

N.C. DEPARTMENT OF INFORMATION TECHNOLOGY

BROADBAND INFRASTRUCTURE OFFICE



**Growing Rural Economies with Access to Technology
2019 Annual Report**

**Report to the Joint Legislative Oversight Committee on
Information Technology and the Fiscal Research Division**

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INTRODUCTION

The N.C. General Assembly created the Growing Rural Economies with Access to Technology (GREAT) Fund within the N.C. Department of Information Technology (DIT) in N.C. Session Law 2018-5, and appropriated \$10 million nonrecurring to support grants to private internet service providers to deploy broadband infrastructure in unserved areas within Tier 1 economically distressed counties. The GREAT program is codified in N.C.G.S. § 143B-1373.

The Broadband Infrastructure Office is a division of DIT working to enhance affordable high-speed internet access and adoption in communities across the state. The office administers the GREAT rural broadband grant program, facilitates partnerships with broadband providers, gathers data to identify unserved areas, and provides policy and technical guidance to local and state leaders. The office understands that broadband access and adoption can enhance a community's viability and livelihood by creating income opportunities, facilitating greater civic and cultural participation, expanding educational opportunities, and providing access to health care providers and other essential services.

Section (o) of the statute requires DIT to submit an annual report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. This report contains the number of grant project applications and awarded grant agreements; timelines for each grant and number of households, businesses, agricultural operations and community anchor points expected to benefit from each agreement; amount of matching funds and state investment for each agreement; summary of areas with broadband service and advertised broadband speeds for those areas; any breaches of agreements, grant fund forfeitures, or subsequent reductions or refunds of matching funds; and recommendations for the grant program.

GREAT GRANT RESULTS

The GREAT grant program represents a significant initial investment by the state to bring high-speed internet access to homes and businesses in unserved areas. A total of 9,720 households and 503 businesses, agricultural operations, and community anchor points will now have access to broadband-speed internet service. Each of these households and businesses is located in the most economically disadvantaged counties in the state – counties where market forces have heretofore failed to deliver enhanced internet access. These grants will greatly aid in the economic development, educational opportunities, and livelihood of these communities.

1. DIT received 25 applications for GREAT grants and awarded 21 projects. One awardee subsequently declined the award. As of the date of this report, DIT has entered into 18 grant agreements with awardees. Two agreements have yet to be executed, pending amendments requested by the awardees.
2. All grant agreements are five-year terms of service. Each agreement requires grantees to complete the deployment, or construction, phase of the agreement within two years of execution. Appendix A includes the number of households, businesses, agriculture operations, and community anchor points expected to benefit from each agreement.
3. A total of \$6,847,225.60 in private sector funds is required to match \$9,826,276.16 in state grant funds obligated for a total investment of \$16,673,501.76 in broadband infrastructure deployment. Appendix A itemizes the matching amount required for each grant amendment.
4. Appendix A lists the counties in which DIT awarded GREAT grants to deploy broadband infrastructure. Appendix B shows the areas within each of those counties where projects will be located. At this time, most grantees are in the initial construction phase. Initial progress reports are due September 30, 2019.
5. No breaches of agreements, grant fund forfeitures, or subsequent reductions or refunds of matching funds have occurred thus far. One awardee subsequently declined the grant award.

RECOMMENDATIONS

DIT recommends three primary improvements to the GREAT grant program, in addition to a number of technical or minor recommendations to facilitate better deployment of grant resources.

First, while the \$10 million appropriated to the program in N.C.S.L. 2018-5 represents a critical initial step, the state must invest significantly more to meet the needs of rural communities, attract businesses, eliminate the homework gap, provide telehealth options to elderly residents, and support public safety needs. Governor Roy Cooper's budget requested \$30 million in year two of the program, signaling a major commitment to support additional private sector investment in the deployment of broadband infrastructure.

Second, DIT recommends expanding eligibility for grant projects beyond Tier 1 economically distressed counties to include at least Tier 2 counties, if not more. Broadband access is a pervasive problem in the state’s most rural counties, but many communities lack connectivity in Tier 2 counties and even in rural pockets within Tier 3 counties. Aside from need, the GREAT grants must expand beyond Tier 1 counties to keep attracting private sector internet service providers to participate. Many communities with many potential customers exist outside Tier 1 counties. Ultimately, the grant program should extend to unserved communities in all counties. In the meantime, expanding at least to Tier 2 counties is critical to serve more households and to attract private sector interest.

