

Testimony of Kris Gazsi, Assistant Director
Local Government Commission
August 7, 2019 Broadband Hearing

Good morning, my name is Kris Gazsi and I serve the Local Government Commission as Assistant Director. We have been asked this morning to participate in this hearing to share local government perspectives related to the extension of rural broadband. The Commission consists of members from all four caucuses in the legislature, and as a practice consistent with its overall goal to advance the effectiveness and efficiency of local government in Pennsylvania, makes the resources of its professional staff available for consultation to any member on issues related to local government. Our comments and analysis do not amount to an endorsement of the policies proposed here or in any bill of the General Assembly apart from legislation sponsored directly by the Local Government Commission. Accordingly, my testimony today seeks only to place rural broadband, as a service, in the context of Pennsylvania municipal law.

Local government at its core provides an opportunity to place neighbors and peers who share a stake in the public's future in a position of trust to advance a community's priorities, opportunities and investments. In the Commonwealth of Pennsylvania, those priorities have long included empowering local governments to connect people regionally by building roads and bridges and delivering local services. Inherently, local leaders are involved in the answer to the question: should access to a service be a part of the social contract extended to all residents paid from general taxpayer revenues or delivered only to participating ratepayers? Although the public is accustomed to an expectation that emergency services and education are predominantly funded by taxes, many other services are divided between taxpayer investments and fee-for-services delivered, including water, sewer, trash pickup, streetlights, access to parks and recreational spaces, code enforcement and many others.

Local governments provide these services themselves, or they team up with other local public entities, create special purpose government units, or dedicate service territories to private enterprises empowered to be the exclusive or limited service provider. Choosing the most appropriate model allows officials to weigh costs against the services available, assess the availability of capital in bonds or grants and pursue economies of scale. Without local policy making decisions, residents are on their own in the marketplace. Service areas which provide a

clear business opportunity may be served more comprehensively than those that, challenged by regional income, geography or population density, simply are not. The difference can be acceptable when on-site substitutes are available, or unobtainable services are luxuries. However when meaningful, high quality access to broadband is treated like such a luxury good, gaps emerge where prospective employers cannot afford to invest in underserved communities, where students miss out on meaningful educational opportunities and where better medical tools are kept out of reach of patients in need.

A board of supervisors can issue a bond to build a bridge to cross the stream dividing a township, a handful of boroughs and townships can organize an authority to build a regional sewer system, a board of commissioners can enter an agreement with the neighboring city to retain police patrolling services they cannot provide on their own. When market solutions alone fail to deliver the services that will continue to define the future of work, education, medicine and emergency services, how can the tools of local debt, community cooperation and special purpose government entities be leveraged as a part of the solution?

To date, the interaction between local governments and broadband extension has been limited. Under the Public Utility Code's Chapter 30 Network Modernization Plan regulation, political subdivisions, including municipalities and school districts, have been prohibited under most circumstances from providing network services to consumers on a fee-for-service basis. As I understand it, through this program companies deployed services like DSL throughout much of the state, and relied on satellite services for the most isolated areas. Reports abound, however, that these networks are inadequate for customer needs in many areas, and may have even more limited utility as customer needs increase with future network uses. This may be a time, therefore, to reexamine the statutory relationship between local governments and service providers and ask whether there is an opportunity to be investment partners in the future.

The Local Government Unit Debt Act enables municipalities to issue debt to fund a variety of long term projects, including infrastructure for provided services. In these cases, services rendered on a fee basis provide an opportunity to forecast the revenue produced by ratepayers and pledge a portion of that revenue directly to the service of the debt, creating 'self-liquidating' debt which does not compete with the municipality's other debt limitations. Debt, of course, should only be taken out thoughtfully – but in some cases could be the key to making a broadband investment 'worth it'. Recently, for example, New Hampshire took such a step to

permit local governments to issue debt for the extension of broadband infrastructure in underserved rural areas. This spring, the first community to take advantage of the program voted by referendum to bring a fiber connection to 3,500 area residents pursuant to a \$1.8 million bond and designating a private operator to administer service on the municipally owned network. Similarly, Westminster, Maryland established a fiber based municipal network that partnered with a private network to construct municipally-owned infrastructure provided as a service to residents through a private network operator.

To the extent that local investment is worthwhile, existing municipal law may also provide an opportunity to leverage these investments regionally through intergovernmental cooperation. Our state constitution guarantees local communities the right to partner with each other, school districts, the Commonwealth and other public entities to pursue any governmental power, function or responsibility. To provide services, these cooperation agreements range from a simple contract for services from one municipality to another, all the way to regional entities, sometimes referred to as councils of government, established to deploy services across a range of communities. Paired with an authorization to issue local debt, regional collaboration could conceivably allow rural communities to work together, make investments, and take a direct stake in the deployment of broadband.

This isn't to say that local or regional investment should be seen as panacea. It isn't. There is likely no one-size-fits-all solution to the challenges of bringing broadband to the most underserved regions of the Commonwealth. Moreover, local infrastructure investment may assume network partners interested in working with publicly owned infrastructure. Whether the market produces those partners is an open question, as other state's experience have also highlighted that many telecommunications companies strongly prefer to work within wholly, and privately, owned infrastructure. However, at a time where we are asking big questions about what comes next for broadband network access in Pennsylvania, it may be worth giving local partnerships a fresh look.