



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #526

### **State Broadband Office Staff (Public Service Commission -- Broadband Provisions)**

[LFB 2021-23 Budget Summary: Pages 501 and 502, #3, #4, and #6]

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#### **CURRENT LAW**

The Wisconsin Broadband Office within the Public Service Commission (PSC) is responsible for advancing the availability, adoption, and use of broadband technology. The Office does so through comprehensive mapping of broadband availability in Wisconsin, administration of the broadband expansion grant program, outreach and advocacy, technical assistance, and certifying communities that are broadband- and telecommuter-friendly.

In general, PSC costs related to regulation of utilities subject to PSC jurisdiction are passed on as assessments on those utilities, which in turn pass those costs on as a component of rates paid by customers for utility service. PSC assesses a utility directly for instances in which costs are incurred as a result of a proceeding regarding that utility. However, most costs are not directly attributable to a given Commission proceeding, and the Commission instead allocates these general operating costs to all utilities regulated by PSC in proportion to their gross revenues. PSC operations are funded almost entirely from these general assessments, which are collected as program revenue (PR) and reflect actual costs incurred by the Commission. The Commission's general utility regulation appropriation is provided a base budget of \$15.7 million PR each year of the 2021-23 biennium.

#### **DISCUSSION POINTS**

1. The Wisconsin Broadband Office maintains 5.5 PR full-time staff, including: (a) 0.5 director, whose other half position is dedicated to non-broadband supervisory duties; (b) 2.0 broadband data and mapping staff; (c) 1.0 broadband expansion grant program administrator; and (d) 2.0 broadband expansion grant specialists. In addition to their primary position duties, broadband staff

spend time conducting outreach, providing technical assistance, and building local government capacity and partnerships. Broadband staff last increased when PSC reallocated 1.0 vacant position from another division in August, 2020. Additionally, the Office is supported by division-level staff, including the division administrator and a policy analyst focused primarily on broadband issues. PR staff are funded from the Commission's utility regulation appropriation, which receives revenues from general assessments on all regulated utilities to cover costs of their regulation.

2. 2021 Assembly Bill 68/Senate Bill 111 would create an annual GPR appropriation and convert 5.5 PR positions and associated funding of \$591,500 PR each year to GPR. Conversion of Wisconsin Broadband Office positions from PR to GPR is intended to reduce the burden on utility ratepayers for costs not directly associated with utility regulation. In general, the Commission's utility regulation appropriation supports accounting, engineering, analytical, legal, and other staff focused on review of utility proceedings, analysis of utility operations, and other activities associated with regulation of utilities. In contrast, broadband staff focus primarily on grant administration, outreach, mapping, and technical assistance activities not directly related to regulation of telecommunications utilities. Given the indirect nature of Wisconsin Broadband Office activities, it could be considered appropriate to convert 5.5 existing PR staff to GPR at a cost of \$591,500 GPR annually [Alternative A1]. The Committee could also take no action, and Office staff would continue to be supported by utility regulation PR [Alternative A2].

3. AB 68/SB 111 would also provide an additional staff and funding associated with new broadband programs and expanding duties of existing programs. These include: (a) 1.0 GPR position and additional limited-term employees (LTEs) with \$217,400 GPR in 2021-22 and \$278,900 in 2022-23 for additional grant administration efforts; (b) 1.0 GPR position with \$76,100 GPR in 2021-22 and \$97,100 in 2022-23 for additional mapping efforts related to a requirement for reporting of premises-level service data; and (c) 1.0 GPR position with \$71,900 GPR in 2021-22 and \$91,500 GPR in 2022-23 to administer the newly proposed broadband line extension grant program. Discussion related to provision of additional funding for broadband expansion grants, imposition of a premises-level service reporting requirement, and creation of a broadband line extension grant program can be found in a separate budget paper entitled "Broadband Grants."

4. Wisconsin is expected to receive approximately \$2.5 billion in direct payments under the American Rescue Plan Act of 2021 (ARPA). Among other eligible costs, ARPA specifies that funding may be used "to make necessary investments in water, sewer, and broadband infrastructure." Funding may support costs incurred before December 31, 2024. Based on an interim final rule released by the U.S. Department of Treasury on May 10, 2021, staff salary and fringe benefit costs necessary for administration of ARPA funding are an eligible use of ARPA funding. If ARPA funding were provided for broadband grants, that funding could similarly support staff to administer those grants, decreasing the need for additional state-funded staff. However, ARPA-funded staff would not be authorized to dedicate time to grant management work associated with previous grant allocations, such as processing reimbursement requests. Thus, the Committee could still consider providing some level of state funding for additional grant administration staff.

