

# Winner of \$1.3 billion in broadband funds faces big hurdles

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The big winner in a 2020 federal auction to build more broadband in rural America was a relatively small company started by a Minnesota entrepreneur. Since then, not much has gone right for the firm or the people waiting for better internet.

The company, LTD Broadband, snared \$1.3 billion out of \$9.2 billion

awarded by the [federal government](#) in its most recent program to subsidize [rural broadband](#). It was the biggest award for any company and covered portions of work in 15 states, including Minnesota.

But here and elsewhere, LTD's win has met resistance from other telecom industry players, counties and townships —and some [state regulators](#). They're worried the company won't be able to fulfill its obligations.

The fight illustrates the longstanding problem of extending high-speed internet to the least-populated parts of the country. Broadband often isn't profitable in [rural areas](#) without subsidies. But the way federal subsidies are granted —and who gets them—can be a contentious process.

Federal regulators are still reviewing LTD's "long form" application, which includes detailed financial information. Until it's approved, the money won't flow.

In the meantime, areas covered by LTD's federal grants in Minnesota haven't been eligible for a big pot of state [broadband](#) subsidies. In Minnesota, LTD Broadband's grant of \$311 million accounted for 76 % of all money allocated to the state from the 2020 federal auction. It covers parts of 38 counties.

"We are frustrated, and people are very upset," said Barbara Droher Kline, Le Sueur County's broadband coordinator.

The state turned down LeSueur County's bid for two broadband grants in early 2021 because they would've overlapped with LTD's federal awards. "If we had been approved, we would have had fiber in the ground already," Droher Kline said.

The Minnesota Telecom Alliance in May petitioned state regulators to

revoke LTD Broadband's state permit, which would throw its federal grants here into question.

The Minnesota Public Utilities Commission (PUC) is expected to decide this week whether to begin a revocation investigation.

"Public dollars are limited, making it essential that those who obtain [public funding](#) can be counted on to deliver broadband," the telecom alliance said in its entreaty. "The record will show that LTD cannot."

The telecom trade group was joined in its petition by the trade group for Minnesota's rural electricity co-ops, some of which are deploying broadband themselves. The groups point to LTD's trouble in South Dakota, where state regulators rejected its permit in March saying the company lacked technical and financial ability.

Iowa has also denied LTD's state permit application. Indeed, LTD noted in a PUC filing it has "received adverse state (utilities) commission rulings" in four states, all of which it's challenging.

In a PUC filing, LTD called the Minnesota revocation petition "groundless" and motivated by rival broadband providers' "competitive animosity."

LTD has already begun building a fiber optic network for broadband—including in Minnesota—even though it hasn't yet received federal money, said its founder, Corey Hauer. "It's laughable that these parties say we can't do it when we are doing it every day," he said.

## **Minnesota concentration**

Hauer founded LTD Broadband in 2010 after selling a local phone service provider in Minnesota. LTD is based in Las Vegas, where Hauer

lives. But many of its top officers work in Minnesota and the company's mailing address is here.

The company initially has specialized in fixed wireless broadband, serving about 18,400 customers in eight states. "Fixed wireless is our legacy business. We are really focused on fiber now," Hauer said.

Minnesota is where the firm's operations are concentrated, he said. LTD has 192 workers, though he said it plans to hire about 1,000 people to build broadband covered by the federal grant.

Hauer grew up near Albert Lea and studied computer and electric engineering at Purdue University, though he did not graduate. He has also long owned residential rental properties in Mower and Freeborn counties.

In May, Stewart Title Guaranty sued Hauer in Mower County district court to enforce three judgments against him involving six properties he owns or owned. The judgments totaled \$293,466; only \$7,606 had been paid.

The "ill-gotten" judgments stemmed from the "absurd results" of court cases several years ago, Hauer said. "We will work something out with Stewart Title," he added.

## **Expansion uncertainty**

LTD's move into fiber deployment came as the Federal Communications Commission in 2020 rolled out the latest subsidy program from its Rural Digital Opportunity Fund.

The agency told builders it wanted projects that took optical fiber directly to homes or businesses rather than wireless broadband, which is

considered less reliable.

Winning bidders were chosen on their promises of low costs and high internet speeds. The companies were given three years to meet build-out benchmarks and three more years to complete their projects.

But federal subsidies cover only a portion of a fiber project's costs, and LTD has been awarded grants to cover 528,000 U.S. locations—102,000 in Minnesota alone. It would be a massive broadband buildout.

In comments to the state PUC, four Minnesota counties that would host LTD's projects—LeSueur, Pine, Jackson and Chippewa—were skeptical of the company's abilities to follow through, as was the Minnesota Association of Townships.

"LTD's unproven track record causes us considerable concern that they will be able to provide broadband services to the the areas they were awarded," q1Jackson County Administrator Ryan Krosch said in a PUC filing.

Counties also faulted LTD for a lack of a communication.

"Chippewa County representatives have attempted to contact LTD on several occasions to collaborate and request updates on their progress," County Auditor Michelle May said in comments to the PUC. "Those attempts have failed" and the county has "lost faith" in LTD.

Hauer said he has personally met with county officials across the country. "The question from counties is always 'when,' and of course the answer is 'as soon as possible.' We want to do it as quickly as we can," he said.

He said LTD is "hamstrung by the FCC" because the agency hasn't yet

allocated its grant money.

## **Phone service ante**

Money doled out by the federal government for broadband comes from fees paid by U.S. telephone service subscribers. As a result, the FCC requires winning bidders like LTD to also offer telephone service.

That means they must be designated an "Eligible Telecommunications Carrier" (ETC) by state regulators. Even if a broadband provider had that designation, they must get it expanded by state regulators to cover the latest federal auction.

South Dakota rejected LTD's request to become an ETC, while Iowa kiboshed its application for expanded ETC status—jeopardizing the company's federal grants in both states.

LTD didn't meet a June 2021 FCC deadline to document its ETC designation in several states. The company asked the agency for a waiver, but the FCC rejected LTD's pleas for California, Kansas and Oklahoma.

The FCC said it would move LTD's bids in those states into "default." The agency wrote that LTD "failed to engage in good faith efforts to pursue and obtain" ETC designation in those states.

The Minnesota PUC in June 2021 granted LTD an expansion of its ETC status to accommodate its new federal grants. The Minnesota Telecom Alliance opposed that move and, two months ago, asked the PUC to revoke it.

Counties and townships, the state commerce department and attorney general's office all supported a revocation investigation.

LTD argues that revocation stands on shaky legal ground. And staffers at the PUC said if LTD's ETC permit is revoked, the company's \$311 million in Minnesota awards would not automatically go to other federal grant winners in the state.

Instead, they might be rolled into a future FCC auction, which would delay broadband rollout in parts of rural Minnesota even longer.

"The commission should proceed with caution regarding this matter," the staff analysis said.

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