



June 18, 2019

Chairman Scott Oelslager  
Vice Chairman Gary Scherer  
Ranking Member Jack Cera  
House Finance Committee  
Ohio General Assembly

Re: House Bill 13 – Residential Broadband Expansion Program

Dear Chairman Oelslager, Vice Chairman Scherer, Ranking Member Cera, and Members of the Finance Committee:

On behalf of the Ohio Cable Telecommunications Association (OCTA) and the Ohio Telecom Association (OTA), we write to express our interest in House Bill 13, which aims to establish a residential broadband expansion grant program. We thank Speaker Householder, Representatives Carfagna and O'Brien, and members of this committee for making broadband expansion a priority, and we appreciate the opportunity to bring our members' experience to the table as Ohio works to develop sound public policy that will encourage the expansion of broadband service into currently unserved areas of our state.

#### **About the OCTA**

The Ohio Cable Telecommunications Association represents Ohio's cable television operators, programmers, and suppliers and their more than 8,500 Ohio employees. Through its member companies, the OCTA serves the vast majority of the almost 3 million cable households in the state, providing television, telephone (including wireless), and high-speed internet access. Together, Ohio cable operators have an \$11.7 billion impact on Ohio's economy, pay over \$450 million in wages to Ohioans, contribute more than \$200 million annually in taxes and fees, and have invested over \$970 million in updating equipment and technology in the past three years.

#### **About the OTA**

The Ohio Telecom Association represents all of the Incumbent Local Exchange Carriers (ILECs) in Ohio, with companies ranging from serving a few hundred customers to millions of households across Ohio. The OTA also represents two wireless carriers and more than 100 associate members who provide goods and services to the telecommunications industry. OTA member companies contribute more than \$4 billion annually to the state's economy and employ more than 16,000 Ohioans. For nearly a decade, OTA companies have invested more than \$1 billion in Ohio's telecom network infrastructure each year.

## **Rural Broadband Grant Program Policy Principles**

While the vast majority of Ohioans have access to high-quality, high-speed broadband service, we recognize limited access to broadband remains a challenge in some rural areas of the state, especially those with diverse topography. Whenever feasible, our members make significant investments to extend their networks to customers in rural areas without the use of government grants. However, recognizing the significant economic challenges associated with rural broadband delivery, many states – like Ohio – have adopted or are considering rural broadband grant programs to help bridge the funding gap and spur investment in less densely populated and harder-to-reach areas that are far more costly to develop.

As the leading providers of broadband in Ohio, our associations' members strive to be a partner in the development of a sound and effective program that will encourage private sector participation and ensure that scarce government dollars are not used to serve areas that already have access to broadband. Members of the OCTA and OTA are doing this right now in many states across the country, and their experience with these state programs indicates that properly structured taxpayer-funded broadband deployment programs should include the following key protections:

1. A broadband grant program must ensure that scarce government resources are only used to build to unserved areas and not to overbuild areas that already have broadband service.
2. To ensure that the program is not financing competition of incumbent providers and to protect scarce government resources, all applications should be open and transparent, with a viable challenge process that allows existing operators to demonstrate that an area or portions of it are already served. Any overbuild should be disqualified and excluded from public funding.
3. A broadband grant program should give current broadband providers the opportunity to apply for these funds, and funds should be awarded on a provider-neutral and technology-neutral basis.
4. Implementing legislation should ensure a level playing field and exclude regulation of rates, terms, and conditions that differ from what a provider offers in other areas of its service territory.
5. If “underserved” areas are also included in a grant program, then unserved areas are the first priority for funding.
6. The request for proposal process should give priority to entities that can demonstrate the experience and ability to build, operate, and manage a broadband network. Governmental entities should be excluded, as building and maintaining cutting edge telecommunications networks are not the proper role of government.
7. To extend the reach of scarce government dollars, matching funds must not include government grants, loans, or subsidies that otherwise are designated for buildout.

## **Funding**

Over the past few years, there has been considerable discussion regarding funding for a rural broadband grant program and what level is sufficient. We believe the key to a successful program relies first on the design of the program itself. We will continue to offer ideas and solutions to help Ohio get the policy design correct up-front, so when a funding source and level is determined, it will be most effectively utilized.

## **Lessons Learned from Around the Country**

While some states have created successful programs, other states have not been successful and lessons learned can avoid those same pitfalls here in our state.

For instance, next door in Kentucky, a program called Kentucky Wired was initially hailed as an economic savior to the eastern portion of the state. It is now the subject of a scathing state auditor's report which has been sent to the Kentucky Ethics Commission for "further review and possible action" concluding that the state could be on the hook for \$1.5 billion. This program is four years behind schedule due to delays and will cost the Kentucky taxpayers hundreds of millions of dollars, \$110 million of which is to simply pay penalties for delays. Some credit bureaus have even warned that the fallout from this project could impair Kentucky's credit ratings. Much of the cost overrun is due to delays caused by a lack of understanding on the part of the state of all that is included in building a network, such as the fundamental need to obtain easements and to pay pole rent.

## **Conclusion**

Thank you again for your attention to this important issue. Members of the OCTA and OTA, as well as other private sector providers, are best positioned to extend our existing broadband systems to unserved areas of Ohio. In order to spur rural broadband investment, we stand ready to work with the General Assembly to craft a program that includes key guardrails to protect and maximize taxpayer dollars. Through sound policy and a strong partnership, together we can connect more Ohioans to the high-speed broadband they need to more fully participate in today's economy and society.

Respectfully,

Members of the Ohio Cable Telecommunications Association

Members of the Ohio Telecom Association

cc: Speaker Larry Householder  
Rep. Rick Carfagna  
Rep. Michael O'Brien