



**House Republican Policy Committee
Testimony Offered By
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Chairman Kail, Representative Irvin, and members of the Policy Committee:

Thank you for the opportunity to testify today.

Many have said the influx of \$1.16 billion in federal broadband dollars is a once in a generation opportunity. I disagree. It is a "once" opportunity. Never again will Pennsylvania be provided the resources and chance to connect every Pennsylvanian.

The Congressional intent for the IIJA bill that provided those dollars was to address that digital divide. The pandemic showed us how important broadband connectivity is to people, when we went home to work, school, worship and stay connected to family.

We understand that economics has played a major role in why broadband hasn't yet reached these locations.

BCAP has said since the beginning of this journey that it will take a laser focus to achieve the goal of universal access to reliable, fast, secure internet. We said at the outset, that any loss of focus on that mission, and any distraction, would place in jeopardy the opportunity to serve every Pennsylvanian. In order to succeed, every effort must be taken to deploy these federal tax dollars as efficiently and judiciously as possible.

Unfortunately, that loss of focus has occurred. What was intended to be a broadband expansion program, designed to bring service to unserved residents and that are by definition, uneconomic to reach, has become what some see as an opportunity to exploit these dollars and divert them for other purposes. The stated purpose of ensuring broadband access has been diluted...it is not part broadband access; it has become a jobs program, and a temporary jobs program at that. We agree that many areas still need good jobs. But this program isn't it.

And this lack of focus places that goal of access to every Pennsylvanian at risk. Let me explain... The Pennsylvania Broadband Development Authority has worked diligently to develop robust plans for the federal BEAD program. Unfortunately, a considerable amount of misdirected attention has been given to affordability plans and labor-related issues.

- PBDA has proposed a specific dollar amount as part of the program's middle class affordability guidelines. The very existence of a specific rate is counter to the federal legislation. Rate regulation is explicitly prohibited by the law, and it's there for a very good reason.

Setting a specific monthly rate for service is especially troublesome considering that the operators who are applying for these funds and who would be beholden to the rate, must also invest hundreds of millions of their own capital into these sparsely populated and uneconomic areas. And they must plan to maintain these networks in the future with their own private capital. The imposition of mandated affordability requirements further discourages deployment into areas that have highly risky return on investment. Our operators are not looking for windfalls here. They want to do business with a fair and reasonable rate for their customers.

We have been told repeatedly by the federal government that the rate is merely being “suggested” and that applicants should submit a reasonable middle-class rate that follows their business plan. So, why even have it in the guidelines at all?

- Labor costs. Pennsylvania has elected to impose a very high wage rate for this work, somewhere in the range of \$90/hr. The reason is because our own state Department of Labor and Industry has declined to create job classifications and wage determinations for the specific type of work that is required. In early 2023, BCAP asked L&I to create job classifications and attendant wages for Teledata Linemen and fiber splicers, which exist at the Federal Bureau of Labor. They declined, telling us that Pennsylvania will use the established, very general and very expensive Electric Lineman rate. That rate is designed for the worker who works in the dangerous high-voltage space, far off the ground. This not only drives up the cost of the projects by at least 30 percent, but will also drive up the local match by just as much. This alone places Pennsylvania at risk of not providing broadband access to every corner of our Commonwealth.

Unfortunately, these imposed high labor costs to build, coupled with suggested affordability prices that are not sustainable, creates a disincentive for Pennsylvania’s broadband providers. Right now they are each deciding whether it is worth even participating in the BEAD program. PBDA’s submission to NTIA on our state plans does not strike a fair balance and gives too much weight to labor matters and pricing over speed to deployment.

Repeatedly, we have heard from regulators that they don’t want to drive our operators out of business. We’re glad to hear that. And our operators aren’t looking to take advantage. They, too, are engaged and active citizens in their communities. They want to get these areas connected as much as you do.

However, these mixed messages and hurdles to deployment make us question the overall intent of the program and whether they really want to close the digital divide. We fear that rural Pennsylvania – communities like the one we’re sitting in today and the ones you call home – will continue to get left behind. We don’t want that, and we know you don’t either.

Thank you. I’m happy to address any questions you may have.