Third, DIT recommends incorporating scoring criteria that benefit internet service provider grant applicants that offer pricing for low-income customers or some other digital equity or affordability component. Broadband access is a significant challenge across the state, but expanding adoption is also key to moving the state forward.

DIT has included recommended legislative language below.

Amend G.S. 143B-1373(a) as follows:

- “ ...
- (5) Eligible economically distressed county. – A county designated as a development tier one or tier two area, as defined in G.S. 143B-473.08.
 - (6) Eligible project. - An eligible project is a discrete and specific project located in an unserved area or areas of an economically distressed county or contiguous counties seeking to provide broadband service to homes, businesses, and community anchor points not currently served. Eligible projects do not include middle mile, backhaul, and other similar projects not directed at broadband service to end users.
- ...
- (10) Low-cost service offering is one that offers a monthly service charge of not more than \$15 for 25 Megabits per second download speeds and 3 Megabits per second upload speeds, and does not impose data caps or require other provider-imposed service fees, not including taxes and 911 or other state or federally required fees.
 - (11) ~~(10)~~ Mountain Region. - The portion of the State lying west of and including Alleghany, Burke, Caldwell, Rutherford, and Wilkes Counties.
 - (12) ~~(11)~~ Office. - The Broadband Infrastructure Office in the Department of Information Technology.
 - (13) ~~(12)~~ Piedmont Region. - The portion of the State lying west of and including Franklin, Lee, Moore, Richmond, Wake, and Warren Counties, to the eastern boundaries of Alleghany, Burke, Caldwell, Rutherford, and Wilkes Counties.
 - (14) ~~(13)~~ Secretary. - The Secretary of the Department of Information Technology.

~~(15)(14)~~ Unserved area. - A designated contiguous geographic area that is presently without access to broadband service, as defined in this section, offered by a wireline or fixed wireless provider. Areas where a private provider has been designated to receive funds through other State or federally funded programs designed specifically for broadband deployment shall be considered served if such funding is intended to result in construction of broadband in the area within ~~18~~ 12 months.

(16) Underserved area. – A designated contiguous geographic area that is presently without access to internet service offered by a wireline or fixed wireless provider of at least 25 Megabits per second download speeds and at least 3 Megabits per second upload speeds.

[...]

(c) Project areas comprised of census blocks, or portions thereof, within which a broadband provider is receiving State or federal matching funds to deploy technologically neutral scalable broadband service within the next ~~18~~ 12 months are ineligible for the GREAT program. It is essential for the Office to know the locations ~~of census blocks, or portions thereof, comprising these areas~~ so it can determine project eligibility. A private provider receiving State or federal matching funds to deploy broadband service within such an area shall, within 60 days of the effective date of this section, submit only a listing of the census blocks, or portions thereof, comprising each of its federally funded project areas meeting this requirement and nothing more to the Office. In future program years, the cutoff date for submitting this census block data shall be May 15. This will enable the office to update maps and advise applicants as to the unserved areas of the State that are eligible for consideration in that program year. The Office shall only utilize this data to update maps of census blocks to reflect these census blocks, or portions thereof, as being served. Failure on the part of a provider to submit the listing of census blocks by the cutoff date shall result in those areas being eligible for inclusion under this program during the upcoming program year. The Office shall use the census block data provided only for mapping of unserved areas. Information provided to the Office pursuant to this subsection is not a public record, as that term is defined in G.S. 132-1.

(e) Applications shall be made publicly available by posting on the Web site of the Department of Information Technology for a period of at least 30 days prior to award. ~~During the 30 day period, any interested party may submit comments to the Secretary concerning any pending application.~~ A provider of broadband services may submit a protest of any application on the grounds the proposed project covers an area that the internet service provider currently serves and is not an eligible area under this section. Protests shall be submitted in writing, accompanied by all relevant supporting documentation, and shall be considered by the Office in connection with the review of the application. For applications with filed protests, the Secretary shall issue a written decision to the protesting party at least 15 days prior to the approval of that application.

[...]

