

**Annual Report on the Activities of the
ConnectME Authority**

**Report to the Maine State Legislature
Joint Standing Committee on Utilities and Energy**



January 15, 2009

TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
INTRODUCTION	5
I. BACKGROUND	5
A. The Importance of Broadband	5
B. The Connect ME Initiative	7
II. SUMMARY OF AUTHORITY AND BROADBAND ACTIVITIES IN 2008	8
A. Budget	8
B. Investments	8
C. Grant Activities	9
III. STATE AND FEDERAL BROADBAND ACTIVITIES AND INITIATIVES	12
A. Other States' Programs	12
B. Federal Initiatives	13
IV. AUTHORITY ACTIVITIES FOR 2009	14
A. Coordinate Broadband Initiatives	15
B. Implementing the 2008 Second Round Grants	15
C. 2009 Grant Rounds	16
D. Increase Access	16
V. CONCLUSION	18
Attachments:	18
Attachment A – ConnectME Authority and Advisory Council Members.....	18
Attachment B – ConnectME Fund Reports.....	18
Attachment C – ConnectME Grant Awards: 2007 and 2008.....	18
Attachment D – Maps of Grant Awards: 2007 and 2008.....	18
Attachment E – PCs for Maine Computer Access and Literacy Project.....	18
Attachment F – What Is Broadband?.....	18
Attachment G – Glossary.....	18

Annual Report on the Activities of the ConnectME Authority**Report to the Joint Standing Committee on Utilities and Energy****January 15, 2009****EXECUTIVE SUMMARY**

In recognition of the critical importance of technology for education, health and business success in Maine, the ConnectME Authority (Authority) was created in 2006. The goals of the Authority are to expand broadband access and “take rates” throughout the State.¹

When the Authority was first established, only 86% of the State had access to high-speed Internet service with a “take rate” of approximately 39%. Increasing the access and take rates is critical to Maine’s education and economic prosperity given projections that for every one percentage point increase in broadband penetration in a state, employment is projected to increase by 0.2 to 0.3 percent per year.²

The Authority was charged with identifying areas of the State that did not have broadband access; to select projects for broadband expansion; administer the projects; and to provide funding, resources, and incentives for the projects. In the two years since the Authority was established, broadband access or availability has risen to nearly 91% and the take rate has increased to 49% percent. The goal of the Authority should be to ensure universal availability of broadband service and to increase the take rate to equal or greater than the national average by 2010. Much more work needs to be done meet these goals. As important, continued work needs to be done to bring all levels of government and agencies together to work collaboratively to get the best results for Maine’s future.

This report summarizes the Authority’s activities for 2008; describes other state and federal initiatives; and outlines the Authority’s plans for 2009. Highlights from the report include:

In 2008, the Authority awarded five grants for \$1.44 million (representing a total project value of over \$5.5 million). Four of the grants will provide high speed internet service to over forty-five communities representing nearly 9,000 households and businesses, adding another 1.7% in potential household broadband availability. The fifth grant provides a match requirement for a project to build a fiber optic cable network that will connect and provide high speed telehealth services for three partnering medical centers and seven health care facilities in six towns across Franklin, Oxford, and Androscoggin counties.

¹ PL 2005, c. 665, and PL 2008, c. 698.

² “The Effects of Broadband Deployment on Output and Employment: A Cross-sectional Analysis of U.S. Data,” July 2007, The Brookings Institution.

The following table summarizes the grant activities:

Grant Year	# of Grants	Grant Range	Total Grants	Total Project Amount	New Households	Increased Availability
2007	6	\$38K - \$370K	\$738,724	\$1.53 million	13,800	2.7%
2008	5	\$45K - \$533K	\$1.44 mil	\$5.5 million	9,000	1.7%

The Authority's Executive Director also participated in two additional projects. One was a legislatively established group³ that was formed to study the potential use of broadband capacity freed up when the University of Maine System converts its instructional television network from analog to digital.⁴

The second project was a legislative mandate to facilitate a stakeholder process to develop a model cable franchise agreement for municipalities and cable companies that choose to use it.⁵

In 2009, the Authority will:

- Redefine the Authority's goals, minimum performance criteria for broadband service, and areas eligible for Authority support, with guidance from the Legislature;
- Serve as a conduit for Maine's broadband initiatives at all levels of government and across agencies;
- Conduct a comprehensive broadband mapping and inventory project to define served and unserved areas of the State;
- Monitor and assist the five (2008) second round grantees to ensure that they have the resources necessary and meet requirements; and
- Conduct a (2009) third grant round by spring and a fourth round later in the year.

