Legislative Fiscal Bureau
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July 19, 2011

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: UW System: Section 13.10 Request to Commit Federal Funds Related to the Building Community Capacity Through Broadband Grant Awarded to the UW-Extension -- Agenda Item VIII

REQUEST

The UW System and the UW-Extension request the approval of the commitment of $1,897,937 to the Northcentral Technical College, acting as the fiscal agent for the Wausau community area network, related to the Building Community Capacity Broadband grant awarded to the UW-Extension by the U.S. Department of Commerce.

BACKGROUND

The Broadband Technology Opportunity Program (BTOP) under the U.S. Department of Commerce was created by the American Recovery and Reinvestment Act of 2009 (ARRA). In August, 2010, the UW-Extension was awarded $29.9 million through the BTOP program for the Building Community Capacity through Broadband (BCCB) infrastructure project. The BCCB project would create community area networks (CANs) in four demonstration communities: the Chippewa Valley region, Platteville, Superior, and the Wausau area. CANs employ a governance and operations model in which anchor institutions collectively decide how to connect facilities, provide broadband services, exchange traffic, and add institutions. According to the grant application, a total of 182 facilities run by 74 anchor institutions would be connected via the four CANs when the BCCB project is completed. The facilities that would be connected include 43 government facilities, 41 public safety facilities, 29 K-12 schools, 28 healthcare facilities, 17 community support organizations, ten UW facilities, ten community college facilities, and two public housing facilities.

In addition to providing broadband services to facilities within the CANs, the grant funding would also support the construction of so-called "middle-mile" broadband infrastructure between Madison and Platteville, between the Chippewa CAN and the Superior and Wausau CANs, and extensions from the Chippewa and Wausau CANs to Rice Lake, Marshfield, and Stevens Point. Grant funds would also be used to support the extension of broadband infrastructure into eight, last-mile communities. Last-mile communities are generally rural communities where a limited number of potential subscribers inhibits infrastructure investments by private providers. Both the middle- and last-mile infrastructure would be built by CCI Systems, a for-profit provider selected by UW-Extension. CCI Systems would offer residential and commercial internet services in the last-mile communities.

ANALYSIS

Under 2011 Act 32, the Board of Regents may not commit and shall ensure that no UW institution, UW Colleges campus, or the UW-Extension does not commit any funds received related to the BCCB grant awarded to UW-Extension to any facilities to which such funds were not committed prior to June 15, 2011, without the approval of the Joint Committee on Finance. The UW System has provided copies of signed contracts between the UW System and the following entities related to the BCCB grant awarded to UW-Extension: CCI Systems, dated February 8, 2011; UW-Madison, acting as the fiscal agent for WiscNet, dated March 14, 2011; UW-Superior, acting as the fiscal agent for the Superior CAN, dated April 13, 2011; UW-Platteville, acting as the fiscal agent for the Platteville CAN, dated April 29, 2011; and Cooperative Education Service Agency (CESA) 10 acting as the fiscal agent for the Chippewa Valley Inter-Networking Consortium (Chippewa CAN), dated May 17, 2011. The UW System and the UW-Extension indicate that the funding specified in these signed contracts was committed prior to June 15, 2011, and therefore does not require approval by the Joint Committee on Finance. The UW System did not sign a contract with the proposed fiscal agent for the Wausau CAN prior to June 15, 2011, and the UW System and UW-Extension are seeking approval by the Joint Committee on Finance from the commitment of those funds.

Table 1 shows the amount of federal grant funding and cash and in-kind match funding that has been allocated for each CAN, to CCI Systems for the construction of the middle- and last-mile backbone, and to UW and WiscNet for administration. The match amount shown for UW and WiscNet includes the value of right-of-ways contributed by the Wisconsin Department of Transportation.

TABLE 1

Amount Budgeted for Each CAN, CCI Systems, and Other Entities

	Federal	Match	Project Total
Chippewa	$10,667,603	$5,056,468	$15,724,071
Platteville	604,558	319,060	923,618
Superior	480,736	40,000	520,736
Wausau	1,538,937	359,000	1,897,937
CCI Systems (Middle-mile backbone and last mile service)	13,397,720	2,436,720	15,834,440
UW and WiscNet (Administration and last mile service)	3,195,360	4,630,582	7,825,942
Total	$29,884,914	$12,841,830	$42,726,744

As shown in Table 1, the total amount of federal grant funding that would be spent related to the Wausau CAN is $1,538,937. An additional $359,000 in cash and in-kind contributions would also be provided. According to documentation provided by UW-Extension, this funding would be used to lay 13 miles of network fiber within the city of Wausau connecting 17 county facilities, schools, and healthcare facilities. Key local partners are Northcentral Technical College, Marathon County, the City of Wausau, UW-Stevens Point, and the City of Stevens Point.

The request submitted by the UW System and UW-Extension relates only to the portion of the funds that would be spent related to the Wausau CAN. However, UW-Extension has indicated that if expenditures related to the Wausau CAN are not approved, funding for the entire grant could be jeopardized.

ALTERNATIVES

1.   Approve the UW System's request to commit $1,897,937 to the Northcentral Technical College, acting as the fiscal agent for the Wausau CAN, related to the BCCB grant awarded to the UW-Extension.

2.   Deny the request.

Prepared by: Emily Pope