

- SUBJECT:** Creating a community telecommunications alliance program
- COMMITTEE:** Economic Development — committee substitute recommended
- VOTE:** 6 ayes — J. Keffer, Homer, Isett, Hughes, Thompson, Wong
0 nays
1 absent — Rodriguez
- WITNESSES:** For — Bob Turner, Coleman Development Co. and Texas Rural Health Association; Craig Walker, HealthCare Vision; (*Registered but did not testify:*) Jim Buckner, Cuero Community Hospital; David Pearson, Texas Organization of Rural and Community Hospitals; Jill Turner, Texas Farm Bureau

Against — None

On — Kathy Grant, Texas Cable and Telecommunications Association; Jim Grover, Texas Telephone Association; Sam Tessen, Office of Rural and Community Affairs
- BACKGROUND:** The 74th Legislature created the Telecommunications Infrastructure Fund (TIF) as part of the Public Utility Regulatory Act of 1995. With revenue generated by an assessment on telecommunications providers' receipts that is passed on to consumers through a charge on telephone bills, the fund was intended to receive \$1.5 billion over 10 years. Under Utilities Code, sec. 57.047(c), the TIF board may award a grant to eligible projects that provide telecommunications access to public schools, nonprofit hospitals, public libraries, and higher education institutions. The fund is expected to reach its statutory limit during 2004, at which point the assessment will end. In January 2003, Gov. Perry froze \$224 million of TIF's \$400 million appropriation for fiscal 2002-03, and budget conferees are considering diverting the remaining TIF funds to separate technology programs.
- DIGEST:** CSHB 3325 would establish a community telecommunications alliance (CTA) program within the Office of Rural Community Affairs (ORCA). The alliance

would be an association of public and private entities that would share resources, promote innovative school health technology and community economic development, and work toward improving the overall quality of life in rural and economically depressed areas.

ORCA and the TIF board would have to adopt by rule a memorandum of understanding establishing the CTA program, which would have to:

- work in collaboration with the private sector to help communities develop CTAs by assessing the local need and demand for telecommunications and information services;
- help CTAs apply for grant funding for projects, including helping the alliances secure matching private funds and requiring alliances to develop sustainable funding plans that would not result in direct competition with local businesses or telecommunications providers;
- promote rural economic development by helping CTAs obtain access to telecommunications and information services locally; and
- create rural pilot projects to develop innovative school health technology projects.

CTAs created under this program would be eligible for TIF grants, as would a project that extended information services to an economically depressed area.

Public and school libraries, public and nonprofit health-care facilities, and local higher education institutions would have to be eligible to participate in a CTA. Eligibility for private network services under the program would be limited to educational institutions, libraries, nonprofit telemedicine centers, and public or nonprofit hospitals.

Each CTA would have an advisory council with local representation from:

- a nonprofit organization;
- a county elected official;
- a city elected official;
- a telecommunications provider;
- an economic development group;
- the financial community; and
- an information services provider.

ORCA would have to submit a report to the Legislature every other year detailing the program's grant activities and grant recipients. The report would have to include the criteria used to measure the effect of the grants on telecommunications connectivity, data and performance measures quantifying the achievement of program objectives, and the results of a grant monitoring risk assessment and on-site review process.

The bill would take effect September 1, 2003.

**SUPPORTERS
SAY:**

CSHB 3325 would create an innovative initiative to establish sustainable community development and telecommunications access in rural and economically distressed regions of Texas. The bill would allow ORCA to channel remaining TIF funds to local public-private technology partnerships in the form of CTAs. These alliances would draw on the strengths of a wide spectrum of community leaders in underserved areas to create local community technology networks. While the TIF board has administered similar projects and has distributed grants for this purpose over the past several years, some of these local networks are not sufficiently tied into the private sector and may be unsustainable once grant funding disappears. Because the TIF's future is uncertain, grant recipients must learn how to survive on their own, and CSHB 3325 would help them do so.

By helping establish local technology network programs, CSHB 3325 would address one of the most important challenges facing rural and low-income communities: an adequate telecommunications infrastructure. Without these resources, underserved communities will continue to have trouble retaining young leaders and developing the capacity of local businesses.

CSHB 3325 would place emphasis on rural and low-income communities that often lack access to medical care. Community networks established under this bill could help Texas citizens in isolated areas benefit from new telemedical technology that allows medical professionals to diagnose and prescribe medicine for patients who may be hundreds of miles away.

Without the intervention of public funds, private telecommunications firms will tend to ignore what are perceived as small, less profitable rural and low-income markets. However, if public funds were used to generate cooperation and interest in telecommunications technology, a market for these services

would be likely to emerge. By encouraging a collaborative atmosphere in which community leaders could work together and craft telecommunications solutions to fit unique communities, CSHB 3325 would advance the goal of economic development in Texas.

CSHB 3325 would address many of the problems with grant administration at TIF, identified in an October 2002 report by the state auditor. That report found that TIF did not have performance measures and monitoring processes in place to ensure that grantees put the funds to efficient and effective use. By requiring that the CTA program issue regular reports to the Legislature displaying specific performance measures, grant risk assessments, and on-site reviews, CSHB 3325 would ensure that the concerns expressed in the state auditor's report were addressed fully.

**OPPONENTS
SAY:**

CSHB 3325 unnecessarily would duplicate the existing community networking program administered by the TIF board and would establish new guidelines that could make the program more difficult to administer. The bill would impose a cookie-cutter pattern on community projects by requiring an advisory board representing each of several different interest groups, a standard that might not work well in many communities. Since it was established, the TIF board has administered successfully more than \$1 billion in grants to more than 180 community networks across the state, and the majority of those programs are entirely sustainable. The Legislature should focus on making sure that the TIF can continue serving Texas' rural and underserved communities beyond its current sunset date of 2005.

NOTES:

As filed, HB 3325 was less specific about the goal of a CTA, particularly with respect to private-sector partnerships. The filed bill would not have required that the advisory board include a representative of a local information services provider and would not have specified economically depressed areas among those eligible for a grant.

The companion bill, SB 1436 by Staples, is pending in the Senate Business and Commerce Committee after public hearings on April 22 and 29.

SB 124 by Shapleigh and HB 46 by Turner, et al., would extend the TIF's sunset date to September 1, 2009, and raise the agency's funding cap. SB 124 was considered in a public hearing by the Senate Finance Committee on May

5 and left pending in committee. HB 46 has been referred to the House Regulated Industries Committee.