

Letter shows Otter knew of broadband money woes

By KIMBERLEE KRUESI, Associated Press

BOISE, Idaho (AP) — Gov. C.L. "Butch" Otter knew for months that the federal government had withheld funding for Idaho's now-failed school broadband program, but lawmakers remained in the dark until much later.

According to a letter obtained by The Associated Press, Otter wrote to one of the program's contractors on Nov. 4, 2013, that federal funding —known as "e-rate" dollars which come from monthly fees on landline and cellphone bills— had stopped because of a recent whistleblower complaint regarding the state's \$60 million statewide broadband contract. However, state lawmakers weren't informed until near or after the start of the 2014 legislative session in January.

"As you know a recent 'whistleblower' complaint was filed with the (Federal Communications Commission) concerning the use of E-Rate funds," Otter wrote to Education Networks of America. "The result is a disruption in federal funds that satisfy the state's obligations related to the network during the course of the review."

Many were later upset by the news of the withheld funds and criticized then-Director of Administration Department Teresa Luna for not letting them know sooner.

In the letter, Otter sought to reassure Education Networks of America regarding the funds.

Otter stated that he had directed the state's Department of Administration to immediately pay for the entire program through the end of fiscal year 2013-2014 in lieu of the withheld federal payments.

Otter made no mention of the withheld funds during his 2014 State of the State address to lawmakers and didn't include replacement money in the proposed budget that he presents each year at the beginning of legislative sessions. It wasn't until Luna alerted state budget writers of the cutoff of federal money that Otter's budget officials presented a revised version with the needed funds to keep the program afloat.

Otter's spokesman denied that the governor had instructed Luna not to tell lawmakers about the delayed payments.

Idaho's statewide broadband program has since dissolved. A district court ruled earlier this year that the \$60 million contract that set the framework for the system was illegal.

However, fallout over the failed program has persisted. The U.S. Department of Justice is investigating the program's contracting process. Meanwhile, a legislative panel is scheduled to convene later this summer to review the merits of recreating a statewide broadband system.

Broadband access helps school districts offer classes via video teleconference equipment. For some rural schools, broadband was crucial to provide courses required for graduation after they struggled to hire their own teachers.

Lawmakers originally approved the \$60 million broadband program in large part because of the promise of federal funding to cover 75 percent of operational costs. So when the legislative budget-writing committee learned in January 2014 that the federal money had been cut off for months, many members complained that Luna had wrongly kept them in the dark.

The federal government had actually cut off funding Idaho's broadband vendors since March 2013, but it wasn't until July that the agency was made aware that contractors hadn't been paid.

Luna later resigned during the 2015 legislative session after Otter didn't offer her name to be reappointed by the Idaho Senate. She was the only Otter cabinet member to not be reappointed this year. Luna had overseen the agency since 2011.

Attempts by The Associated Press to reach Luna were unsuccessful.

Otter declined to be interviewed by the AP. However, his spokesman, Jon Hanian, said the governor's office knew about the missing payments in October. "It really wasn't until 2014 that it became evident that the problem was far more complicated and would require a much longer term solution," Hanian wrote via email.

Both House Speaker Scott Bedke and Senate President Pro Tem Brent Hill said they could not remember when they were made aware of the withheld federal funds. Hill said he believed it was around the beginning of the 2013 legislative session.

"The governor should have been more forthcoming," said House Minority Leader John Rusche, who he remembers learning of the problem after the legislative session began. "The governor was up for re-election in 2014. Bad news doesn't bode well, particularly if that bad news is that your government doesn't work."

A consortium of Idaho telephone companies called Syringa Networks sued the state in 2009 saying that the Department of Administration illegally handed Qwest the \$60 million contract to install the broadband infrastructure.

The ruling sent school districts scrambling to secure individual broadband contracts. Lawmakers then pulled holding the money for school broadband away from the administration agency and placed it under the state's education department.