

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: Provides for the creation of a statewide broadband network for schools and other governmental agencies.

FISCAL IMPLICATIONS

The federal Universal Service Fund (USF) as referenced in the bill was created by the Federal Communications Commission (FCC), which regulates all telecommunications companies, in 1997. All long distance, local telephone companies, cellular companies, paging companies and pay phone providers that provide service between states contribute a percentage of the total amount they bill to the fund.

Money in the fund is used to help schools, libraries, rural health care providers and telephone companies that operate in high cost areas by giving them discounts on telecommunications services. Provisions contained in House Bill 113 give the appearance that funding from USF would pay for a large part of a statewide broadband network. Other provisions focus on a large number of governmental agencies participating in the program that are not eligible for funding for these networks. This gives the appearance that schools will be the primary coverage entities and that other governmental entities may participate once the networks are viable. If this is the case, funding from the State will be necessary in large amounts. The actual number is not quantifiable by the PED but appears to be significant.

SIGNIFICANT ISSUES

This legislation is vague and it is unclear if existing state agencies, DoIT and PED, will work on this, or if a new state agency will be created which has the potential to significantly increase the cost associated with this legislation. This needs to be spelled out in the bill.

It is important to note that the **Universal Service Administrative Company (USAC)**, an independent, not-for-profit corporation designated by the Federal Communications Commission (FCC) to serve as the administrator of the USF only provides funding for schools, libraries, rural health care providers and telephone companies that operate in high cost areas and not for other governmental agencies.

As per USAC rules, the state educational agency, in this case, the Public Education Department, is the designated E-Rate lead for schools in the state. There is an increased level of complexity of this proposed legislation and the complexity is exacerbated when completing E-Rate applications when eligible entities (schools, libraries, and rural health clinics) are mixed with ineligible entities (state, county, and local governments).

Another issue to consider is that if a state agency is providing eligible E-Rate services, the same agency cannot apply for E-Rate funding. This may put the State Chief Information Officer in a position where he or she may not be able to execute the provisions of this bill. In either case, this process will require strong collaboration between the agency charged with overseeing a statewide network and PED.

Voluntary participation may result in a low level of participation. Schools with a high discount rate for E-Rate may not want to be thrown into a consortium application with schools that have a lower discount rate.

The Department of Information Technology has provided estimated costs for this legislation and has pointed out significant issues including lack of state funds to incentivize the carrier community. For example, Utah has been successful in engaging the provider community, but the success has come by building on existing programs and the Utah Educational Network has brought in \$79 million dollars in federal funds since 2010.

DoIT already has an extensive infrastructure and this legislation is not clear about how to utilize existing infrastructure with any new infrastructure.

This legislation does not adequately address issues in rural areas where costs tend to be higher or the issue where some districts served by two different carriers, such as Deming, Cobre, Silver, and Cimarron.

PERFORMANCE IMPLICATIONS

The provisions of this bill may require staffing at the PED that is not available at this time. Resources to support this effort should be considered and applicable funding should be appropriated.

TECHNICAL ISSUES

Current statutes prohibit DoIT from providing broadband services to schools and other governmental agencies. Under the current statutes, DoIT may only provide service to state agencies. Further, the proposed bill does not provide reference to the length of time it would take to build out a statewide aggregation network for schools and other governmental agencies. National efforts indicate it could be approximately five to ten year without substantive funding for the upfront costs associated with the build out.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Currently, the PED, DoIT, PSFA and the Governor's office are working a broadband initiative, the Governor's Broadband for Education (BB4E) initiative that is on schedule to make high speed internet accessible in all K-12 public schools in NM by 2018. This effort includes work to provide fiber access to all schools, a statewide price agreement on equipment needed to distribute the speed to classrooms and a statewide price agreement to provide the lowest cost of broadband to every school district and charter school.

In addition, schools are starting to collaborate with their local libraries to acquire E-Rate funds to improve network connectivity. School districts are already encouraged to work together and can utilize E-Rate funds to create regional points of presence serving multiple districts and charter schools within those districts.

Any statewide program such as this, similar to what Nebraska has done, takes up to 10 years to deploy and show an impact on pricing and services to schools. With minimal costs, DoIT and PED can continue to encourage schools and libraries to work together and issue RFPs to create partnerships that reduce costs to school districts and improve internet access services.