### **Grant Administration Staff**

5. AB 68/SB 111 would provide an additional 1.0 GPR position and funding for LTE staff

for grant administration activities. PSC reports the 1.0 GPR position would be responsible for ongoing post-award monitoring efforts, including review of reimbursement requests for release of grant funding. Additional LTE staffing of \$140,200 in 2021-22 and \$176,100 in 2022-23 would support seasonal costs related to grant reimbursements. Broadband expansion grant recipients sign a contract requiring final reporting of costs and subsequent reimbursement from PSC by a specified date, typically two years after a grant award. As all grants in a cycle have the same claims deadline, a surge in reimbursement requests occurs at the end of each grant period. PSC proposes limited-term staff to address the short-term increase in workload necessary to process such requests at the end of a grant period, and limit the need for additional full-time positions.

6. Grant awards are generally provided over a two-year project period. Thus, during the 2019-21 biennium, 1.0 grant administrator and 2.0 grant specialists processed reimbursements for the 96 grants totaling \$16.2 million awarded in 2017-18 and 2018-19. Grant administration staff salary and fringe benefit costs during the 2019-21 biennium totaled approximately \$465,000, equal to 2.9% of reimbursed awards during that period.

7. PSC has not been provided position authority directly for the broadband expansion grant program since the program's inception. However, as broadband expansion grant program funding and awards have increased each biennium, the number of open grant awards at any time has also increased. As of March, 2021, approximately 175 grant awards totaling \$59.1 million were open, while open grants from 2014 through much of 2019 were typically below 100.

8. If no additional funding were provided, existing staff would total approximately \$540,000 over the biennium, equal to 0.9% of awards anticipated to be reimbursed during the 2021-23 biennium. Under AB 68/SB 111, proposed full-time and limited-term broadband grant administration staff would total approximately \$1,035,000 over the biennium, equal to 1.8% of awards anticipated to be reimbursed during the 2021-23 biennium. While broadband grant administration staff spend time on duties other than grant reimbursements, increasing reimbursement activity may be considered commensurate with increasing grant administration duties in general. Further, providing additional staffing for review of grant reimbursements could ensure appropriate use of grant funding and accurate reimbursements made to grant recipients.

9. Given the increasing size of broadband expansion grant allocations in recent years, it could be considered appropriate to provide additional full-time and limited-term staff to support administration of broadband expansion grants. Thus, the Committee could consider providing an additional 1.0 GPR position and limited-term staff funding, for a total of \$217,400 GPR in 2021-22 and \$278,900 GPR in 2022-23 [Alternative B1]. The Committee could also consider additional full-time and limited-term staff under the current funding structure, and provide 1.0 PR position with \$217,400 PR in 2021-22 and \$278,900 PR in 2022-23 funded from assessments on utilities [Alternative B2].

10. Given the variable nature of current and proposed broadband expansion grant funding, the Committee could also consider providing the proposed 1.0 full-time position as a two-year project position and limited-term staff funding on a one-time basis during the 2021-23 biennium [Alternative B3]. If additional increases in broadband expansion grant funding were provided in future biennia, the Committee could consider additional staffing at that time.

11. As PSC has never been directly provided staffing to administer broadband expansion grants, and has instead reallocated staff from other program areas to meet broadband administration needs, the Committee could also take no action [Alternative B4]. If additional broadband grant staffing were necessary, PSC would need to allocate staff from other program areas. As noted previously, if ARPA funding were allocated to support broadband expansion grants, the Governor could create federal positions to administer that funding.

### **Mapping Staff**

12. PSC currently employs 2.0 broadband mapping staff with annual salary and fringe costs of approximately \$185,000. Staff are responsible for maintaining the Wisconsin broadband map (available at <https://maps.psc.wi.gov/apps/WisconsinBroadbandMap/>) by aggregating data from internet service providers, the U.S. Census Bureau, the Federal Communications Commission, and other sources. Mapping staff also spend time: (a) conducting outreach related to broadband availability; (b) determining eligibility and overlap of broadband expansion grant applications; and (c) developing partnerships and providing technical assistance related to statewide deployment of broadband.

13. As considered in a separate budget paper entitled "Broadband Grants," AB 68/SB 111 would require all internet service providers in Wisconsin to report annually each location they serve to PSC, allowing the Commission to prepare more detailed maps of broadband service. AB 68/SB 111 would provide an additional 1.0 GPR position and \$76,100 GPR 2021-22 and \$97,100 GPR in 2022-23 to support implementation of that provision. It is expected that premises-level reporting of broadband service data would require additional staff time to compile, analyze, and publish. Currently, broadband service is reported by census block, which total approximately 250,000 in Wisconsin, while premises-level data would total several million locations.

