

SENATE BILL REPORT

SB 5586

As of January 11, 2022

Title: An act relating to the authority of the community economic revitalization board with respect to loans and grants to political subdivisions and federally recognized Indian tribes for broadband.

Brief Description: Concerning the authority of the community economic revitalization board.

Sponsors: Senators Frockt, Hasegawa, Mullet and Nguyen.

Brief History:

Committee Activity: Business, Financial Services & Trade: 1/11/22.

Brief Summary of Bill

- Establishes an appropriated loan and grant program for financing broadband infrastructure projects under the authority of the Community Economic Revitalization Board.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Staff: Kellee Gunn

Background: Community Economic Revitalization Board. The Community Economic Revitalization Board (CERB) was formed in 1982 to respond to local economic development in Washington communities. CERB provides funding in the form of low-interest loans and grants to local governments and federally recognized tribes for public infrastructure projects supporting private sector development.

CERB consists of 20 members, four of which are state legislators, representing private and public sectors from across the state. CERB sets policy and selects projects to receive financing assistance. The Department of Commerce provides administrative support.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Community Economic Revitalization Board Rural Broadband Program. In 2018, the Legislature provided \$10 million to CERB to administer grants and loans for infrastructure for high-speed, open-access broadband service with a minimum of 25 megabits per second download speed in rural and underserved counties and communities for the purpose of economic development or community development. The following biennium, the 2019-2021 capital budget provided \$3.45 million to continue broadband projects funded from the 2017–2019 appropriations. Most recently, the 2021 capital budget provided \$25 million to CERB to finance projects to provide high speed, open access broadband to rural and underserved communities.

Besides the requirement that the project be in a rural and underserved community, the loan is limited to \$2 million per project. Grants are available up to 50 percent of the total award, determined by the underwriting process and debt service coverage ratio.

Rural Broadband Program projects cannot result in retail development; gambling; job displacement from one part of the state to another; be located outside the jurisdiction of the applicant; the deployment of publicly owned telecommunication network infrastructure solely for its sake; or for certain equipment or facilities which the entity is not currently authorized by statute to provide.

Summary of Bill: An appropriated loan and grant program is created under the authority of CERB for financing broadband infrastructure projects.

Local governments and federally recognized tribes may apply to CERB for financing to build infrastructure for high speed, open-access broadband service. To qualify for financing, a project's purpose must be economic or community development. Each application must be approved by the local government and supported by the local associate development organization, the local workforce council, or by the governing body of the federally recognized tribe before being considered. Grants cannot make up more than 50 percent of the award.

Approved projects for CERB's broadband infrastructure program must:

- drive job creation, promote innovation, and expand markets for local businesses; or
- serve the ongoing and growing needs of local education systems, public safety systems, industries, businesses, government operations, and citizens.

Projects will not be approved if they promote or facilitate gambling and the deployment of a publicly owned telecommunications infrastructure network, or backbone, solely for the sake of creating a competitive, publicly owned telecommunications infrastructure network.

When evaluating and prioritizing each project, CERB must consider the following:

- value to the community, including evidence of support from affected local business and government;
- feasibility;

- commitment of local matching resources and participation;
- whether a technology-neutral approach is used to expand access at the lowest cost;
- inclusion in a capital facilities plan, comprehensive plan, or local economic development plan consistent with applicable state planning requirements; and
- readiness to proceed.

Every local government and federally recognized tribe seeking financial assistance must demonstrate that no other timely source of funding is available at similar cost.

Appropriation: None.

Fiscal Note: Requested on January 4, 2022.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This program is important. There is a wonderful pipeline of projects coming. Internet service providers are very responsive to the CERB model. As chair of the board, CERB has been investing in broadband for over 4 years. Becoming involved in broadband has allowed small communities to partner with ISPs, resulting in lower costs. CERB gets stuff done. All the \$37.5 million CERB has received has gone out the door. Of the broadband projects, 95% of the connections are high-speed, robust connections.

When our tribe went out to look for funding, we found CERB was the best partner; the process was less cumbersome and brought the best product to the community. From starting the application, to getting the fiber, it was about 13 months. CERB really helps bring open access broadband to a community at the lowest cost.

As a telecommunication director at Kitsap PUD, I have worked with CERB. Because we are not a distressed county, we could not work with the public works board. And we didn't qualify for other programs because rural and unserved areas are often prioritized. CERB is a right time, right project model. Without CERB, we would not have been able to serve our community because of the nature of our county. Broadband is a vital tool for the future. The flexibility of the program and professional staff at CERB has allowed us to partner with telecommunications providers and meet the needs of our county.

OTHER: CERB has been a wonderful partner. Our concerns are that CERB does not provide funding to private businesses. Private providers can provide these public goods. Having multiple state programs providing broadband funding is confusing. And the State needs to look at projections and ensure that there is no over-building. Currently there is no public facing coordination between CERB and the Broadband Office. AWB shares the goal of bridging the digital divide. We supported the bill that created the Broadband Office and

would rather see them oversee broadband funding. Centralizing oversight makes sense and will be a more coordinated, and less expensive, approach.

Persons Testifying: PRO: Senator David Frockt, Prime Sponsor; Randy Hayden, CERB - Community Economic Revitalization Board; Michael Echanove, CERB - Community Economic Revitalization Board; Mike Mason, CERB - Community Economic Revitalization Board; Angela Bennink, Kitsap Public Utility District; Joe Poire, Port of Whitman County.

OTHER: Betty Buckley, 14534 S Hwy 21; Mike Ennis, Association of Washington Business.

Persons Signed In To Testify But Not Testifying: No one.