In addition, the Executive Director will:

- Continue to work collaboratively with other Maine agencies to submit "stimulus package" proposals as requested by the President-Elect's transition

³ The group resulted from a request by the Joint Standing Committee on Utilities and Energy regarding LD 2292, Resolve, To Establish a Stakeholder Group to Study the Sale or Lease of the State's Excess Broadband Capacity.

⁴ A separate report on this activity will be submitted to the Joint Standing Committee on Utilities and Energy on January 15, 2009.

⁵ PL 2007, c. 548. A separate report and the model franchise agreement or template will be submitted to the Joint Standing Committee on Utilities and Energy by March 1, 2009

- team and Congressional officials that enhance Maine's broadband infrastructure and technology including education and rural health initiatives;
- Help efforts by the Maine School and Library Network to connect every K-12 public school and public library to the internet with high-speed fiber-based access;
 - Work with the rural health care pilot program to enhance telehealth broadband connections; and
 - Assist the Maine Office of Information Technology (OIT) and the Maine Department of Transportation (MDOT) in developing policies and procedures for use of state facilities such as radio towers, buildings, and rights-of-way by private service providers for expanding broadband and cellular service.

INTRODUCTION

The ConnectME Authority 2008 annual report is divided into five sections: I. Background; II. Summary of Authority and Broadband Activities in 2008; III. State and Federal Broadband Activities and Initiatives; IV. Authority Activities for 2009; and V. Conclusion and seven attachments.

I. BACKGROUND

A. The Importance of Broadband

A number of national organizations, governmental agencies, and public-interest groups have provided studies documenting the importance of broadband or high-speed internet access for rural states (Such as the FCC, Brookings Institution, Pew Internet & American Life Project, The Benton Foundation, and Connected Nation). The overwhelming consensus is that access to broadband services is a significant economic development tool for small businesses and home-based businesses, and enables telecommuting, rural education, and telemedicine.

Speed defines what is possible. It determines the amount of information that can be transmitted in a given time, the quality of the transmission, and the timeliness of the transmission. Speed determines the type of transmission possible: two-way, voice, data, audio, and video.

Benefits from truly high speed Internet networks include:

- Economic Growth & Quality Jobs. New, high speed Internet applications create jobs and opportunities for innovation, growth, and e-commerce. Technology allows businesses based in rural and remote communities to compete in the global economy.
- Telemedicine and Independent Living. High speed Internet allows instantaneous, interactive contact between health professionals and

patients permitting remote monitoring, efficient chronic disease management, and more effective responses to emergencies. High speed Internet can help senior citizens and people with disabilities live independently, improve their quality of life and reduce costs of care.

- Education & Integrated Learning. Two-way high speed communication and videoconferencing allows students and teachers to minimize the obstacles of distance and maximize the potential of simultaneous voice, data, and video sharing.
- E-Government, Civic Participation and Public Safety. Advanced high speed networks will allow citizens to increase participation in civic life, beyond simply downloading forms or researching programs. Government meetings could be opened to many more citizens using two-way video technology. High speed networks enable police, fire, and emergency personnel to coordinate and respond more quickly to crises.⁶

A study by the Brookings Institution strongly emphasizes the benefits of broadband services.⁷ The report states:

(n)onfarm private employment and employment in several industries is positively associated with broadband use. ... For every one percentage point increase in broadband penetration in a state, employment is projected to increase by 0.2 to 0.3 percent per year. The finding of the strong link between broadband use and state-level employment has important policy implications, both on the demand-side and the supply-side. In particular, these results suggest that all levels of government should follow policies that encourage broadband competition, which will lead to lower prices and hence greater use.⁸

The necessity of high speed internet service has also been the focus of several recent Maine studies. A report from the Northern Forest Sustainable Economy Initiative Steering Committee (members from Maine, New Hampshire, Vermont, and New York) documents their recommendations “for building a resilient economy and creating good jobs in the region.”⁹ The report states: “In practical terms, we want cell phones and internet service to work as well in the Northern Forest as they do in Boston or New York City.”¹⁰ Their first recommendation, which may be an indication of priority, is:

⁶ “Speed Matters: High Speed Internet for All,” October 16, 2006, <http://www.speedmatters.org/>

⁷ “The Effects of Broadband Deployment on Output and Employment: A Cross-sectional Analysis of U.S. Data,” July 2007, The Brookings Institution.

