



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

MEMORANDUM

To: The Honorable Bill Lee, Governor
The Honorable Randy McNally, Lieutenant Governor
The Honorable Glen Casada, Speaker of the House of Representatives

From: Bob Rolfe, Commissioner
Economic and Community Development

Date: April 30, 2019

Subject: Broadband Accessibility Grant Report – FY2018-2019

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.

FY2019 marks our second year of operating under the TBAA, and while reaching our goals related to broadband access and adoption is a multiyear approach, progress is being made. As reported last year, the FCC’s 2018 Broadband Deployment Report released in February 2018 showed that broadband access (defined as a fixed, 25/3 connection) was 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 detailed 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. \$10M in funding was appropriated in FY2018 and \$15M for FY2019. 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.

For the second round of funding, the FY2019 application period lasted from August 28 to November 15, 2018 and resulted in the timely submission of 57 applications requesting more than \$62 million. To be considered eligible, a proposed service area must have lacked a terrestrial, fixed 10mb/1mb 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.



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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 and applicant business models. 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. Applicants were provided a scoring rubric during the application period.

To ensure grant funds would be awarded only for deploying to locations lacking a terrestrial, fixed 10mb/1mb connection, Connected Nation conducted field verification for grant projects likely to be funded in cases where existing service availability was in question.

TNECD awarded FY2019 Broadband Accessibility Grants to the following recipients:

- Appalachian Electric Cooperative (\$1,739,581 to serve parts of Grainger and Jefferson Counties)
- Ben Lomand Communications (\$1,525,477.78 to serve the Normandy Community in Coffee County),
- BTC Communications (\$701,120.16 to serve parts of Rhea County)
- Gibson Electric Membership Corporation (\$588,974 to serve parts Crockett and Gibson Counties)
- Loretto Telephone Company (\$1,050,000 to serve parts of Lawrence County)
- Meriwether Lewis Electric Cooperative (\$1,832,728 to serve parts of Humphreys County)
- North Central Communications (\$304,763 to serve parts of Sumner County)
- Peoples Telephone Company (TEC) (\$186,494 to serve parts of Houston County)
- Sequachee Valley Electric Cooperative (\$817,406 to serve parts of Marion County)
- Tellico Telephone Company (TDS Telecom) (\$1,490,291 to serve parts of Monroe County)
- Twin Lakes Telephone Cooperative (\$1,233,987.30 to serve parts of Jackson, Putnam and Smith Counties)
- Volunteer Energy Cooperative (\$1,314,488.53 to serve parts of McMinn County)
- WK&T Telecommunications Cooperative (\$2,000,000 to serve parts of Henry County)

The thirteen 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 \$14,788,310.77 and will be matched with grantee funds of over \$19 million for a total investment of \$34M to serve over 8,300 locations. Projects will take up to two years to be completed with a completion deadline of April 2021. Appalachian Regional Commission funds were also utilized to support additional, unserved grant project areas.

Consistent with the statutory authorization to use up to 5% of the appropriation for administrative costs associated with the grant, TNECD has committed 0.5% for administrative costs; \$75,000 was used to secure technical services and field service verification during the application evaluation.

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, 2019 for credits related to the deployment of broadband during 2018. Details of the program are available on the Department of Revenue’s [website](#).



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Round 1 grant projects, awarded in January 2019, are progressing satisfactorily. On-site monitoring has been conducted on 8 of the 9 projects with the last anticipated for the summer of 2019. While some projects have experienced delays due to unusually heavy rain, pole attachment agreements, or other circumstances, these delays were typical of broadband deployment and all projects are making satisfactory progress. TNECD program staff are monitoring the projects closely and are available to assist the grantees as needed.

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, 8 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. Additionally, 5 of the FY2019 broadband grants were awarded to electric cooperatives or their subsidiaries.

Education

Adoption and digital inclusion continue to be a focus of the program. 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 State funds.

The TBAA authorized TNECD to use a portion of the grant funds for digital literacy training in partnership with the Tennessee State Library and Archives ("TSLA"). In January, TNECD and the Secretary of State's Office awarded 36 grants totaling \$136,569 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
- Wi-Fi hotspots for community members to rent for use at home

The first round of digital literacy training grants was completed successfully and closed out by TSLA in April 2019 with \$4,039.14 of the originally granted \$108,903.62 unused and in the process of being recovered. A report provided by TSLA noted a successful first year of the program. Evaluations were completed by over 700 class participants with 86.4% confident about using what they had learned and 96.7% likely to participate in a similar library activity. Comments from attendees noted feeling more secure online, excitement to use their new skills in their workplace, and comfort with using eBooks and other online resources. Class instructors observed students' excitement to use Excel for reentering the job market and purchasing their own laptops for home use after the classes.

Overall, 44 libraries held a total of 495 classes with over 2,000 attendees for traditional digital literacy classes and 8 libraries held a total of 277 events with hundreds of students participating in advanced STEM and coding classes.

In addition to the digital literacy grants, broadband staff continues to provide educational resources for communities regarding digital inclusion and adoption and distributes those through the tn.gov/broadband website and stakeholder mailing list. Tennessee was also one of only three states invited to speak at the National Digital Inclusion Alliance event to share best practices of state governments investing in digital inclusion.



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Conclusion

The TBAA continues its positive impact in increasing broadband access and adoption. Grant projects from round 1 are nearing completion and while round 2 projects awarded in March will last up to 2 years, providers across the state are working to improve broadband access.

Of the \$9,991,595.76 committed to the Broadband Accessibility Grant Program in FY2018, \$3,449,312.19 has been expended to date. Of the \$15 million appropriated for FY2019, 99.99% (or \$14,999,879.77) has been committed or spent to date. TNECD will continue to administer the program and support communities in their efforts to improve broadband access and adoption.