



BIG MONEY OUT VA

“DEMOCRACY LOSES WHEN BIG MONEY WINS”

Telecom Money Talks: Broadband investment follows or ... doesn't.

Background: Americans have relatively poor access to broadband internet service compared to other countries. According to OECD data, the U.S. ranks 28th among developed countries -- less than 80 percent of households have internet access. The Federal Communications Commission (FCC) estimates that 21 million Americans still lack broadband access. According to Microsoft, if defined by “access to the internet at broadband speeds”, that number is closer to 160 million.

Data in the 2018 FCC International Broadband Data Report shows that US broadband speeds have climbed the charts to 10th among developed nations.

However, pricing analysis in the report shows that in spite of improving speeds and infrastructure, American household broadband costs are among the worst in the developed world, averaging \$58/month. Pricing levels are a result of the monopoly or duopoly state of broadband providers in many markets. This results in not only a rural-urban divide in broadband access but an urban divide based on affordability.

Virginia comes in 15th in the nation in terms of access to broadband internet. Currently, around 600,000 Virginians, 7 percent of the population, mostly located in the Southwest, Southside, and the Tidewater areas, lack access to broadband, including 200,000 K-12 students and 60,000 college students. About one-third of rural Virginia's homes do not have access to high-speed internet, with 10 percent of all Virginian households having no access to any internet service.

Virginia has two primary mechanisms for supporting broadband deployment in unserved areas: Grants from the Virginia Telecommunications Initiative (VATI) and the Tobacco Region Revitalization Commission (TRRC). Lawmakers are increasingly backing expansion efforts, as evidenced by VATI's funding, which grew from \$1 million in 2017 and 2018 to \$4 million in 2019, with \$85 million appropriated for FY2021-FY22. These increases came after grant applicants consistently applied for more money than was available.

According to a Pew Research Center survey in 2017, 70% of Americans believe that local governments should be allowed to create broadband networks for their residents if existing services are either too expensive or not good enough. Seventy-four percent of Democrats and 67% of Republicans supported the idea. A more recent poll asked specifically about federally supported public internet access, something that 60% of respondents supported (74% of Democrats and 55% of Republicans).

Lawmakers created the VATI in 2016 to provide grants for last-mile broadband infrastructure projects, housing it within the Department of Housing and Community Development (DHCD). It works closely with the TRRC, which the General Assembly created in 1999 to administer grants to help tobacco-producing counties recover from the decline of the industry, using money from the state's tobacco settlement. The TRRC has granted \$130 million to broadband projects. While the agency has historically funded middle-mile and backbone infrastructure projects, the commission set aside \$10 million for grants to support last-mile projects in 2017.

The TRRC and VATI programs are designed to operate similarly: They use the same application and require funded projects to be public-private partnerships, with a local government partnering with a private sector ISP to bring service to their community, something stakeholders identify as key to Virginia's success. The programs also use the same challenge process for grant applications, which allows a provider that claims to serve an area for which a grant application has been submitted to file an affidavit with evidence of the service that they provide.

What do we know about money and the influence of the telecommunications sector?

- Internet service providers in the United States have spent more than \$1.2 billion on lobbying since 1998. The telecom industry's lobbying efforts have had tangible ramifications on state laws governing municipal broadband. In fact, facilitated by over 631 lobbyists, over \$100 million was spent on lobbying in 2019 alone to protect business interests at the national and state level.
- Telecommunication companies have spent big to get legislative support on policies which favor their bottom line. 2015, Sen. John Thune (R-S.D.) and Rep. Fred Upton (R-Mich.) proposed an anti-net neutrality bill. The telecom service industry was one of Thune's top donors in the 2016 election cycle. Thune received more than \$225,000 from the industry with AT&T, Verizon Inc., and Comcast among the top contributors to his campaign committee and leadership PAC.
- In addition, the industry wields significant influence over its oversight agency, the FCC. The industry's lobbyists earlier this year urged the FCC to lower broadband speeds in the agency's \$20.4 billion rural broadband initiative. • Despite large federal and state subsidies, the large telecom companies are viewed to have abandoned rural America, through lack of investment, particularly focused on broadband speeds.
- The Case of Virginia: While municipal broadband investment appears to be key in improving broadband access in rural areas, Virginia is cited as being one of the three states with the most types of restrictions, along with Alabama and Wisconsin. Elimination of these restrictions could lead to 10% greater access to low-price broadband.
- In Virginia urban areas, such as Arlington, is one of the most wired places on the planet, yet 16 percent of households are estimated to not have a fixed connection at home, because of affordability.
- In Virginia, the telecom industry, under the technology/communication heading, is among one of the largest campaign donors, totaling nearly \$8 million in 2018/19, or over \$76 million since 1996. In recent discussions about authorizing municipal broadband authorities to apply directly, on the same terms as the private sector, for state VATI broadband grants, push back came from the lobbying arm of telecommunications companies like Cox, Comcast, Shentel, the Virginia Cable Telecommunications Association, and the Wireless Internet Association, leading to recommendation to the legislature of only a one-year pilot program and limiting any awards to only 10% of the total funds available.
- It can only be concluded that private telecom providers use lobbying and campaign contributions to erect more and more barriers, such as the aforementioned 10 percent limit, to avoid competition from local authorities which, in the U.S., have been cited as some of the cheapest and fastest options for broadband access.

Campaign Donations from TV Cable Providers in 2018 (\$1.1 million) to Virginia Legislators or Candidates for Office		
(Source: VPAP)		
Comcast (\$488,016) >\$2,500	VA Cable Tele Assoc (\$394,478) >\$10,000	Cox Communications (\$211,044)
Cox, Norment, Saslaw Gilbert, Herring, Hugo, Filler-Corn, Jones, Kilgore	Saslaw, Gilbert, Norment, Hugo Herring, Byron, Kilgore	VA Cable Telecom (\$164,931)