⁸ Ibid, page 2.

⁹ “A Strategy for Regional Economic Resurgence,” Recommendations of the Northern Forest Sustainable Economy Initiative, June 2008.

¹⁰ Ibid.

“Telecommunications – Deliver reliable, affordable and cutting-edge high-speed telecommunications to all Northern Forest communities through increased public-private investment.”¹¹

Another report, “Measures of Growth in Focus,” finds: “The internet and telecommunication technology in general facilitates economic activity by allowing people to access information easily and communicate with others. Investments in all forms of connectivity infrastructure are critical as Maine seeks to integrate and compete in the global economy.”¹²

B. The Connect ME Initiative

As early as 1995, the Maine Legislature recognized the value of broadband when it stated:

The Legislature further declares and finds that computer-based information services and information networks are important economic and educational resources that should be available to all Maine citizens at affordable rates. It is the policy of the State that affordable access to those information services that require a computer and rely on the use of the telecommunications network should be made available in all communities of the State without regard to geographic location.¹³

In his 2005 State of the State address, Governor John E. Baldacci stated, “Tonight I am announcing ‘Connect Maine’ a broad and aggressive telecommunications strategy for this State. Connect Maine will give nearly every Mainer the opportunity to plug into the global economy from their community. It will ensure that 90% of Maine communities have broadband access by 2010... .”

In 2006, the Legislature created the ConnectME Authority to identify unserved areas of the State; develop proposals for broadband expansion projects, demonstration projects and other initiatives; administer the process for selecting specific broadband projects; and provide funding, resources, and incentives.¹⁴ The Authority consists of a board of five members, an Executive Director, Staff from the Public Utilities Commission

¹¹ Ibid.

¹² Thirteenth Report of the Maine Economic Growth Council, (2007).

¹³ Title 35-A M.R.S.A. §7101(4). Also, Former Governor King stated in his 1999 State of the State address, “In the age of e-commerce, bandwidth is the essential commodity – just as the roads and railroads defined economic opportunity a century ago, these wires – or the lack of them – will spell the economic difference between businesses, towns, and states in the new century.”

¹⁴ PL 2005, c. 665.

and the Governor's Office, and an Advisory Council.¹⁵ (See attachment A for the Authority and Advisory Council members)

II. SUMMARY OF AUTHORITY AND BROADBAND ACTIVITIES IN 2008

The ConnectME Authority statute requires the Authority to report on four components: A) Budget; B) Activities; C) Investments; and D) Market Conditions. This Section covers A, B, and C. Market Conditions are reported on in Section IV(D) and (E).

A. Budget

The funding mechanism for the Authority is a 0.25% (one quarter of one percent) surcharge on all communications, video, and internet service bills for retail in-state service.¹⁶ It is expected to generate between \$1,000,000 and \$1.4 million per year. The fund initially received \$500,000 in "seed money" from the Maine Universal Service Fund,¹⁷ which was repaid in September 2008. Verizon-Maine, as a condition of the stipulation that was approved by the Public Utilities Commission in approving Verizon's merger with Fairpoint, contributed \$2.5 million to the ConnectME Fund.¹⁸ It was received on May 8, 2008.

The ConnectME statute previously allowed reimbursement up to \$500,000 annually of Maine sales and use taxes to purchase machinery and equipment primarily used to develop advanced communications infrastructure.¹⁹ The reimbursement program was allowed to sunset effective January 31, 2009.²⁰

The grants awarded in 2007 and 2008, total over \$2.2 million. The ConnectME fund balance on December 31, 2008, is \$3,295,280. (See Attachment B for fund report)

B. Investments

¹⁵ The Maine Public Utilities Commission provided a Utilities Analyst from its telecommunications section as staff to the Authority.

¹⁶ Also included are retail revenues received or collected from mobile communications services (i.e. cellular telephone) that voluntarily agree to be assessed by the Authority.

¹⁷ PL 2005, c 665, Section 6, "Temporary transfer of funds authorized."

