

DEPARTMENT OF GENERAL SERVICES

Testimony for
Senate Communications and Technology

**Public hearing to discuss improving access to high-speed
broadband internet in the Commonwealth**

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PRESENTED BY

Curt Topper
Secretary

Good afternoon, Chairmen Phillips-Hill and Santarsiero and members of the Senate Communications and Technology Committee. I'm Curt Topper, Secretary of the Department of General Services. I appreciate the opportunity to provide testimony today about my department's role and recent efforts regarding wireless communications in Pennsylvania, and specifically about the provisions of Senate Bill 470.

Senate Bill 470 would direct DGS to establish a process through which the real assets of the Commonwealth could be leveraged in order to facilitate the growth of broadband availability in unserved and underserved areas of the state. This is a worthy goal and we support the intent of the legislation.

However, our experience over the last three years suggests that although leveraging the Commonwealth's assets as the bill envisions could result in a moderate new revenue stream for the Commonwealth, doing so will not likely have a very significant impact on the overall rural broadband problem.

For the purpose of this testimony, I believe it is important to distinguish between these two goals:

1. Expanding broadband access in rural / underserved areas, and
2. Ensuring that the Commonwealth earns a reasonable return on its assets where and when they can be made available to wireless providers looking to build out their networks in PA.

Goal #1 - expanding broadband access in rural / underserved areas - exists largely outside of DGS' historic and statutory purview. DGS has no formal role in telecom regulation or in local economic development. DGS possesses neither the expertise to assess the extent of the rural broadband problem nor the ability to compel wireless providers to provide the data necessary to do so. As such, DGS is not the appropriate agency to lead the Commonwealth's efforts to expand rural broadband. The Wolf administration has correctly designated this as a DCED responsibility.

That said, our experience over the last three years working on Goal #2- Ensuring that the Commonwealth earns a reasonable return on its assets - has given us some insight into the rural broadband challenge. Specifically, we have confirmed that the relative availability of Commonwealth assets has little to no bearing on the larger problem of broadband expansion.

Simply put, the private sector hasn't failed to provide broadband everywhere because it lacks land upon which to build towers. The private sector has failed to provide broadband everywhere because the market opportunity hasn't been sufficient everywhere to warrant the necessary private capital investment everywhere. Even if we offered the Commonwealth's real estate assets and space on our existing towers to wireless providers at no cost, it wouldn't fundamentally change the economics. Additional capital investment is necessary to solve the rural broadband challenge.

We know this to be true because while DGS has already engaged in a multi-year effort to inventory our assets and to make more of them available to wireless providers for the primary purpose of generating revenue, we have also explored whether these assets could be a key to solving the larger problem.

In 2016, DGS started exploring the opportunity to generate revenue by making more Commonwealth assets available to wireless providers. The department first sponsored a research study, performed by faculty and students from Carnegie Mellon University. The study was actively guided by an interagency steering committee including PSP, PennDOT, DHS, DGS, the PUC and DCNR. The study assembled an inventory of the Commonwealth's eligible real estate holdings and existing wireless communications infrastructure. The study estimated the value of excess and underutilized capacity on Commonwealth-owned towers and telecommunications equipment. The study examined the approaches of other states such as New York, Massachusetts, Florida, California, and Ohio and identified best practices. The study considered the likely impact of pending technological advances, which we are now seeing in 5g and micro-cell technology. And finally, the study made recommendations with respect to how the Commonwealth should approach the wireless marketplace in order to maximize the revenue potential.

Based on this research and feedback from telecommunications providers, in 2017, DGS determined to develop a single, streamlined mechanism through which all agencies under the Governor's jurisdiction could make property and existing wireless assets available to interested telecom providers. We maintained the interagency effort that guided the study and incorporated the participation of PSP, PennDOT, the Governor's Office of Administration and other agencies in the governance of a new statewide approach with the goal of maximizing revenue while ensuring public safety. This governance approach was established in a new DGS Management Directive.

DGS conducted a competitive Request for Proposals (RFP) process to identify and hire a Wireless Infrastructure Program Manager (asset manager) to manage our combined assets and to more effectively market them to wireless providers. Our research concluded that this approach, which is used by several other states, would ultimately be superior to trying to build the internal technical expertise and commercial capacity to meet the requirements of the market. The scope of the RFP included all commonwealth assets with the exception of PennDOT limited-access rights-of-way and those assets already covered by the PSP's pre-existing asset management contract with Crown Castle.

DGS received 3 competitive proposals in response to the RFP and ultimately selected Agile Networks to begin contract negotiations. Throughout 2018, DGS and the Governor's office sought to negotiate an expanded scope for the new Agile Contract – one that would have explicitly made the asset manager responsible for solving more of the rural broadband problem in Pennsylvania. This turned out to be unsuccessful largely because the anticipated wireless revenues were insufficient to make the necessary capital expenditures worthwhile for the firm.

In the spring of 2019, DGS and Agile returned to the originally contemplated RFP scope with its emphasis on maximizing revenue generation for the Commonwealth. The contract was finally executed in late August, 2019. We believe it will ultimately generate as much as \$5 million per year in new revenue for the agencies under the Governor's jurisdiction.

As our experience demonstrates, the department shares SB 470's goal to make the Commonwealth's real estate and existing infrastructure available wireless to providers wishing to expand their networks in Pennsylvania. The department's current statutory authority over contracting and real estate is sufficient to accomplish the goal but we would also welcome the general assembly's explicit endorsement and the requirement that these efforts are refreshed and continue beyond the current administration.

We would however recommend three specific changes to the proposed language:

1. "Unserved / Underserved Areas" – as written, SB470 might inadvertently limit DGS' ability to fully maximize the revenue potential of the Agile Contract. We would like to see the bill provide clear authorization for DGS to work with agencies to market assets *everywhere* in PA, not just in underserved/unserved areas. The areas of the Commonwealth that offer the most revenue potential are likely not currently unserved or underserved. For areas that are unserved or underserved, there needs to be investment in those areas that would far outstrip what the Agile Contract would bring into the Commonwealth, hence the need for a comprehensive rural broadband investment program, such as what Governor Wolf has laid out through Restore Pennsylvania.
2. Independent agency authority – as written, SB470 would authorize agencies to enter into their own independent agreements with wireless providers. DGS is concerned that this could undermine our effort to manage this process as a full enterprise and to ensure competitive rates for all participating agencies. We have also heard from wireless providers that they would prefer to work within a single Commonwealth framework rather than negotiate separate terms with different agencies.
3. The 30-day timeframe in the current bill requires further clarification to ensure that it can be met operationally. We would recommend allowing the department to define the specific phases of the contracting cycle and their required lengths.