



TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



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MEMORANDUM

TO: Commission Members

FROM: Cliff Lippard
Executive Director

DATE: 7 January 2021

SUBJECT: Public Chapter 228, Acts of 2017 (Status of Broadband Internet Deployment, Availability, and Adoption)—Final Report for Approval

The attached Commission report is submitted for your approval. It was prepared in response to Public Chapter 228, Acts of 2017, which directed the Commission to update its 2017 report on broadband deployment, availability, and adoption in Tennessee. Consistent with recommendations in the Commission's 2017 report, the Act also

- established a grant program to help offset the cost of expanding coverage in unserved areas, while authorizing the program to grant funds to libraries to help facilitate broadband adoption;
- established a tax credit for broadband investment in tier 3 and tier 4 enhancement counties;
- removed barriers to entry for would-be providers by authorizing electric cooperatives to provide broadband within their electric service areas; and
- established a pathway for communities to signal providers that they have streamlined local permitting processes and removed regulatory barriers to broadband investment.

Staff have continued to refine information in the report and have added a recommendation based on feedback from members at the December 2020 meeting:

Estimates of the number of housing units remaining in census blocks where no provider reported service of at least 25 megabits per second download and three megabits per second upload (25/3) as of December 2019 have been updated to account for results of

the Federal Communications Commission's (FCC) Rural Digital Opportunity Fund Auction, which were announced on December 7, 2020. Based on this information, TACIR staff estimate that there are at least 36,920 housing units in census blocks where no provider reported 25/3 service as of December 2019 that won't receive broadband from existing state- or federally funded projects. Using the median cost per location for projects in the first three rounds of Tennessee's broadband grant program—approximately \$4,028 per location, including both the state's share and the applicant match—the total cost to cover these homes could be approximately \$149 million.

A recommendation for developing better broadband coverage maps has been added to the report in response to the limitations of existing FCC coverage data and feedback from members:

- The report notes that the Tennessee Department of Economic and Community Development (ECD) says it currently lacks the resources needed to verify annually on a statewide basis the extent to which all homes and businesses in areas deemed served by the FCC actually have broadband access. The report further notes that although \$98 million for the FCC to improve the precision of federal coverage data was included in the Consolidated Appropriations Act that Congress passed in December 2020, other states have already taken matters into their own hands. For example, Georgia—having reached agreements with broadband providers to report address-level coverage data to it for every home and business in the state—has developed its own broadband map, which it updates annually. Georgia's map shows that at least 255,000 of the state's homes and businesses located in census blocks listed as fully served by the FCC are in areas that are at best only partially served.
- Because of the benefit to state and local officials of having more precise data for determining broadband access and assessing Tennessee's progress at filling coverage gaps without having to rely on data released by the FCC even if that federal data is improved, the report recommends that **ECD should develop its own broadband coverage maps for the state, updated annually based on address-level data reported to it under agreements with broadband providers. As is done in Georgia, to encourage providers to report this data, the General Assembly should mandate that data reported to ECD for the state's broadband coverage map is protected and cannot be publicly shared in ways that would reveal business-sensitive information.**

The report's other recommendations remain unchanged. It makes one recommendation related to broadband adoption:

- Because of the role libraries and schools play in their communities and the importance of tailoring broadband adoption efforts to meet local needs, the report recommends that **the state and local governments should continue to identify opportunities to increase funding for libraries and schools to assist their efforts to facilitate broadband adoption and short-term access in their communities—including support for digital literacy classes, devices, hotspots, and other efforts to make broadband available to those who either don't have or cannot afford service. For libraries, in particular, the state should continue to provide funding for broadband adoption efforts through the state's broadband grant program.**

The report also makes three recommendations related to broadband access:

- Because of the challenging economics of providing broadband in some unserved areas, filling the remaining coverage gaps will likely require a combination of public and private resources. As a result, the report recommends that **the state should keep supporting efforts to expand broadband access in Tennessee by continuing to fund the broadband grant program and could consider increasing its annual appropriations to accelerate broadband expansion to more unserved areas.**
- In its discussion of other potential government incentives for broadband providers, the report emphasizes that while the exact structure of requirements included in the state grant program that help protect the state if projects fail and cap the state's share of project costs might not be transferrable to every state or local incentive, the goal of reducing risk to taxpayers is. The report recommends that **the state and local governments should consider tying any new incentives for broadband providers directly to coverage expansions, while limiting the overall share of project costs that those incentives pay for.**
- Electric cooperatives and municipal electric systems remain subject to territorial restrictions that, with limited exceptions, prevent them from providing broadband outside of their electric service areas. Multiple bills in recent legislative sessions would have eliminated or eased these restrictions. But the potentially high cost of building broadband networks introduces risks to which electric cooperatives and municipal electric systems are not immune. Because of the risks involved in broadband projects, the report recommends that **if the state were to eliminate or ease existing territorial restrictions on electric cooperatives and municipal electric systems, it should consider ways it can protect electric ratepayers, for example, by prohibiting these cooperatives and utilities from pledging, loaning, or otherwise using electric system assets or revenues to finance broadband projects outside their electric service areas.**