Department of Economic and Community Development

Bob Rolfe   Bill Lee
Commissioner   Governor

MEMORANDUM

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

From: Bob Rolfe, Commissioner
                Economic and Community Development

Date: April 23, 2021

Subject: Broadband Accessibility Grant Report – FY2019-2021

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 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 ("TACIR"). Furthermore, a follow-up to TACIR's initial "Broadband Internet, Deployment, Availability, and Adoption in Tennessee" report was released in January 2021.
        FY2021 marks our fourth year of operating under the TBAA and significant progress has been made as the grant has facilitated additional broadband deployment throughout the state. The COVID-19 pandemic has elevated the importance of critical broadband infrastructure to facilitating participation in telemedicine, distance learning, and telecommuting. Reliable, affordable broadband service is necessary to meet these needs in Tennessee's communities.
        According to the FCC's 2020 Broadband Deployment Report, one in six rural Tennesseans lack access to broadband, up from one in four just two years ago. The Report also notes that broadband access (defined as a fixed, 25mb/3mb connection) was up from 91.3% in their 2019 report to 93.7%. This demonstrates the continued work that has been done by the providers of all types across the state. The FCC's report also detailed a marked increase in the adoption rate of 25mb/3mb services from 53.4% to 61.5% over the same time period.

Investment
        The investment component of the TBAA established the Broadband Accessibility Grant program. To date, a total of $60M has been appropriated to the program over four years including $15 million in FY2021. 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 fourth round of funding, the FY2021 application period lasted from July 6 to October 8, 2020 and resulted in the timely submission of 46 applications requesting nearly $40 million. To be considered eligible, a proposed service area must have lacked a terrestrial, fixed 25mb/3mb connection based on FCC Form 477 data or supplemental information provided by applicants. In order to ensure the

program adhered to the TBAA that requires prioritization of areas lacking 10mb/1mb, a significant amount of scoring points were awarded to those project areas lacking access to 10mb/1mb speeds.

To support applicants, TNECD provided program guidelines, eligible area maps, and FAQs in addition to hosting an application workshop webinar and conducting one-on-one Q&A sessions. Applicants included a variety of different types and sizes of providers such as telephone companies, cable companies, electric cooperatives, telephone cooperatives and other private providers.

Application scoring was conducted by an internal TNECD team from the Community and Rural Development Division and a senior management consultant from the Office of Customer Focused Government in the Department of Finance and Administration. As in previous years, an external consultant with Connected Nation also provided technical expertise related to network design and applicant business models as needed. 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 on TNECD's website during the application period for full transparency.

To ensure grant funds would be awarded only for deploying to locations lacking a terrestrial, fixed 25mb/3mb connection, Connected Nation continues to conduct field verification for grant projects likely to be funded in cases where existing service availability was in question.

TNECD awarded FY2021 Broadband Accessibility Grants to the following recipients:
- **Appalachian Electric Cooperative**: $919,500.00 serving parts of Grainger County
- **Ben Lomand Communications**: $179,695.56 serving parts of Coffee County
- **Bledsoe Telephone Cooperative**: $727,955.56 serving parts of Bledsoe County
- **Comcast**: $33,333.33 serving parts of Roane County
- **Gibson Electric Membership Corporation**: $1,379,944.00 serving parts of Obion County
- **Loretto Telephone Company**: $1,700,000.00 serving parts of Lawrence County
- **Peoples Telephone Company (TEC)**: $2,000,000.00 serving parts of Benton County
- **Point Broadband**: $1,020,948.89 serving parts of Hawkins and Hancock counties
- **Southwest Tennessee Electric Membership Cooperative**: $1,580,851.00 serving parts of Lauderdale County
- **United Communications**: $782,976.00 serving parts of Bedford and Marshall counties
- **Volunteer Energy Cooperative**: $647,890.00 serving parts of Meigs County
- **Volunteer First Services**: $1,924,783.33 serving parts of Cumberland County
- **West Kentucky Rural Telephone Cooperative**: $2,000,000.00 serving parts of Weakley 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. Additionally, many of these grantees are previous program participants for other areas within their service territories and have demonstrated a strong ability to successfully manage and complete grant projects. These awards total $14,897,877.67 and will be matched with grantee funds of just over $21M for a total financial impact of $36M to serve over 7,120 homes and businesses and nearly 18,000 Tennesseans. FY2021 project construction will last up to two years with a completion deadline of April 2023.

In addition to state grant funds, Tennessee's broadband providers have been successful in obtaining multiple sources of federal funding to increase deployment into unserved areas. Since 2016, $13.4 million of Appalachian Regional Commission (ARC) funds and $79.2 million of US Department of

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Agriculture (USDA) funds have been awarded for broadband deployment projects in Tennessee. In fall of 2020, the Federal Communications Commission (FCC) designated $148.6 million to 11 provider groups to serve areas in Tennessee. The FCC funding is contingent upon providers meeting yearly build-out requirements.