(g) Applications shall be scored based upon a system that awards a single point for criteria considered to be the minimum level for the provision of broadband service with additional points awarded to criteria that exceed minimum levels. The Office shall score project applications in accordance with the following:

(1) ~~Partnership. Projects involving partnership or affiliation by a private provider with a nonprofit or not for profit, or a for profit subsidiary of either that is required to enable certain partnership activities, or any combination thereof, shall be given five points in their application score where it is documented to the satisfaction of the Office that the partnership or affiliation will facilitate deployment and reduce cost per housing unit by utilizing the resources, facilities, and infrastructure of the partner or where the nonprofit or not for profit partner provides only financial support.~~

(2) ~~Unservd households. - The Office shall give additional points to projects based upon the estimated number of unserved households within the eligible economically distressed county, as determined by the most recent data published by the Federal Communications Commission or any other information available to the Office. Points shall be given to projects that will be located in counties with estimated unserved households as follows:~~

Unservd Households	Points Given
700 or less	1
700-1999	2
2000 and over	3

~~(2) (3) Households to be served. - The Office shall give additional points to projects that will provide broadband service to unserved households within the eligible economically distressed county, as determined by the most recent data published by the Federal Communications Commission or any other information available to the Office. Points shall be given to projects that will serve unserved households within the project area as follows:~~

Households To Be Served	Points Given
Under 150	1
150-249	2
250 and up	3

~~(3) (4) Unserved businesses. - The Office shall give additional points to projects that will provide broadband service to unserved businesses located within the eligible economically distressed county, as determined by the most recent data published by the Federal Communications Commission or any other information available to the Office. Points shall be given to projects that serve unserved businesses within the project area as follows:~~

a. Projects proposing to serve between 1 and 4 businesses shall receive 1 point.

- b. Projects proposing to serve between 5 and 10 businesses shall receive 2 points.
- c. Projects proposing to serve either (i) more than 10 businesses or (ii) an agricultural operation, agricultural processing facility, or a business with 31 or more full-time employees shall receive 3 points.

~~(4)~~(5) Cost per household. - The Office shall give additional points to projects that minimize the infrastructure cost of the proposed project per household, based upon information available to the Office. Points shall be given to projects based upon the estimated cost per household as follows:

- a. For projects proposed in the Piedmont or Coastal Plain Regions:

Est. Cost per Household	Partnership Using Infrastructure	Private Provider Only
Up to \$1,700	4	9
\$1,701-2,200	3	8

- b. For projects located in the Mountain Region:

Est. Cost per Household	Partnership Using Infrastructure	Private Provider Only
Up to \$2,500	4	9
\$2,501-3,300	3	8

~~(5)~~(6) Base speed multiplier. - Projects that will provide minimum download and minimum upload speeds shall have the aggregate points given under subdivisions (1) through (5) of this subsection multiplied by a factor at the level indicated in the table below:

Minimum Download: Minimum Upload	Score Multiplier
10:1 Mbps.	0.95
25:3 Mbps. or greater	1.35
<u>100:50 Mbps. or greater</u>	<u>2.0</u>

Projects that will provide symmetrical minimum download and minimum upload speeds that exceed 25:25 Mbps shall receive one additional point.

[...]

(i) The Office shall award 3 points for any project that will offer a low-cost service offering for a qualified low-income household or accepts Lifeline support in that project area.

(j) Applications receiving the highest score shall receive priority status for the awarding of grants pursuant this section. Applicants awarded grants pursuant to this section shall enter into an agreement with the Office. The agreement shall contain all of the elements outlined in subsection (d) of this section and any other provisions the Office may require. The agreement shall contain a provision governing the time line and minimum requirements and thresholds for disbursement of grant funds measured by the progress of

the project. Grant funds shall be disbursed only upon verification by the Office that the terms of the agreement have been fulfilled according to the progress milestones contained in the agreement. At project completion, the grant recipient shall certify and provide to the Office evidence consistent with Federal Communications Commission attestation that the proposed minimum upstream and minimum downstream broadband speeds identified in the application guidelines, and for which a base speed multiplier was awarded pursuant to subdivision (6) of subsection (g) of this section, are available throughout the project area prior to any end user connections. A single grant award shall not exceed two million dollars (\$2,000,000). No more than one grant may be awarded per fiscal year for a project in any one eligible ~~area, economically distressed county.~~

