

# Funding issues plague Kentucky's proposed high speed network

January 28 2016, by Adam Beam

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KentuckyWired was supposed to be a can't-miss project, a high-tech solution that would help revive the floundering Appalachian economy.

Taxpayers would join private companies to pay for 3,400 miles of fiber-optic cables, transforming Loretta Lynn's "Butcher Holler" into what Republican U.S. Rep. Hal Rogers called "Silicon Holler"

But a key portion of how Kentucky was to pay for the deal has fallen apart, leading Gov. Matt Bevin's administration to fret publicly Thursday that the deal could put taxpayers at risk for paying back a \$289 million loan issued last year to build the project.

Finance Secretary William Landrum said the Bevin administration supports the project. But Landrum said [state officials](#) do not know how they will pay for their part of the deal, bringing uncertainty to an effort that government officials from both parties had boasted was the answer for a world in which coal no longer keeps the economy humming.

"I need to think this through. I didn't understand all of this," said Scott Brinkman, Bevin's secretary of the Executive Cabinet and chairman of the state authority that was supposed to provide service on the network. "That's a lot of money."

Mike Lee, director of the KentuckyWired Operations Co., which is responsible for building and maintaining the network, said the private companies—not taxpayers—would be liable for paying back the loan.

A group of companies borrowed the money last year to begin building the high speed Internet network throughout the state. At first, the network would serve state government, including state agencies, public libraries and public colleges and universities. Kentucky would pay about \$28 million a year for the Internet service, of which about \$13 million would come from the state's 173 public school districts. The private companies would use the payments to pay back the money they had borrowed to build the network.

Eventually, once the full network was complete, the state would lease it to [private companies](#) to provide service in some of the state's underserved areas. That would give places like the eastern Kentucky mountains access to the type of sophisticated network that would allow technology companies to locate there and hire people.

But it appears the state can't use the money from public school districts to pay for the project. The Kentucky Department of Education participates in a federal program that pays for most of its Internet service. To keep that money, and switch its Internet service to KentuckyWired, the contract for the districts' Internet service must go through a competitive bidding process overseen by the Kentucky Finance and Administration Cabinet.

Steve Rucker, the former deputy secretary of the Cabinet, worked on writing that contract. He then left his job to become the executive director of the Kentucky Communications Network Authority, the public entity state officials planned to use to provide the Internet service. Rucker then bid on the contract he helped write.

AT&T, which provides Internet services to Kentucky public schools, filed a formal protest. That prompted former Democratic Gov. Steve Beshear to pull the contract. He then left office in December. New Republican Gov. Matt Bevin has not re-issued that contract because he is

concerned about losing the federal money, or about \$11 million a year.

"Gov. Bevin is committed to promoting high speed broadband access throughout Kentucky," Bevin spokeswoman Jessica Ditto said.

"Significant questions have been raised about whether state procurements related to the project were fair to all parties involved, and it's our responsibility to the taxpayers that we take the necessary time to understand the implications of the information revealed today."

Brinkman announced Rucker's resignation during the authority's board meeting Thursday, citing "a very, very serious health issue." But Landrum, the finance secretary, said that does not fix the problems with the contract.

"Right now, we have to determine an outside source other than (the authority,)" Landrum said.

It will be difficult for state officials to find the money. Bevin just proposed his two-year state spending plan, where he announced more than \$650 million in budget cuts in order to deal with the multibillion shortfalls in the state's public pension plans.

Landrum said he remains committed to the project, even without knowing how the state will pay for it.

"My intent is simply to take care of the taxpayers of Kentucky, simply to ensure that the taxpayers' wallets are not put at risk," he said.

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