

# **BROADBAND IN WISCONSIN:**

## **Common Sense Reforms That Will Increase Access to the Internet**

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A Report Prepared by:



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# INTRODUCTION

In the 21st century, access to a reliable internet connection is crucial. The internet has been integrated, for better or worse, into every aspect of modern life; school, work, commerce, entertainment, and social connection. During the pandemic, this became abundantly clear as education went virtual, business meetings were held in video chat rooms, and the only way to see some of our loved ones was through the use of internet based tools. Of course, none of that is possible if you do not have access to broadband internet. Today, the Public Service Commission (PSC) administers the Broadband Grant Program which was created to expand access to broadband for Wisconsinites who are either unserved or underserved. This program plays an increasingly important role in the development of broadband infrastructure to areas that still do not have broadband.

The Broadband Expansion Grant Program was created by Governor Walker and lawmakers in the 2013-2015 budget ([2013 Act 20](#)) with the goal of expanding access to broadband internet to areas of the state that do not have service. The design and parameters were simple; designate areas of the state that have fewer than two providers as underserved and provide grants for the purpose of building out infrastructure to serve these underserved areas.<sup>1</sup> In his budget, the Governor appointed the Department of Administration (DOA) to administer the program in consultation with the PSC. However, it was later decided to have PSC administer the program given their work on broadband mapping. In that first budget, the program was given authority to spend \$500,000 annually. Today, that funding is dramatically increased. In the last round of grant awards, the PSC awarded \$124,967,392.<sup>2</sup>

In the future, these award amounts are going to be higher still. In late 2022, Wisconsin learned that it will receive up to \$1.1 billion in funding for broadband expansion through the *Broadband Equity, Access, and Deployment* (BEAD) program over a five year period starting in 2024.<sup>3</sup> Given the amount of funds that are set to flow into Wisconsin, is the Broadband Expansion Program at the PSC up to the task?

## PROBLEM

### Programmatic Integrity

In 2022, the Legislative Audit Bureau released an audit of the PSC Broadband Expansion Grant Program that listed a number of issues within the program related to transparency, record keeping, and oversight. The Audit Bureau analyzed two

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<sup>1</sup> [Wisconsin Legislative Fiscal Bureau, 2013-2015 LFB Comparative Summary of Budget Provisions, Act 20](#)

<sup>2</sup> [Public Service Commission, Previously Awarded Broadband Grants](#)

<sup>3</sup> [Governor Evers, PSC Announce Federal Internet for All Grant Awards](#)



grant rounds that occurred in 2021, both of which were funded with federal COVID stimulus funding. Together the grant rounds were set to deliver more than \$100 million. The audit reported:

- The program did not have written policies pertaining to the grant program and, at the time of the report, did not have written policies for the succeeding grant round of \$129 million.
- A panel consisting of three PSC employees and one employee from the Department of Public Instruction scored a round of applications worth roughly \$100 million. The Audit found that:
  - The scoring panel did not retain records pertaining to the rationale behind their decisions.
  - Commissioners “instructed their staff not to consider” certain applications because those projects could not “score well”, even though they were within the parameters of the application instructions.
  - When deliberating over requests in a similar geographic area, the panel made recommendations based on “PSC’s general program objectives” even though this was not in the grant application instructions.
  - The panel generally did not “consistently adhere” to the instructions given to applicants
- The Commission approved 83 grants funded by \$99.9 million from the American Rescue Plan Act. Of those selected, 79 projects were recommended by staff, with the remaining four given no reason for their selection by Commissioners.
- The PSC did not consistently apply reporting requirements to providers for reimbursement and did not document efforts to ensure that providers constructed the broadband infrastructure for which they received funding.

## Haphazard Implementation

The goal of the Broadband Grant Program is to “improve broadband access for Wisconsin residents” and that awarded grants will “improve broadband service in one or more underserved areas of the state”. To accomplish this, the legislature has directed the PSC to use the funds it provided in the budget to approve projects in areas of the state that are *unserved* or *underserved*. Unserved simply means a geographic area that does not have access to at least one broadband provider providing at least 5 megabits per second (Mbps) download and .6 Mbps upload. Underserved means that an area has less than two providers that can provide speeds of 25 Mbps download and 3 Mbps upload (25/3).<sup>4</sup> However, in recent decisions, the PSC has not followed this guiding directive and instead decided its goal is “distributing as many grants as possible throughout the state”.<sup>5</sup> As a result, grants are issued in areas of the state that are not lacking broadband access generally, ignoring huge areas of the state that are currently unserved. As an example, in the latest round of grants made by the PSC in March of 2023, two projects were approved in Jefferson County, totaling almost \$5 million in grant