~~(k) (j)~~ Grant recipients are required to provide matching funds based upon the application scoring pursuant to this section in the following minimum amounts:

Score	Matching Requirement
7.0 points or less	55%
Greater than 7.0, but less than 14.0 points	50%
Greater than 14.0, but less than 21.0 points	45%
21.0 points or greater	35%

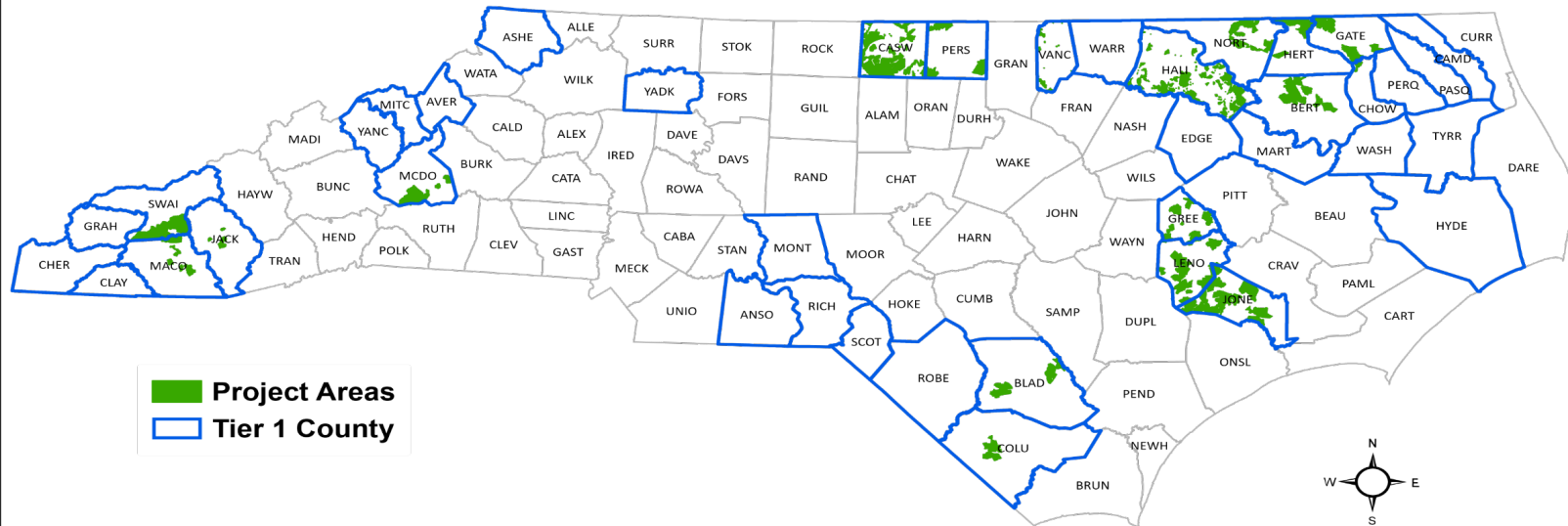
Up to fifty percent (50%) of matching funds paid by the grant recipient may be comprised of third-party funding and other grant programs. Universal Service Fund, Connect America Fund, or other grants awarded for broadband expansion through a separate State or federal program shall not be used for the required matching funds.

~~(l) (k)~~ The Office shall require that grant recipients offer the proposed ~~advertised~~ minimum download and minimum upload transmission speeds identified in the project application for the duration of the five-year service agreement. At least annually, a grant recipient shall provide to the Office evidence consistent with Federal Communications Commission attestation that the grant recipient is making available the proposed advertised speed, or a faster speed, as contained in the grant agreement. For the duration of the agreement, grant recipients shall disclose any changes to data caps for the project area that differ from the data caps listed in the grant application to the Office.

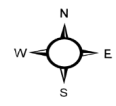
Appendix B

GREAT Grant Awards

9,720 Household Locations
503 Business/Agriculture/Community Anchor Institution Locations



Project Areas
Tier 1 County



**The Project Areas reflect relevant census blocks for the GREAT-funded deployments. GREAT Award Agreements will include additional details on specific locations to be served.*