



Economic Affairs Interim Committee

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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.¹ 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

¹ 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 Company² 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.

²See <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>.

Montana Recipients of Universal Service Funds for Rural Health Care and Schools and Libraries

(for High Cost or Connect America Funding to Eligible Telecommunications Carriers, see the Appendix)

Health Care			Schools/Libraries			
<i>Recipient</i>	<i>Combined Amount / Yr</i>	<i>Provider</i>	<i>Recipient</i>	<i>Combined Amount/Yr</i>	<i>Purpose</i>	<i>Provider</i>
Anaconda Family Practice	\$1,540.42 / 2014	CenturyLink/Qwest Communications	Alberton School District 2	\$13,195.2 / 2015	Internet Access, Voice Services	
Community Hospital of Anaconda	\$103,112.97 / 2015	CenturyLink/Qwest Communications	Arlee School District JT 8	\$36,860.30 / 2015	Internal Connections	
Belgrade Medical Clinic	\$12,270.32 / 2015	CenturyLink/Qwest Communications	Billings School District 2	\$191,736 / 2015	Internet Access, Telecom, Voice	
Bullhook Community Health Center - Havre	\$27,672.76 / 2015 ----- \$311.61 / 2014	Triangle Telephone Cooperative Assn., Inc., Unite Private Networks, LLC	Bitterroot Valley Education Coop	\$7,075.06 / 2015	Internet Access, Telecom, Voice	
Central Montana Medical Center, Lewistown	\$18,567.20 / 2015 ----- \$4,688.04 in 2014	Mid-Rivers Telephone Cooperative and CenturyLink/Qwest Communications (\$5.1K)	Bozeman School District 7	\$236,631.94 / 2015	Internal Connections - \$156,885.16. Plus ~ \$80,000 for Internet Access, Telecom	
Fallon Medical Complex, Baker	\$1,670.92 / 2015	Mid-Rivers Telephone Cooperative	Browning School District 9	\$114,094.12 / 2015	Internet Access, Telecom, Voice	
Frances Mahon Deaconess Hospital, Glasgow	\$4,304.43 / 2015	Nemont Telephone Cooperative, Inc.	Butte Central Catholic High School	\$389.40 / 2015	Internet Access for School	
Glendive Medical Center	\$53,968.10 / 2015	Vision Net, Inc.	Circle Public Schools	\$9,859.69 / 2015	Internet Access, Telecom, Voice	
Health Information Exchange of MT, Kalispell.	\$57,876 / 2014	Bresnan Communications	Corvallis School District 1	\$384.90 / 2015	Voice Services	
Health Care			Schools/Libraries			

<i>Recipient</i>	<i>Combined Amount / Yr</i>	<i>Provider</i>	<i>Recipient</i>	<i>Combined Amount / Yr</i>	<i>Purpose</i>	<i>Provider</i>
Lincoln County Community Health Center (DBA Northwest Community Health Center), Libby	\$3,283.80 / 2015	Citizens Telecomm Co. of Montana	Cottonwood School District 57 - Havre	\$1,604.97 / 2015	Internet Access, Voice Services	
Livingston Medical Clinic	\$8,940.65 / 2015	CenturyLink/Qwest Communications	Ennis School District 52	\$4,822.92 / 2015	Internet Access	
Park Billings Clinic, Livingston	\$6,135.17 / 2015	Charter Communications	Heart Butte School District 1	\$32,225.58 / 2015	Internet Access, Telecom	
Madison Valley Medical Center, Ennis	\$2,469.39 / 2015	3 Rivers Telephone Cooperative	Laurel Public Library	\$1,545.55 / 2015	Internet Access, Voice Services	
Marcus Daly Hospital and Affiliates - Hamilton, Corvallis	\$62,302.42 / 2015 ----- \$13,201.50 / 2014	Blackfoot Communications, Inc.	Lockwood School District 36	\$62,588.12 / 2015	Internal Connections	
Marias Medical Center, Shelby	\$4,148.59 / 2015	3 Rivers Telephone Cooperative	Lolo School District 7	\$23,158.92 / 2015	Internet Access, Voice Services	
Ruby Valley Hospital, Sheridan	\$585 / 2015	TeleQuality Communications, Inc.	Whitehall School District	\$7,177.80 / 2015	Internal Connections	

Montana Total High Cost Support Payments by Study Area (\$Millions)

Source: Universal Service Administrative Company Disbursement Reports - <http://www.usac.org/default.aspx>