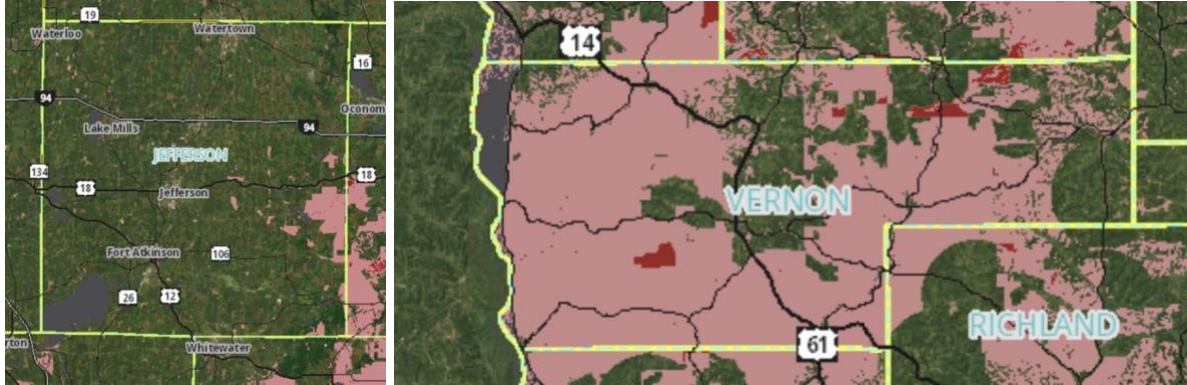
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<sup>4</sup> [Public Service Commission, State Broadband Expansion Grant Program Frequently Asked Questions: Fiscal Year 2022](#)

<sup>5</sup> [Wisconsin Legislative Audit Bureau, Certain Broadband Expansion Grant Programs: Report 22-11, page 13](#)

funding.<sup>6</sup> Only a small portion of Jefferson County is considered unserved or underserved. Now, compare that to Vernon County in western Wisconsin, which received no grant funding in the latest round (pink areas of the map indicate an underserved area).

*Maps of Jefferson and Vernon counties (pink indicates underserved areas)*



*Source: PSC Broadband Office<sup>7</sup>*

## SOLUTIONS

### Move the Broadband Grant Program to DOA

It is clear from the results of the audit that there are concerns with the process through which the PSC awards the millions of dollars that go into broadband expansion. The Commission has struggled with the basic aspects of a grant program; keeping documentation, providing transparency, and providing oversight over how those grant awards are paid out. As stated previously, the federal BEAD program is set to award Wisconsin up to \$1.1 billion and the state must ensure that the findings of the audit report do not become a stumbling block. For that reason, lawmakers should consider moving the Broadband Office to the Department of Administration. DOA has experience running grant programs on a large scale and the Department could professionalize the process.

Given the scale of funding that is set to move through the Broadband Office, the director of the Office should be appointed by the Governor with the advice and consent of the Senate. When BEAD funded grant rounds begin in 2024, the PSC will see a massive increase in the amount of funding running through the agency. In fact, BEAD expenditures alone will amount to almost four times what has been spent since the start of the program in 2014.<sup>8</sup> This alone justifies the additional accountability that a Senate confirmed appointment would bring. Additionally, this

<sup>6</sup> [Public Service Commission, State Broadband Expansion Grant Awardees: Fiscal Year 2022](#)

<sup>7</sup> [Public Service Commission Broadband Map](#)

<sup>8</sup> [Previously awarded Broadband Grants](#). Wisconsin Public Service Commission Website. Accessed April 12, 2023.



would allow the legislature to have greater oversight over what is an important program for the state.

## Raise the Standards of Broadband for Wisconsinites

When looking for a new computer, it's always best to purchase something that has more computing power and memory than you currently need in order to extend its useful life. The same thinking goes for internet speed. We live in a world now where the advancement of technology moves exponentially faster over time and in order to make our investments in broadband "future-proof", we need to raise our standards. Currently, the Broadband Grant Program targets areas of the state that are unserved and underserved. These standards are confusing and unproductive if our goal is to increase access to modern broadband.

The state should streamline these terms by eliminating *underserved* as a standard and redefining *unserved* as any area that has less than two providers capable of 100 Mbps download and 20 Mbps upload (100/20). If we want Wisconsinites to have broadband internet that they can use in the future, we need to elevate this standard. In fact, Governor Evers agreed with this and placed it in his 2023-2025 budget request.<sup>9</sup>

## Reverse Auction

Currently, the Broadband Grant Program takes applications from providers for funding to expand broadband in areas of the state that are either unserved or underserved. The grants are reviewed by a scoring committee and then recommendations are submitted to the Commission for approval. Outside of the issues that were raised by the Audit Bureau, this process leads to a haphazard deployment of grant funds as noted above. Areas of the state that are truly unserved are ignored by providers in favor of areas of the state that are easier to build out or will provide a better revenue source. The current program allows for providers to pick the locations they would like to build and submit a grant application for funding.

