using technology and a request for more classes. For example, at one location, a student from the coding club is now teaching graphic classes at the library while another participant used the class to create a flyer for her home-based business.

Additional class topics included STEM programming including coding and robotics for students, small business applications, grant writing and photo editing. One library serves many deaf patrons and offered customized computer instruction and techniques to improve their online experience. In summary, libraries adapted to the needs of their communities while still fulfilling the mission of strengthening the digital literacy of their citizens. Overall, 35 libraries held a total of 793 digital literacy classes with over 3,000 attendees, a 50% increase in attendees from the inaugural year of the program.

Class instructors and librarians have noted a waiting list at multiple libraries for the Wi-Fi hot spot devices, as many visitors lack internet access at home. Among the most common hot spot users are high school students who use them to complete homework assignments. Multiple libraries observed an increase in general library foot traffic after offering the hot spots. In fact, at one library location, when the city learned of the popularity of the hot spots, they agreed to pay the associated cost, eliminating the need for grant funds.

In addition to the digital literacy grants, broadband staff launched an updated digital literacy toolkit available for communities through the tn.gov/broadband website. This toolkit provides additional education resources regarding digital inclusion, adoption and low-cost service plans. Tennessee has been invited to speak to multiple groups about state governments investing in digital inclusion including most recently the Pew Charitable Trusts and the Schools, Health, Libraries Broadband Coalition (SHLB).



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Conclusion

The TBAA continues its positive impact in increasing broadband access and adoption. Grant projects from round 1 have been completed and round 2 projects are progressing satisfactorily. While round 3 projects awarded in March will last up to 2 years, providers across the state continue working to improve broadband access.

Of the \$9,844,862.14 committed to the infrastructure grants in the Broadband Accessibility Grant Program in FY2018, \$9,484,156.35 was ultimately spent with the remaining \$360,705.79 to be recovered and awarded in additional grants at a later date. This does not include the \$104,864.48 expended by the TSLA program or the \$37,830 on the broadband consultant in FY18. Of the \$14,788,310.77 committed to infrastructure grants in FY2019, \$4,112,467.29 has been requested for grant reimbursement to date with projects on target for completion by May 2021. Of the \$20M appropriated for FY2020 along with \$8,524.47 in carry forward funds from previous fiscal years, 99.99% (20,008,172.13) has been committed to date for infrastructure projects, digital literacy projects and broadband consultant contract.

Since 2018, TNECD has awarded funds to serve 26,300 locations and nearly 66,000 Tennesseans. TNECD will continue to administer the program and support providers and communities in their efforts to improve broadband access and adoption.