



## Department of Economic and Community Development

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Bob Rolfe  
Commissioner

Bill Haslam  
Governor

### MEMORANDUM

To: The Honorable Bill Haslam, Governor  
The Honorable Randy McNally, Lieutenant Governor  
The Honorable Beth Harwell, Speaker of the House of Representatives

From: Bob Rolfe, Commissioner  
Economic and Community Development

Date: April 6, 2018

Subject: Broadband Accessibility Grant Report – FY2018

### 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.

While reaching our goals related to broadband access and adoption will take a multiyear approach, progress is being made. The FCC’s 2018 Broadband Deployment Report released in February showed that broadband access (defined as a fixed, 25/3 connection) is up from 87% in their January 2016 report to 91%. This demonstrates the tremendous work that has been done and continues to be done by the providers of all types across the state. The FCC’s report also details an increase in the adoption rate from 40% to 46.8% over the same time period.

### Investment

The investment component of the TBAA established the Broadband Accessibility Grant program with \$10 million in funding for FY18. 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.

The application period lasted from September 7, 2017 to November 17, 2017 and resulted in the timely submission of 71 applications requesting more than \$66 million. In order to be considered eligible, a proposed service area must have lacked a terrestrial, fixed 10/1 connection based on FCC Form 477 data or supplemental information provided by applicants. To support applicants, TNECD provided program guidelines, eligible area maps, and FAQs, in addition to hosting multiple webinars and in-person regional meetings. 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 and the Center for Economic Research in Tennessee (“CERT”). An external consultant with Connected Nation was also used to provide technical expertise related to network design. 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.

TNECD awarded FY18 Broadband Accessibility Grants to the following recipients:

- Aeneas Communications (\$190,000 to serve parts of Hardeman County),
- Ben Lomand Communications (\$1,025,000 to serve the Pocahontas Community in Coffee County),
- Comcast (\$850,000 to serve parts of Tipton County),
- DTC Communications (\$1,725,000 to serve parts of Smith and Wilson counties),
- Gibson Electric Membership Corporation (\$1,353,148.14 to serve parts of Lake and Obion counties),
- Scott County Telephone Cooperative (\$1,900,000 to serve Surgoinsville in Hawkins County),
- Sunset Digital Communications (\$1,375,000 to serve parts of Claiborne and Hancock counties),
- Tri-County Fiber Communications (\$1,350,000 to serve parts of Sumner and Trousdale counties), and
- Volunteer First Services (\$76,714 to serve the Sunset Ridge Community in Cumberland County).

The nine 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 \$9,844,862.14 and will be matched with grantee funds of over \$10.8 million to serve over 5,200 locations. Projects will take up to two years to be completed with a completion deadline of March 2020. Eight of the nine contracts have been executed with projects underway. The final grant contract is in the process of being signed with the project still to be completed by March 2020.

Consistent with the statutory authorization to use up to 5% of the appropriation for administrative costs associated with the grant, TNECD has committed 0.46% for administrative costs. Approximately \$38,000 was used to secure technical services during the application evaluation and the remaining \$8,000 has been reserved for additional administrative costs that might arise within this fiscal year.

The TBAA also included a tax incentive program that is being administered by the Department of Revenue. Applications are currently being accepted through October 15, 2018 for credits related to the deployment of broadband from the enactment of the law (April 24) to the end of 2017. Details of the program are available on the Department of Revenue’s [website](#).

### **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, 6 are currently serving customers or building infrastructure to that end. Two others are involved in an RFP process to identify potential partners and an additional 10 are studying or evaluating options related to broadband deployment.

### **Education**

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



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State funds. The TBAA authorized TNECD to use a portion of the grant funds for digital literacy training in partnership with the State Library and Archives. In January, TNECD and the Secretary of State's Office [announced](#) 52 grants totaling \$108,903.62 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
- STEM programing for youth that supports broadband adoption by teaching 21st century skills and exposing participants to science and technology.

In addition to the digital literacy grants, broadband staff is working to provide other resources to local communities around broadband adoption. This includes working with Rural Task Force agencies to develop a communications plan that is currently being implemented to promote broadband successes and opportunities, partnering with the National Telecommunications and Information Association to host an educational event, and collecting and distributing related resources through the [tn.gov/broadband](http://tn.gov/broadband) website and mailing list.

### **Conclusion**

The TBAA is already having a positive impact in increasing broadband access and adoption. While grant projects awarded in January will take up to 2 years to complete, providers across the state are working to improve broadband access. Of the \$10 million appropriated for the Broadband Accessibility Grant program, 99.5% (or \$9,992,595.76) has been expended or committed to date. TNECD will continue to administer the program and support communities in their efforts to improve broadband access and adoption.