Without coordination in the distribution of funds, the results will be more of the same. Haphazard grant approvals will continue while large areas of the state go unserved. The answer to this quagmire is to transform the program by moving to a reverse auction model. In a reverse auction, the state would use the most up-to-date [Broadband Map](#) to determine which areas of the state are unserved according to the new standards detailed above. The state would then request bids to provide service to those designated areas and subsidize the winning bids.

The reverse auction model is far more efficient and maximizes the reach of public funding. One study analyzed the use of the grant review process (like what is currently used in Wisconsin) used to distribute federal funds for broadband under

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<sup>9</sup> [Wisconsin Legislative Fiscal Bureau, 2023-2025 Summary of the Governor's Budget Recommendations, Public Service Commission, #2](#)

the American Recovery and Reinvestment Act in 2009. It found that the grant review process was no more effective than a simple lottery. Further, the study theorized that if a reverse auction would have been used, nearly twice as many buildings could have been connected.<sup>10</sup>

## Require at Least 40% Matching Funds

If we want these funds to do the most they can, we need to require providers to “buy-in” to these projects at a greater level. This reform was proposed in [2021 Senate Bill 365](#), authored by Senator Marklein. Requiring a 40% match would increase the amount of funding that would go to broadband expansion, increasing the impact of the BEAD funding. Currently, the Broadband Program does not require matching funds, but does give priority to applications that include matching funds.

## Let the Private Sector Build the Infrastructure

Wisconsin currently allows local governments to apply for broadband grants. Although the majority of grants go to private sector providers, there are quite a few that go to local governments and public utilities. Is it prudent to take public funding available through the Broadband Grant program and support government-owned networks (GON)? The answer is simply and unequivocally, no.

The upfront costs, constant need for technological improvements, and the financial risk borne by taxpayers make GON providers a risky proposition. The upfront costs for building out a fiber network are very expensive and require a high level of subscribership to keep a GON afloat. When a community first considers a GON, they usually hire a consultant to conduct a feasibility study. These studies generally paint a rosy picture for the inquiring community; economic growth and a high number of estimated subscribers. In reality, these GONs tend to take on massive debt without having enough customers to fund the program.

In the late 1990's, Sun Prairie started installing fiber optic cable to connect municipal buildings.<sup>11</sup> A consultant's feasibility study showed that there would be a 30% take rate for expanded service and the city moved forward with a plan to connect more homes and businesses.<sup>12</sup> The result was a 5% take rate and the city needing to sell its assets to avoid financial issues. In 2017, Sun Prairie sold its broadband assets to TDS for slightly more than the program's remaining debt.

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<sup>10</sup> Oh, Sarah. [Using Reverse Auctions to Stretch Broadband Subsidy Dollars: Lessons from the Recovery Act of 2009](#). Technology Policy Institute, January 2021.

<sup>11</sup> Kampis, Johnny. [Sun Prairie Sale Ends Costly Experiment](#). The Center Square, June 9, 2017

<sup>12</sup> [GON with the Wind: The Failed Promise of Government Owned Networks Across America](#). Taxpayer Protection Alliance, May 2020.

# CONCLUSION

Access to a reliable internet connection is an essential part of living in the 21st century and Wisconsin made a commitment 10 years ago to connect more homes and businesses across the state. In the past decade, the state has distributed over \$300 million in broadband grants and some of the weaknesses in the program are becoming apparent.<sup>13</sup> There have been lapses in program integrity, haphazard implementation, and internet speed standards have not been adjusted to account for advancements in technology.

Starting in 2024, an estimated \$1.2 billion will be invested in Wisconsin through the BEAD program over a five year period. It is crucial, now more than ever, that the Broadband Grant Program is positioned for success to ensure that taxpayer funds are not wasted in a flawed program. That is why lawmakers should consider moving the program to the Department of Administration, raising internet speed standards, implementing a reverse auction system, requiring more buy-in from providers, and narrowing the focus to private sector providers. With more than \$1 billion in funding at stake over the next couple years, Wisconsin needs to get this right.

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<sup>13</sup> [Previously awarded Broadband Grants](#). Wisconsin Public Service Commission Website. Accessed April 12, 2023.