¹⁸ On December 21, 2007, in MPUC Docket No. 2007-67, known as the Verizon-Fairpoint merger case, an amended stipulation was filed and accepted that contained a provision stating (on page 10): "...within 30 days of closing Verizon will make a one-time cash contribution in the amount of \$2.5 million to the ConnectME Authority in furtherance of the Authority's statutory objectives." Approved by MPUC ORDER, Docket No. 2007-67, issued February 1, 2008.

¹⁹ 36 M.R.S.A., §2018.

²⁰ PL 2008, c. 698.

The ConnectME Fund is administered by an independent fiscal agent who manages the assessment process, invests the unused funds, and makes payments as directed by the Authority. The fund administrator operates under contract at the direction of the Executive Director.²¹ Interest generated by the fund is added to the fund balance. (See Attachment B for fund report)

C. Grant Activities

1. Awarding Process and Grants Awarded

The Maine Legislature established the Authority “to stimulate investment in advanced communications technology infrastructure in *unserved* or underserved areas.”²² The Authority believes that the goal to expand broadband access in the most rural, *unserved* areas that have little prospect of broadband service from a traditional or existing provider is a priority. The Authority accomplishes that goal primarily by awarding broadband expansion grants for projects that serve unserved areas.

Grant applications are reviewed by three non-industry members of the ConnectME Authority Advisory Council, the Executive Director, and one ConnectME staff member. The applications are scored on the four criteria specified in the statute and rule: cost-benefit; community support; project scope; and project value. The public-private partnership concept is considered in the review, yet “getting the most for the money” is also a high priority because of the limited funds available.

For the first grant round (2007) the Authority awarded six grants totaling over \$738,000 for total project amounts of over \$1.53 million.²³ The grants ranged from \$38,000 to nearly \$370,000. The grants serve over fifty communities, with the potential of providing broadband service to nearly 14,000 households and businesses. At this time, four grant projects have been completed and two were granted extensions due to circumstances beyond the grantee’s control. When the grants are completed, the grants will represent a potential increase in broadband availability of approximately 2.7%.²⁴ (Final reports from the four completed projects are in Attachment C. Maps of the projects are shown in Attachment D)

For the second round (2008) the Authority awarded five grants for \$1.44 million for total project amounts of over \$5.5 million. Four of the projects will expand access to

²¹ The quarterly assessments are paid to an independent fund administrator the month after the end of each quarter. Rolka Loube Saltzer Associates (RLSA) is the fund administrator for the ConnectME Fund as well as the Maine Universal Service Fund and the Maine Telecommunications Education Access Fund.

²² 35-A, M.R.S.A. §9203(1).

²³ The small grant to fund a project serving the Town of Edgecomb was cancelled.

²⁴ 2000 Census (Maine State Planning Office), total occupied housing units = 518,200, population = 1.275 million, 2.39 = average household size.

high speed internet service to over forty-five communities representing nearly 9,000 households and businesses and add another 1.7% in potential household broadband availability. (See Attachment C for a list of the grantees and Attachment D for maps of the projects.)²⁵

The fifth grant was significantly different from the others. The Authority decided to award a grant to Franklin Community Health Network (FCHN) to help fund a fiber optic cable network that will connect three partnering medical centers and seven health care facilities in six towns across Franklin, Oxford, and Androscoggin counties, providing high speed telehealth services.²⁶ The ConnectME funds will provide part of the match requirement for a \$3.6 million Federal Communications Commission (FCC) Rural Health Care Pilot Project grant.²⁷ This project is a long term investment. Initially, medical facilities will be connected to the FCHN network and all potential patients will benefit. In the longer term, the fiber rings will be available to businesses and Internet Service Providers for high bandwidth connections and backhaul (the connection to the network backbone and the internet).

2. Oversight

The progress of the projects supported by the Authority is tracked through a monitoring and reporting process. The grant recipients document the expenditure of Authority funds which ensures that the funds are used only for appropriate purposes. Three reporting forms were developed with the assistance of the Authority Advisory Council:

- Notice of Commencement – which requires a schedule of project milestones and the expected completion date. Each vendor for the funded project is identified on the form along with appropriate reports and documentation such as invoices and purchase orders.
- Progress Report – which provides a project update to demonstrate to the Authority that the funded project is on track. The Executive Director monitors each project's progress and use of funds.
- Completion Report – which is a final report that documents the completion of the project with attached financial spreadsheets and a listing of the

²⁵ One initially awarded grant was cancelled due to overlap with an existing provider and another grant is still in the challenge review process.