Consistent with the statutory authorization to use up to 5% of the appropriation for administrative costs associated with the grant, TNECD has committed only 0.5% for administrative costs; $80,000 was used to secure technical services and field service verification during the application evaluation.

Round 2 grant projects, awarded in April 2019, are nearing completion, and will have made broadband service available to over 20,000 Tennesseans. All but one project are expected to be completed by late April 2021. The remaining project experienced minor delays related to the COVID-19 pandemic and completion is expected by June 2021. Due to COVID-19 and travel restrictions, some projects were monitored via desk review as permitted by the TNECD Monitoring Implementation Plan. As in previous years, projects must be certified as complete by a professional engineer (PE) or an external consultant as approved by TNECD.

Round 3 grant projects were awarded in April 2020 and will take two years to complete. These grants totaled $19.7M to serve 31,000 Tennesseans in nearly 12,700 households and businesses across 21 counties. Some grantees have experienced delays due to the COVID-19 pandemic regarding supply chain delivery of materials or limited workforce, but delays are not yet expected to impact the original scheduled completion date. TNECD program staff are monitoring the projects closely and are available to assist the grantees as needed.

In January 2021, TACIR released an update to their 2017 report titled "Broadband Internet Deployment, Availability, and Adoption in Tennessee Four Years after the Broadband Accessibility Act.". Report recommendations related to the TBAA program include the development of a granular broadband availability map to inform grant funding decisions as well as continuing, and increasing as feasible, state programming and funding designed to support broadband deployment and digital literacy.

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, 14 are currently serving customers or building infrastructure to that end. These cooperatives will eventually serve up to 790,000 locations, though some of these locations are already receiving service. Others are involved in an RFP process to identify potential partners or are studying or evaluating options related to broadband deployment. Additionally, five of the FY2021 broadband grants were awarded to electric cooperatives or their partners or subsidiaries and numerous electric cooperatives have been the recipients of federal funds for broadband deployment from ARC, FCC and USDA.

Education

Adoption and digital inclusion continue to be a focus of the program given its impact on supporting communities in fully maximizing the benefits of broadband and the investment of State funds. The TBAA authorized TNECD to use a portion of the grant funds for digital literacy training and other programming in partnership with the Tennessee State Library and Archives ("TSLA"). In the spring of 2021, the Secretary of State's office in partnership with TNECD, will award digital literacy grants to

community libraries totaling nearly $209,000 to assist with:

- Training classes to improve digital literacy
- Devices and hardware to increase capacity at local libraries as key access points for community members; and
- Digital platform subscriptions to allow for expanding online class options
- Wi-Fi hotspots for community members to rent for use at home

The third round of digital literacy training grants was completed successfully and is in the process of being closed out by TSLA with final reimbursements to be made in the coming months. Information submitted by TSLA provided program details including number of classes, attendees, and feedback from participants. Class topics included coding, small business applications, grant writing, photo editing and other topics based on community needs. Evaluations are completed by class participants to measure program efficacy and inform future programmatic decisions. These evaluations will be available in the coming weeks as the TSLA closes out this round of funding. Comments from attendees noted excitement and plans to enroll in additional classes to expand their new digital skill set.

Overall, 45 libraries held a total of 450 digital literacy classes with over 3,025 attendees. It was expected the COVID-19 pandemic and temporary library closures may have a negative impact on class attendance. However, a small increase occurred in the number of class attendees from last year which is evidence of increasing needs relating to digital literacy instruction and programming. Libraries quickly pivoted to offering online-based classes and limiting in-person class sizes. Class instructors and librarians continue to see waiting lists at multiple libraries for Wi-Fi hot spots, as many visitors lack internet access at home. At-home broadband needs have increased as a result of the COVID-19 pandemic.

During the final quarter of 2020, TNECD broadband staff led a cross agency group as a part of the Rural Enterprise Management (REM) initiative coordinated by the Office of Customer-Focused Government in the Department of Finance and Administration. The group focused on broadband adoption and included multiple departments such as Agriculture, Commerce and Insurance, and Education. The issues of adoption, increased mapping, and digital literacy were discussed and contributed to a greater knowledge of efforts across the enterprise in addressing this issue.

Conclusion

The TBAA continues its positive impact in increasing broadband access and adoption. Grant projects from round 1 have been completed, round 2 is scheduled for completion within FY2021, and round 3 projects are progressing satisfactorily. While round 4 projects awarded in March 2021 will last up to two years, Tennessee's providers continue working to improve broadband access and deployment activity is transpiring across the state.

Of the $14.8 million committed to infrastructure grants in FY2019, $10.7 million has been requested by grantees for grant reimbursement to date with projects on target for completion in FY2021. Of the $19.7 million committed to infrastructure grants in FY2020, $4.3 million has been requested for grant reimbursement to date with projects on target for completion by May 2022.

Since 2018, TNECD has awarded funds to serve 33,420 locations and 83,550 Tennesseans as part of the Broadband Accessibility Grant Program. TNECD will continue to administer the program and support providers and communities while seeking new and effective strategies for increasing access and adoption rates among Tennesseans.