

## NM Rural Broadband Opportunities

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- Many areas of urban and rural New Mexico DO have broadband.
- There are also many “gaps” in both urban and rural New Mexico that either don’t have broadband or have limited broadband.
- What is the most effective way to fill those gaps?
  - Work with the local broadband companies to understand where the gaps are.
  - What are the causes of those gaps? High cost? Right-of-Way issues?
- Rural broadband in areas that are truly rural will require some form of government subsidy in order to make a business case to invest in the infrastructure.
- What initiatives have been successful in filling the gaps in broadband?
  - Federal Connect America Fund
    - CenturyLink accepted \$66 million over 6 years to address rural broadband needs in New Mexico.
    - At the midway point, over 16,000 rural NM homes and businesses now have broadband, in places like Artesia, Anthony, Aztec, Chaparral, Gallup, Grants, Las Cruces, Roswell and areas of Santa Fe.
  - PRC’s Rural Broadband fund--\$5 million annual fund.
    - CenturyLink accepted approximately \$450,000 in funding from the PRC to build broadband to Angel Fire, Eagle Nest, Laguna Acoma, Santa Teresa, Las Vegas and Tucumcari in 2019—a total of over 3,600 rural homes and businesses will have broadband by the end of 2019.
    - CenturyLink was recently awarded over \$820,000 by the PRC in additional funding for 2020 to provide broadband in areas of Aztec, Chaparral, Deming, Hatch, Portales, and several areas in Tucumcari....a total of over 3,200 rural homes and businesses.
- What can the State of NM do to address filling the gaps in broadband?
  - Help subsidize the cost of bringing broadband to more areas/gaps. **Such subsidies should not be allowed to pay for “overbuilding” broadband in areas where broadband already exists. This is a waste of limited state resources. Funding should only go to investment in areas where there is little or no broadband.**
    - **Currently working with DoIT on a broadband mapping effort.**
    - **PRC state rural universal service fund rulemaking on 10/30/19.**
  - Provide incentives for Broadband Companies to invest their own money--- Broadband compensating tax deduction. HB-176 from 2019 session.
  - Relax requirements for a contractor to have a J7 license to install, alter, or repair the Broadband Company’s network.

# Broadband Tax Deduction Proposed Legislation

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- Proposes a gross receipts tax and compensating tax deduction for the value of broadband telecommunications network facilities components.
- Fiscal impact from 2019 legislative session of \$3.86 million annually (HB-176). The legislation required the department of Tax & Rev to compile an annual report on the deductions claimed by taxpayers to evaluate the effectiveness of the deductions.
- The purpose of the deduction is to promote the deployment of broadband telecommunications services throughout New Mexico.
  - Benefits include more/better broadband in both urban and rural areas.
  - More economic development/job opportunities for our communities.
  - More educational opportunities for our students.
- This tax deduction applies to **ALL providers** of broadband in NM.
  - Large companies and small rural phone companies.
  - Wireless companies.
  - Cable companies.
  - Rural Electric Co-ops.
  - Competitive Local Exchange Carriers (CLECs).
- Approximately half the states in the Country provide some form of deduction, credit, or exemption for investment in broadband. There is a strong indication that this type of incentive to invest has resulted in higher broadband availability in those states.
- This has been a multi-year effort from the Broadband industry in NM.
- This same legislation has received widespread support in the past few years:
  - All Broadband providers in New Mexico.
  - The business community: ACI, Chambers, NAIOP real estate developers, NM Technology Council.
  - Economic development associations like NM-IDEA, Rural Council
  - Consumer groups like AARP.
  - Communication Workers of America (CWA) union.
- **NEW SIGNIFICANT CHANGE TO PRIOR LEGISLATIVE PROPOSALS:**  
**Shorten the sunset to 4 years so that the Legislature is only committing to a short amount of time to evaluate the effectiveness of the deduction. If it works, the sunset can be extended. If it is not working, the deduction can sunset after only 4 years.**