²⁶ Franklin Community Health Network, <http://www.fchn.org/>.

²⁷ The grant has two conditions from the Authority: 1) The selected service provider would be an Authority eligible provider; and 2) The selected provider must agree to install additional commercially available fiber facilities at its own expense. These conditions will ensure that the provider is an "eligible applicant" as defined in the Authority's rule and that additional fiber capacity will be available to provide high speed service for other economic development projects.

communities newly served with broadband service as a result of the project.

Attachment C includes summaries and results for those projects that have been completed.

D. Highlights of Broadband Activities in Maine

1. Fairpoint - Verizon Merger

As noted above, as part of the stipulation in the Fairpoint-Verizon merger case, Verizon contributed \$2.5 million to the ConnectME Fund that was used to provide additional grant funding. The stipulation requires Fairpoint to increase broadband availability in its service areas to 83% within two years and 90% within five years. Fairpoint is also required to spend \$57,550,000 during this time to accomplish this expansion and to install a new Multi Protocol Label Switching (MPLS) network throughout its service territory.

2. University of Maine System Research and Education Network

Maine's Research and Education Network (MaineREN) was established by an agreement between the University System and the Jackson Laboratory to create an advanced, high-speed, fiber-optic network that will serve Maine's research and education institutions. The first section of the MaineREN network, Bar Harbor to Portland, is now fully operational and interconnects many of Maine's institutions of higher education, both public and private, and not-for-profit research entities. The MaineREN network is also being leveraged to provide the core infrastructure for the Maine School and Library Network (MSLN).

The University has an agreement with Oxford Networks to expand the MaineREN network south to Cambridge, MA where it will interconnect with the North East Research and Education Network (NEREN) and the national research and education network, Internet2. The University has partnered with the Jackson Laboratory and the University of New Hampshire to fund this expansion to Cambridge.

The University is jointly building, with MidMaine Communications, a new fiber optic route to expand the network up the coast from Portland to Brunswick. The University's portion of the funding for this expansion was provided, in part, by a grant from the National Institute of Health. It is expected that both of these new routes will be operational by the end of the third quarter of 2009.

The University is also actively seeking federal funding from the National Science Foundation as part of a five state (ME, NH, VT, RI, DE) collaborative proposal for Research Infrastructure Improvement. The proposal requests funds to enable regional cyber-enabled research by establishing: 1) an advanced fiber-optic network that will link ME, NH, and VT with each other and the Internet2 backbone in a redundant and geographically diverse manner; and 2) hiring cyber-knowledgeable faculty and staff to allow current cyber-enabled research to grow and make additional projects possible.

The University is requesting funds to expand MaineREN's footprint along the coast between Brunswick and Ellsworth as well as into northern Maine with a route from Orono to Presque Isle. It is the University's expectation to establish a connection to Canada's national research and education network, CANARIE, through New Brunswick.

3. Maine School and Library Network.

The Maine School and Library Network (MSLN) began in 1996. Today, MSLN provides internet access to approximately 950 schools and libraries statewide. MSLN is funded from the Federal E-Rate program (approximately 60% of the cost) and the Maine Telecommunications Education Access Fund (MTEAF)²⁸ (approximately 40% of the cost). Funds are generated through an assessment on interstate phone bills for the Federal E-Rate portion and on intrastate bills for the MTEAF portion (0.6%).

The future goals of the MSLN are to obtain higher bandwidth connections for the individual sites, especially larger schools that are hubs for surrounding schools. The Authority will work with the Maine Department of Education to develop long range solutions.

4. Rural Health Care Pilot Program

As mentioned above, one of the 2008 grants helps rural health connections. Two applicants for funding from the FCC's Rural Health Care Pilot Program received over \$30 million in grants to provide broadband healthcare networks in Maine. One is the Franklin Community Health Network (FCHN) that will serve the rural Franklin County area and the other is the New England Telehealth Consortium (NETC) that will connect 550 rural health care facilities in Maine, New Hampshire, and Vermont.

III. STATE AND FEDERAL BROADBAND ACTIVITIES AND INITIATIVES

A. Other States' Programs

Other states have experienced the benefits of increasing the awareness and use of broadband services.

