

HIGH SPEED INTERNET SERVICES IN UNSERVED AREAS OF COLORADO

FACT SHEET

1/14/14

SPONSORS: TO BE DETERMINED

PURPOSE: To enhance economic development, education, telehealth, and safety by connecting Colorado using some of the money in the high cost fund to subsidize the expansion of broadband to unserved areas

BACKGROUND:

1. The High Cost Fund (H.C.F.) was implemented by Colorado as a social compact to provide single party, dial tone telephone services everywhere in Colorado
2. The High Cost Fund is administered by the Public Utilities Commission (P.U.C.)
3. All telephone users pay 2.6% of their landline and cell phone monthly bills to the high cost fund
4. Basic service is defined as a single party, dial tone and costs \$17.00/ month using Century Link as the provider. Therefore, each Century Link customer pays 45 cents per month, \$5.60 per year for basic service. The percentage contributed to the High Cost Fund (H.C.F.) is only applied to the basic service not fees and taxes. Fees range from 38 cents to \$1.00 or more depending on additional services including caller ID etc. Limited income residents are eligible for the Federal Lifeline Program. These residents pay \$7.75/month for basic services and contribute 21 cents per month or \$2.62 per year to the High Cost Fund (H.C.F.)
5. The Public Utilities Commission (PUC) capped the High Cost Fund at \$54M
6. Currently Century Link receives \$48M of the total High Cost Fund
7. The Public Utilities Commission is in the process of determining the amount of money that needs to remain in the High Cost Fund to subsidize single party, dial tone phone services. Therefore, the amount of money that could be available for broadband is unknown at this time.
8. Mapping for where 4 megabytes down one megabyte up broadband is in Colorado is available but it is not adequate. It is difficult to keep the maps current since new services are added in unserved areas on a regular basis.
9. Currently the standard set by the FCC for minimum high speed internet service is 4 megabytes down and 1 megabyte up. The FCC changes the standard periodically.
10. The Office of Information Technology, The Department of local Affairs, and the Office of Economic Development are working closely with regional planners on a long term broadband master plan

ASSUMPTIONS

1. Some of the money in the high cost fund is no longer needed to subsidize certain areas of Colorado for single party, dial tone phone services. The Public Utilities Commission is reviewing the areas where the funds are no longer needed and where they remain needed.

2. Money needs to remain in the high cost fund to subsidize less densely populated areas of the state that continue to need a subsidy to provide single party, dial tone phone services.
3. The High Cost fund should remain capped but the percentage dedicated to Broadband should increase over time. The funds dedicated to broadband should be named the Broadband fund.
4. The High Cost fund should be reviewed during an annual S.M.A.R.T. hearing by the appropriate House and Senate committees.
5. A sunset review of the High Cost Fund including the broadband fund should be done every ten years.
6. The funds to expand broadband should be used to subsidize only infrastructure costs on a technology neutral basis.
7. The Broadband definition in statute should be the minimum as defined by the FCC standard at any given point in time and should be technology neutral.
8. Carriers could apply for money from the high cost fund to provide services in an unserved area and would be required to prove that it is an unserved area since the current mapping is dynamic. Census blocks could be used to define unserved areas. An unserved area could be defined as one or more census blocks where the residents do not have service that meet the current FCC standard. A map must be submitted as a part of the proposal to the commission and also submitted to the applicable local government entity.
9. Review and comment on the proposal from the local governing body, either the Board of County Commissioners or City Council, would be required.
10. An independent rule making commission including local community leaders and information technology experts should be created and should work under the administration of a specified state department.
 - a. The new commission should serve without pay but travel and meals would be covered.
 - b. The possible departments to consider are the Department of Local Affairs, PUC, Office of Information Technology, Department of Regulatory Affairs, or the Office of Economic Development. There should be representation from the administration heads of the PUC, Office of Information Technology and the Office of Economic Development.
 - c. Also, there should be diverse representation from the broadband industry to include all methods of delivery.
 - d. In addition there should be representation from local government and regional or congressional district representation of citizens living in unserved areas.
11. The new commission should establish eligibility criteria for the grants.
12. An appeal process should be established to provide for a challenge to the commission's decision.
13. Other funding sources that could provide matching funds are private providers, local governments, and federal dollars.
14. Providers that have existing franchise agreements, or providers of last resort mandates would have adequate notice to intervene and have a first right of refusal but are obligated to provide the service within one year of the date of the application if another provider applies to serve the same area and they agree to serve that unserved area.

15. The new commission shall only award grants for facility construction in unserved areas to avoid overbuilding or overlap of service. In all cases a new provider to a previously unserved area would not be allowed to offer or sell service to a customer in an overlapping served area.
16. Priority for receiving a grant should be given to provide last mile services.
17. Public-Private partnerships are encouraged with the carrier owning the network and providing service, and the local governing body contributing a portion of the match.
18. Adequate notice to all carriers should be given to submit proposals
19. The timeframe to submit requests for proposals should be adequate and equitable for all carriers.
20. Grant amounts should be awarded in tiers so that one proposal does not receive all of the money for that grant period and to assure geographically equitable distribution of the funds.
21. To provide accountability a performance bond and or a claw back provision should be required in the contract. The grantee should demonstrate the ability to provide the service at a reasonable cost per household served and fulfill the contract requirements within a reasonable timeframe.
22. The carrier should provide at least 50% of the funding and may be matched with High Cost Funds and other government or non-government funds.
23. Reverse auctions should be explored.

Encourage local government to streamline permitting processes and make permits affordable.

HighSpeedInternetservices/msw/