14. If the Committee wished to provide additional staffing to support implementation of premises-level data reporting, it could provide 1.0 position and \$76,100 in 2021-22 and \$97,100 in 2022-23 as GPR [Alternative C1] or utility regulation PR [Alternative C2]. The Committee could also take no action [Alternative C3]. PSC would need to allocate staff from other program areas if additional mapping staff were necessary.

### **Line Extension Staff**

15. As discussed in the "Broadband Grants" paper, AB 68/SB 111 would create a broadband line extension grant program. The program would provide grants to residences to cover costs associated with installing service connections to individual premises. In order to support development of the grant program and ongoing grant administration efforts, the bill would also provide 1.0 GPR position with \$71,900 GPR in 2021-22 and \$91,500 GPR in 2022-23. Creation of a new program would require establishment of policies and procedures associated with grant provision, consideration and scoring of grant applications, and fiscal management of grant awards. No estimate is immediately available for how many premises would apply for such grants, or what volume of workload would be associated with management of the grant program.

16. If the Committee elected to provide funding for broadband line extension grants, it could

consider providing 1.0 position with \$71,900 in 2021-22 and \$91,500 in 2022-23 from GPR [Alternative D1] or utility regulation PR [Alternative D2]. Efforts related to start-up of a new grant program could be considered largely one-time, and the Committee could consider providing the line extension grant position as a two-year project position [Alternative D3]. If line extension grants continued to require additional staff time, the Committee could consider continued staffing during 2023-25 budget deliberations. The Committee could also take no action [Alternative D4]. If additional broadband grant staffing were necessary, PSC would need to allocate staff from other program areas. As noted previously, if ARPA funding were allocated to support broadband line extension grants, the Governor could create federal positions to administer that funding.

**ALTERNATIVES**

**A. Broadband Office Staff Fund Source**

1. Create an annual GPR appropriation and convert 5.5 PR positions and \$591,500 PR each year associated with the Wisconsin Broadband Office to GPR.

ALT A1	Change to Base	
	Funding	Positions
GPR	\$1,183,000	5.50
PR	<u>- 1,183,000</u>	<u>- 5.50</u>
Total	\$0	0.00

2. Take no action. Wisconsin Broadband Office staff would remain funded from utility regulation PR.

**B. Grant Administration Staff**

1. Provide an additional 1.0 GPR position and limited-term staff funding with \$217,400 GPR in 2021-22 and \$278,900 GPR in 2022-23 for broadband expansion grant administration activities.

ALT B1	Change to Base	
	Funding	Positions
GPR	\$496,300	1.00

2. Provide an additional 1.0 PR position and limited-term staff funding with \$217,400 PR in 2021-22 and \$278,900 PR in 2022-23 from the Commission's utility regulation appropriation for broadband expansion grant administration activities.

ALT B2	Change to Base	
	Funding	Positions
PR	\$496,300	1.00

3. Specify that the additional position be provided as a two-year project position and additional funding be provided on a one-time basis during the 2021-23 biennium. (This alternative may be selected in addition to B1 or B2 above.)

4. Take no action.

**C. Mapping Staff**

1. Provide an additional 1.0 GPR position with \$76,100 in 2021-22 and \$97,100 in 2022-23 for broadband mapping staff.

<b>ALT C1</b>	<b>Change to Base Funding</b>	<b>Positions</b>
GPR	\$173,200	1.00

2. Provide an additional 1.0 PR position with \$76,100 PR in 2021-22 and \$971,100 PR in 2022-23 from the Commission's utility regulation appropriation for broadband mapping staff.

<b>ALT C2</b>	<b>Change to Base Funding</b>	<b>Positions</b>
PR	\$173,200	1.00

3. Take no action.

**D. Line Extension Staff**

1. Provide an additional 1.0 GPR position with \$71,900 in 2021-22 and \$91,500 in 2022-23 to administer the broadband line extension grant program.

<b>ALT D1</b>	<b>Change to Base Funding</b>	<b>Positions</b>
GPR	\$163,400	1.00

2. Provide an additional 1.0 PR position with \$71,900 in 2021-22 and \$91,500 in 2022-23 from the Commission's utility regulation appropriation to administer the broadband line extension grant program.

<b>ALT D2</b>	<b>Change to Base Funding</b>	<b>Positions</b>
PR	\$163,400	1.00

3. Specify that the additional position be provided as a two-year project position. (This alternative may be selected in addition to D1 or D2 above.)
4. Take no action.

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