Vermont: Created in 2007, Vermont's Telecommunications Authority (VTA) is charged with bringing affordable high speed broadband service to every Vermont household by 2010. The VTA has the authority to issue up to \$40 million in state-backed bonds under which the infrastructure will be owned by the state and leased to service providers. The VTA has the authority

to lead the management of marketing of state properties to encourage and expedite collocation of infrastructure ... (and) establishing charges or payments for use by wireless telecommunications and broadband service providers of state property, easements, and rights-of-way...and establish

²⁸ The Legislature authorized the creation of the MTEAF in 1999 (35-A, M.R.S.A. §7104-B).

the criteria for waiver of such charges or payments when providers offer to furnish comparable value to the state to meet the public good.²⁹

The VTA framework has the advantage of stimulating broadband expansion and allowing for the repayment of bonds through contributions made by the companies that benefit. Additionally, allowing one state agency to “manage” or oversee access to other state agency facilities streamlines the process for private companies. In the end, the citizens reap benefits as well.

Massachusetts: The Massachusetts Broadband Initiative (MBI) was established in August 2008 to meet the broadband access needs of unserved citizens. The MBI manages a statewide fund with \$40 million raised through bond financing. The goal is to invest in the construction of fiber, wireless towers, and other critical infrastructure to attract and complement private sector investment, making it more cost effective for private providers in regions without broadband coverage. The most unserved area is in Western Massachusetts, where a 2007 study found that of 101 municipalities, 31 did not have broadband and another 35 had limited broadband coverage. This initiative illustrates another state that has used bonding as a means of providing incentives for broadband expansion.

Kentucky: ConnectKentucky is a public-private partnership that supports statewide technology expansion, planning, public policy, networking, and recruitment. Kentucky has contributed about \$7.5 million to the ConnectKentucky effort, providing funding for mapping, community outreach, and research. The Connected Nation organization (mentioned later in the report) evolved from the successes began as ConnectKentucky, providing the same type of service on a national scale.

North Carolina: The e-NC Authority’s mission is to provide high-speed internet access at competitive prices to all North Carolinians and is another model of a state broadband development agency. The authority also operates business and technology telecenters; provides e-community planning grants; implements e-government initiatives; and hosts regional technology symposia.

B. Federal Initiatives

1. Federal Communications Commission

The Federal-State Joint Board on Universal Service proposed significant changes to the FCC to the method the Federal Universal Service Fund uses to operate under and to how the funds are used.³⁰ The most important changes are to fund a Broadband Fund to provide broadband internet services to unserved areas and a Mobility Fund to expand cellular services. The proposal recognizes that the states are

²⁹ <http://www.telecomvt.org/>

³⁰ The Universal Service Fund is a national effort that is maintained through contributions made by telecommunications providers (shown on end-user bills) across the country and is disbursed to fund four primary support programs: High Cost; Rural Health Care; Low Income; and Schools and Libraries.

better suited to know what is needed locally and recommends that a state agency be designated to administer the Federal Broadband Fund for grants and matching funds. The Authority plans to closely watch and participate in these proposals. In previous FCC proceedings the Authority has joined with other state agencies in filing joint comments and recommendations (with the Maine PUC, Vermont PSB, Vermont DPS, Wyoming PUC, and the Vermont Telecommunications Authority)

On a similar note, a group of eighteen telecommunications companies and organizations wrote to the FCC in support of using existing Lifeline and Link Up universal service programs to make broadband access more affordable for low income households.³¹

Recent FCC changes address the use of the spectrum by fixed and mobile broadband service from the freed-up “white spaces” that resulted from the change from analog to digital television service.

2. Federal Legislation

The recently signed “Broadband Data Improvement Act” (BDIA) directs the Secretary of Commerce to address the lack of accurate information about broadband service across the country.³² Most significant for Maine, the BDIA also provides for grants to develop and implement statewide initiatives to identify and track the availability and take rates of broadband services within each state. While it remains to be determined if funding will be available for this program, the Authority has suggested that “stimulus package” funding be used to provide funding.

The BDIA requires the FCC to: 1) revise the definitions of advanced telecommunications capability meaning broadband; 2) identify tiers of broadband service where most connections can reliably transmit full-motion, high definition video; 3) revise certain provider reporting requirements to enable the FCC to identify actual numbers of broadband connections by customer type and geographic area; 4) determine certain demographic data for geographical areas that are not served by any provider of advanced telecommunications capability; 5) expand the American Community Survey to determine if persons subscribe to internet service and, if so, by dial-up or broadband; and 6) provide eligible entities including state agencies electronic access to aggregate data collected by the FCC from broadband service providers. The importance of this to Maine is explained below.