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>11 Year Total</u>
<u>Incumbent Local Exchange Carriers</u>												
1 Blackfoot Telephone Cooperative, Inc.	4.9	4.8	4.8	5.1	5.0	4.4	4.7	4.4	3.9	4.1	4.4	50.5
2 Hot Springs Tel. Company	0.6	0.6	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.5	0.6	6.7
3 Interbel Telephone Cooperative	3.1	3.1	3.2	3.1	2.9	2.8	2.9	2.8	3.3	3.7	3.7	34.6
4 Lincoln Telephone Company	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.5	0.4	0.4	0.4	4.3
5 Mid-Rivers Telephone Cooperative	6.2	6.0	5.7	5.3	5.2	5.2	4.7	4.3	2.8	3.1	2.4	50.9
6 Nemont Telephone Cooperative	4.3	4.3	3.9	3.6	4.9	5.8	6.5	5.7	7.1	9.1	8.9	64.1
7 Northern Telephone Cooperative	1.5	1.5	1.7	1.9	1.9	1.7	1.4	1.6	1.3	1.4	1.5	17.4
8 CenturyTel	2.2	4.7	3.4	4.1	4.2	4.1	2.6	3.3	3.3	3.3	3.2	38.4
9 Project Telephone Company	3.5	3.5	3.3	3.4	3.3	3.2	3.2	3.7	3.9	3.7	4.3	39.0
10 Range Telephone Cooperative	1.9	1.8	1.6	1.4	1.6	1.5	1.7	1.7	1.5	1.7	1.6	18.0
11 Ronan Telephone Company	0.6	0.6	0.7	0.6	0.6	0.6	0.5	0.4	0.5	0.6	0.6	6.3
12 Southern Montana Telephone Company	0.8	0.8	0.9	0.9	1.2	1.5	1.8	2.7	3.2	3.0	3.0	19.8
13 3-Rivers Telephone Cooperative, Inc.	8.4	7.1	6.5	6.5	5.8	7.6	11.5	12.9	8.5	8.3	10.8	93.9
14 Triangle Telephone Cooperative	3.6	4.1	4.3	4.1	4.9	5.3	6.2	8.4	10.5	12.4	12.7	76.5
15 Blackfoot Telephone (Clark Fork)	6.1	5.1	4.7	3.8	4.2	3.7	3.8	3.7	2.9	2.6	2.7	43.3
16 Central Montana Communications	3.8	4.0	4.3	4.9	5.0	6.0	6.6	8.1	7.9	9.1	9.9	69.6
17 Citizens Telephone Company	1.7	1.5	1.3	1.0	0.9	0.8	0.8	0.8	0.8	0.8	0.8	11.2
18 <u>Qwest Corporation</u>	<u>17.4</u>	<u>16.9</u>	<u>16.5</u>	<u>14.8</u>	<u>13.7</u>	<u>12.8</u>	<u>11.3</u>	<u>9.8</u>	<u>11.9</u>	<u>10.0</u>	<u>9.8</u>	<u>144.9</u>
Total ILEC	70.9	70.7	67.8	65.6	66.4	68.0	71.2	75.4	74.3	77.8	81.3	789.4
<u>Competitive Local Exchange Carriers</u>												
1 Mid-Rivers CETC	1.1	1.2	1.3	1.3	1.2	0.9	0.9	0.9	0.8	0.6	0.4	10.6
2 3-Rivers CETC	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.2	1.5
3 Alltel Wireless CETC (now AT&T)	0.0	2.6	6.9	4.5	3.9	2.9	1.4	-0.4	0.0	0.0	0.0	21.8
4 Cable & Communications Wireless CETC	0.0	0.1	1.0	1.1	1.0	0.8	0.8	1.0	0.8	0.6	0.5	7.7
5 Sagebrush Cellular CETC	0.0	0.0	2.0	4.4	4.8	4.0	6.9	6.4	6.2	5.7	3.0	43.4
6 Range CETC	0.0	0.0	0.2	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.7	2.2
7 Triangle Communications Systems	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.8
8 Comnet Wireless	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.9
9 Western Wireless	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4
10 iSmart Mobile dba Bik Sky Mobile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11 <u>MTPCS dba Chinook/CellularOne</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1.7</u>	<u>2.9</u>	<u>4.1</u>	<u>4.8</u>	<u>3.9</u>	<u>2.9</u>	<u>1.4</u>	<u>21.7</u>
Total CETC	1.2	4.1	11.6	11.8	13.0	11.8	14.4	13.0	11.9	9.9	8.3	111.0
<u>Total Montana High Cost Support</u>	<u>72.1</u>	<u>74.8</u>	<u>79.4</u>	<u>77.4</u>	<u>79.4</u>	<u>79.8</u>	<u>85.6</u>	<u>88.4</u>	<u>86.2</u>	<u>87.7</u>	<u>89.6</u>	<u>900.4</u>