



## Economic Affairs Interim Committee

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### 64th Montana Legislature

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### Access and Price are Key Aspects for Broadband

by Pat Murdo, Research Staff

A recent survey by the Bureau of Business and Economic Research at the University of Montana indicated that, while 84% of the Montana households surveyed had Internet access at home, there was disparity among urban (89%) and rural (75%) households.<sup>1</sup> Speed disparities also exist, with some people relying on dial-up services, others relying on wireless connections, and yet others having fiber-to-the-premises connections. The information highway in this big state is somewhat like the interstate system -- strong in certain corridors with many areas that are roadless or only accessible by one-lane, dirt roads. On-ramps and off-ramps may not be exactly where they are needed or wanted. Yet millions of dollars have been invested, most of that federal money.

The question posed to panelists presenting to the Economic Affairs Interim Committee at its Feb. 4-5 meeting is whether state and local governments have a role in broadband development and access, with a related question of whether better access also would mean acceptable prices and would bring in competition. To reiterate: Does the state or a local government have a role in helping to deliver more Internet access, and at what point is there a guarantee or a prospect of competitive services that impact pricing?

#### Quick Facts

\$900.4 million	The amount of money received by Montana telecommunication firms from 2004-2014
84%	The ratio of Montana households surveyed by the Bureau of Business and Economic Research that have Internet access.

The following websites have been suggested for committee members to review before the presentations:

- An overview of the [Bozeman Fiber Master Plan and Feasibility Study](#), an overview of public broadband options by the [New America Foundation](#), and a report on [Gigabit Communities](#), regarding ways to facilitate public or private broadband construction in a community.
- An [overview](#) of the Missoula, Mineral, and Bitterroot Counties broadband project and a summary report.

Following is a Table that lists money received by selected Montana hospitals, schools, and libraries, which can apply for Universal Service Funds to obtain internet access or develop

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<sup>1</sup> John Baldridge and Bill Whitsitt, "Getting the News: Technology Changes Habits," *Montana Business Quarterly*, Autumn 2015, p. 5. The survey was of 526 adult Montana residents, interviewed in April-May 2015. The margin of error is +/- 4.3%.

telecommunications, voice, or internet services. Although the Economic Affairs Interim Committee had asked for an indication of how much money each area of the state has received in broadband funding, that project proved daunting. An organization called the Universal Service Administrative Company<sup>2</sup> compiles lists of recipients for Universal Service Funds provided through the Federal Communications Commission. Information is available back to 1998, but funding waves did not start until 1999. In that year in the first funding wave, Montana received \$324,618.25 out of the \$85.2 million granted. The \$324,618.25 funded 168 projects at 57 schools or libraries.

In 2015 there were 34 funding "waves" for schools and libraries receiving Universal Service Funds. In 2014 there were 74 waves of funding just for schools and libraries. Montana schools and school districts alone filled 72 pages of funding. Shown below in the Table are recipients of funding from selected "waves" in 2014 and 2015. The reporting for schools and libraries does not list providers of the telecommunications service. The hospital information does. After the Table is an Appendix showing federal dollars flowing to telecommunications companies in Montana from 2004 to 2014, which lists a total of \$900.4 million over those 11 years, under a portion of the Universal Service Funds known as High Cost (now known as Connect America) Funds.

The only state statutory role involving this telecommunications funding is by the Public Service Commission, which under 69-3-840, MCA, determines which wire and wireless carriers are eligible telecommunication carriers (ETC). These carriers then can apply for federal funds to provide service in remote and underserved communities under the High Cost or Connect America portion of the Universal Service Fund. Statutes allow for designation of more than one ETC or for an ETC to relinquish its designation for an area if another ETC is serving there.

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<sup>2</sup>See <http://www.usac.org> and for a list of schools and libraries that have received funds, visit: <http://www.usac.org/sl/tools/commitments-search/Default.aspx>.