

Independent Decision Review

CAPABILITIES SAMPLE

Subject: California Department of Technology - Middle-Mile Broadband Initiative (MMBI) Business Plan, legislative report dated April 30, 2025 (a public CDT filing to the Joint Legislative Budget Committee).

Type: Independent read of the plan as presented - findings, gaps, and the questions a legislator, budget analyst, or oversight reviewer should resolve before treating its conclusions as established.

This demonstration sample was prepared from a public California state document to illustrate the review format. It reads the document on its own terms and is decision support, not a policy or funding recommendation.

BOTTOM LINE

This is a competent and, in most respects, admirably transparent document - it states its assumptions, flags its own uncertainties, and documents real cost discipline. But as a business plan it has a fully costed expense side and an essentially blank revenue side. Its headline promise - a self-sustaining network that needs no further State subsidy - is asserted, not demonstrated, because the document itself states that revenue cannot be estimated until a pending procurement concludes.

The pattern across the findings: the costs are estimated in a detailed \$75M-\$95M annual range across nine categories; the money meant to cover them is a placeholder held by a contractor not yet selected, who may or may not be required to absorb the risk the plan assigns to it.

MATERIAL FINDINGS

1 A business plan with a costed left side and a blank right side.

Operating costs are specified precisely - \$75M-\$95M per year, midpoint \$85M, itemized across nine categories. On revenue, the plan states it “will not have sufficient information to estimate revenues until the Operations TPA is selected,” and that revenue terms stay confidential until procurement concludes. So the defining claim of any business plan - that revenue covers cost - appears nowhere in quantified form, yet the conclusion states the “sustainable business model ensures long-term benefits.” “Ensures” is unearned when nothing on the page sizes revenue against the \$85M.

Ask → the revenue figure or range that covers approximately \$85M a year, and the take-rate and customer mix assumed to reach it.

2 The financial risk is assigned to a party not yet chosen - who may not be required to bear it.

Sustainability rests on the Operations TPA “assum[ing] the risk that revenue may not cover expenses in the early years” and “invest[ing] its own capital.” But the same section says the TPA’s “responsibilities and capital requirements (if any)” remain to be set through procurement. The plan’s soundness therefore depends on the procurement producing a bidder willing to accept downside that the final contract may not ultimately require it to bear.

Ask → what covers early-year operating shortfalls if the selected TPA declines to absorb losses or invest capital - does the cost revert to the General Fund?

3 Sustainability depends on commercial customers, not the mission ones - and that is not quantified.

The document candidly states that revenues from serving only the ISPs reaching unserved and underserved areas are “not necessarily expected to be sufficient” to cover total cost, so break-even relies on enterprise and hyperscaler sales. That honesty is welcome, but it sits in tension with the mission: the network is justified by the unserved, yet its finances lean on commercial customers whose required revenue contribution is not quantified. The plan never states what share of the \$85M must come from commercial revenue, or how mission priority is protected when commercial revenue is necessary for break-even.

Ask → the share of operating revenue that must come from commercial or enterprise customers to break even, and the safeguard that keeps remote, high-cost routes served when they are least commercially attractive.

4 The per-user cost figures rest on a denominator that flatters.

Capital cost is shown as \$786 per unserved individual, but \$214 per individual “within 1 mile” of the network. The lower figure divides by 18.1 million - everyone who happens to live within a mile - even though the document elsewhere states residents never connect directly (ISPs do) and that operating cost is “assumed to be static regardless of the number of users.” The \$214 is arithmetically real, but it invites reading as cost-per-beneficiary when it is cost-per-person-who-lives-nearby.

Ask → the projected count of ISPs or locations actually connected, and cost per actually served connection rather than per resident within a mile.

5 The efficiency headline is measured against a hypothetical, and mixes ownership with long-term access rights.

The plan credits its lease and joint-build strategy with deploying approximately 8,000 miles versus “less than 4,000” under standalone construction for the same money. That compares to a counterfactual, not a competing bid; and the document notes construction costs rose “more than 40%” from 2021 to 2023, so part of the “savings” is running to offset inflation. More than 7,200 of the roughly 8,000 miles will use a mix of IRUs, joint-build agreements, and purchase agreements. The plan does not separate owned mileage from long-term access rights or disclose the associated end-of-term exposure.

Ask → a breakdown of the 7,200 miles into owned mileage versus long-term access rights, the end-of-term exposure, and how much of the “8,000 vs. 4,000” gain is genuine efficiency versus inflation offset.

SECONDARY FLAGS

- Nearly all State money, little federal leverage. Of the \$3.873B, all but a \$73M NTIA grant is now General Fund - a federal contribution of about two percent.
- The revenue answer may already exist. The April 30, 2025 report deferred its central revenue question to a procurement expected to conclude by late summer or early fall 2025. Anyone relying on the plan now should obtain the concluded terms.
- Duplicate table label. Two different tables are both numbered “Table 5.”

QUESTIONS TO RESOLVE BEFORE PROCEEDING

1. Quantified revenue against approximately \$85M annual cost: figure or range, customer mix, and assumed take-rate.
2. The fallback for early-year shortfalls if the TPA will not absorb losses or invest capital.
3. The commercial-revenue share required to break even and the mission-protection safeguard.
4. Cost per actually served connection, not per resident within a mile.
5. The 7,200 miles split into owned mileage versus long-term access rights, end-of-term exposure, and true efficiency net of inflation.

Method & sourcing. Every factual statement resolves to the CDT business plan; no external fact is asserted. This review reads a competent, transparent public document for the questions a legislator, budget analyst, or oversight office should press before treating “no further subsidy” as established - not to dispute the project’s purpose. A deeper engagement would test the figures against the concluded Operations-TPA terms and underlying financial model.