



State Representative Rick Carfagna
Sponsor Testimony - House Bill 281
Senate Finance Committee
June 19, 2018

Chairman Oelslager, Vice Chair Manning, Ranking Member Skindell and members of the Senate Finance Committee. Thank you for affording me the opportunity to provide sponsor testimony on House Bill 281. This legislation stems from the 14 years I served in the cable industry prior to assuming state office, working with local governments throughout the state to expand and upgrade broadband infrastructure. It also stems from the 7 years I served as a Genoa Township Trustee, dealing firsthand with constituents lacking this critical resource and exploring options to get service extended to their households. By bridging these two perspectives, I have crafted the legislation before you today - this is not a bill brought to you on behalf of an industry or organization, not is it something borrowed from other states. What this bill represents is Ohio's first broadband expansion program specifically targeting unserved residential households. HB 281 would effectively combine efforts by government and private enterprise with the goal of expanding broadband connectivity to unserved households across Ohio.

No one can debate how the Internet has changed our way of life; it has yielded a wide variety of economic, cultural, educational, and social resources to our communities. The Internet brings knowledge, marketplaces, and people together across oceans. Yet, despite these incredible advancements, a recent study by The Ohio State University found that nearly one million Ohioans still lack access to fixed broadband service because of where they reside. Indeed, broadband infrastructure can be costly to deploy to households. Terrestrial plant construction alone can involve miles of aerial or underground plant, splicing, the installation of equipment, make-ready work on poles, potential horizontal boring, and the burying of plant or running wires through underground conduit. And this is all prior to running an individual drop to a single address. Private providers, whether terrestrial-based through cable or phone companies, or via wireless or satellite carriers, continually balance the costs of construction with rates of return.

HB 281 would create a permissive funding mechanism that incentivizes communities to help offset construction coverage costs. If different layers of government could pool assorted funds that are already available, then funding these types of projects would become far less intimidating.

Although a cable, telecom, or wireless provider may service a city, village, or township, it does not always result in 100% buildout to homes and businesses within that community. Not only does Ohio still have many rural communities largely without broadband, there is also a significant “marbling” of unserved streets and household clusters throughout many suburban and urban communities otherwise already served. HB 281 would target this problem of last mile connectivity to residences where it remains cost-prohibitive for private providers to extend their plant.

Here is how the proposed mechanism would work:

- A local government – a township, village, or city – if they wish to do so – would identify any targeted clusters of unserved homes in the community and would then issue a Request for Proposals.
- Depending on their interest in the project, a broadband provider or providers will respond with a proposal that outlines what it would take to get service to those residents, how much of the project cost is justifiable under their construction rate of return formula, and then the amount of the remaining cost hurdle.
- Once the cost hurdle has been identified, the community would then determine if they want to utilize this mechanism to help offset that gap amount and would then select a provider.
- Assuming the provider and community are both comfortable moving forward, the community would then work with the county and/or any other local funding partners towards a commitment to fund 2/3rd of that gap amount – NOT the full project buildout cost, but rather the identified cost hurdle amount. Remember, the bulk of the overall project cost would be borne by the private provider.
- The county would have the full discretion to not participate or to decline any match.
- Once a local government plan has been reached to fund 2/3rd of the shortfall amount, it would trigger a second – and compulsory – match for the final 1/3rd of the shortfall at the state level. To this end, HB 281 directs the Development Services Agency to make eligible and administer a total of \$2 million per biennium for these matches from any single fund or combination of existing funds it manages.
- After all obligations are confirmed, the provider proceeds with construction of plant and the new build becomes a part of their normal service territory.

The goal here is quite simple: broadband connectivity to unserved households is a matter that should be addressed by both private enterprise and cooperative efforts across the three layers of government.

We have worked diligently over the past 16 months with a number of interested parties, including Connect Ohio, local government organizations, industry representatives, and many other direct and indirect stakeholders. Over the course of three drafts, we refined these processes under this bill using their constructive input. I’m proud to say this legislation has the endorsement of Connect Ohio, the Ohio Municipal League, Ohio Township Association, CCAO, Ohio Farm Bureau (who I’m proud to report have made this one of their key votes), Ohio Hotel and Lodging Association, and the Ohio Library Council. We have also adopted many of the suggestions offered by the telephone, cable, satellite, and wireless industries. This bill has no

known outside opposition, passed the House Finance Committee by a 24-2 vote, and passed out of the Ohio House by a vote of 92-5.

Ladies and gentlemen, HB 281 both incentivizes true public/private partnerships and rewards cooperation across the layers of government. The time has come to encourage communities to collaborate with private broadband providers to tackle this pervasive problem. For providers to sharpen their pencils and put forth their best effort and best technologies to buildout their networks. For communities to consider utilizing revenues that have been derived from infrastructure and reinvest them back into infrastructure. By pooling resources and having all parties place some "skin in the game", the existing financial barriers become far less intimidating. I am confident that the deployment of broadband infrastructure to any of the numerous Ohioans left behind will be deeply meaningful and enhance quality of life.

Chairman Oelslager and members of this committee, thank you again for allowing me to provide testimony and at this time, I would be happy to answer any questions.