



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 224 (Substitute S-2 as passed by the Senate)  
Sponsor: Senator Gerald Van Woerkom  
Committee: Agriculture, Forestry and Tourism

Date Completed: 5-31-05

### **RATIONALE**

The Michigan Broadband Development Authority Act was enacted in 2002 to promote the expansion of broadband service across the State, and help attract investment in underserved communities. The Act created the Michigan Broadband Development Authority (MBDA) and authorizes it to undertake a number of activities, including making loans to broadband developers and operators. The Act also requires the MBDA to make seed capital loans for the financing of broadband infrastructure, and to give priority to developments targeted to underserved areas. According to the MBDA's most recent annual report, issued on March 1, 2005, the Authority made nine loans totaling more than \$12 million in 2004, and approved two loans in February 2005 for nearly \$6 million.

While the Act already requires that the seed capital loans be targeted to underserved areas, it has been suggested that a majority of all MBDA loans should be issued to rural underserved areas, in order to promote economic development as well as improve the telecommunications infrastructure throughout the State.

### **CONTENT**

The bill would amend the Michigan Broadband Development Authority Act to provide that at least 55% of the loans issued by the Broadband Development Authority during a fiscal year would have to go to rural underserved areas, unless the MBDA did not receive enough qualified rural loan applications to meet the 55% requirement. "Rural" would mean a county with a population under 70,000.

The bill also would require the MBDA, by March 1 each year, to file with both houses of the Legislature a report providing detailed information on the expenditures and the recipients of loans. The report would have to include information regarding the selection process and the criteria the Authority used in determining that an area was underserved.

The Act defines "underserved areas" as geographical areas of the State identified by the MBDA as having the greatest need for broadband development. In identifying underserved areas, the MBDA must consider an area's economic conditions, including family income, affordability of access, lack of options available, low percentage of residents subscribing, and any other criteria the Authority considered important.

MCL 484.3207

### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

The absence of broadband infrastructure can hinder the economic development of an area if businesses choose not to locate or expand where broadband service is inadequate. By requiring that at least 55% of all MBDA loans be issued for projects in rural underserved areas, the bill could help promote the creation of jobs in Michigan's less populated counties. The availability of broadband service also could help attract youthful workers and residents who are accustomed to having this service. Based

on its March 2005 report, it appears that the MBDA already has made considerable progress toward expanding the State's broadband infrastructure. The bill would ensure that a majority of all MBDA loans were targeted to areas that otherwise might not receive assistance with broadband development.

### **Opposing Argument**

The Act originally recognized that both urban and rural areas may be underserved, and tried to achieve a balance between them by requiring the MBDA to designate at least \$500,000 of seed capital loans to rural underserved areas and at least \$500,000 to urban underserved areas, during the first two years of operation. The goal of maintaining a balance should be retained. Some urban areas are still underserved and, with high levels of unemployment, also could benefit from increased broadband service. Furthermore, according to an MBDA spokesperson, approximately 60% of its loans already go to rural areas.

**Response:** The loans that the MBDA issues depend in part on the developers that apply for financing. If a developer does not wish to go into a particular area, or to submit a loan application, the Authority cannot issue loans for that region.

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

The bill would not affect the amount of funding available for loans issued by the Authority. It would direct that a minimum 55% of the loans issued by the Authority during a fiscal year be allocated for rural underserved areas, if the Authority received a sufficient number of qualified financial applications.

Fiscal Analyst: Bill Bowerman

A0506\sb224a

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.