IV. AUTHORITY ACTIVITIES FOR 2009

There are many opportunities and responsibilities for the ConnectME Authority in 2009, including expanded participation in federal and state initiatives; additional grant

³¹ Letter to FCC in CC Docket No. 96-45, et al, Lifeline/Link-Up Support for Broadband Internet Access, dated December 10, 2008. The Lifeline/Link-Up funds are used to provide low-income households with a reduced fee for connecting their telephone services and a reduction in their monthly bills.

³² S. 1492, Signed by President Bush, Oct 10, 2008: Became Public Law No: 110-385.

rounds; mapping served and unserved areas; and working with local governmental organizations.

A. Coordinate Broadband Initiatives

Looking at the mid and long-term, perhaps the most important role for the ConnectME Authority will be to continue to serve as a conduit for Maine's broadband initiatives at all of the levels of government and across the agencies. The Executive Director participates and contributes to efforts to identify and broker solutions to regulatory, policy, and structural challenges to expanding the availability of advanced communications infrastructure in Maine. The Director has provided assistance to Maine's Congressional delegation on legislation such as the Broadband Data Improvement Act and comments in Federal Communication Commission dockets regarding broadband issues. These national efforts will undoubtedly increase in 2009.

We also have the opportunity to showcase Maine at the regional and national level. Congress is considering including in the federal government's economic stimulus package investment in broadband internet infrastructure. Recent reports indicate:

Congress could opt to provide hefty tax credits to the phone and cable companies who have been responsible for the rollout of broadband internet access. Or lawmakers could opt to expand existing subsidies to the companies to offset the costs of providing high-speed internet service in rural, under-populated parts of the country. A third option would be to increase aid to states, which are likely to have a better idea where internet service isn't currently available, (and) 100,000 jobs could be created by immediately investing in more high-speed internet networks across the country. ... (and) the demand for services created by broadband internet access could create another two million jobs³³

We believe that working in collaboration with other agencies and at all levels of government is a means of enjoying economies of scale and holds potential for securing additional funding for Maine's broadband efforts.

The "stimulus package" development also calls for states to submit proposals that are "shovel ready." The Authority is working collaboratively with other Maine agencies to submit proposals that enhance Maine's broadband infrastructure and technology, including education and rural health initiatives.

B. Implementing the 2008 Second Round Grants

The Authority will monitor and assist the five 2008 second round grant awardees to ensure that they have the resources necessary to complete their projects as required by law.

³³ "Stimulus Plan to Include Access Funds," The Wall Street Journal, December 12, 2008.

The Authority notes that four of the six initial 2008 grant awards were challenged by a number of existing or incumbent broadband service providers (as allowed by the Authority statute and rule). Each of the challenged awards had from one to three challenges. The Authority held two meetings to discuss and resolve the challenges, allowing the grantees and challengers to make presentations. The Authority strongly encouraged the parties to work together in crafting solutions that would provide the best expansion project while minimizing the impact on existing service providers.

The Authority was able to make final decisions on all but one of the challenges. One initially awarded grant was cancelled because of demonstrated overlap with an existing and growing wireless service provider, leaving five grants. Another grant is still in the challenge review process.

The grant challenge process was extremely cumbersome and time consuming, mainly because it was difficult to determine whether the areas in question are “unserved.” As a result, the application, review, and approval process will be significantly revised for succeeding grant rounds. Though the details have yet to be developed, it is anticipated that the most important change will be to contact and involve the incumbent providers at the beginning of the grant application stage to collaborate with potential grant applicants to avoid overlapping projects. Better, more detailed data from the applicants will be required to delineate the proposed project areas. These changes should greatly decrease the need for challenges and make the funds available more quickly.

C. 2009 Grant Rounds

The Authority will conduct a third round of grant applications by spring 2009, and a fourth round later in the year. Each grant will be limited to a smaller amount than previously awarded, to encourage more focused projects, and the grant amount will be limited to no more than 50% of the total project costs to leverage more types of funding. These changes should encourage more targeted solutions, make the projects more manageable, and ease oversight.

D. Increase Access

The Authority’s activities confirm that not only are communications services, especially broadband services, in Maine not “reasonably comparable” with services provided regionally and nationally, but are not reasonably comparable within the State. A primary goal of the ConnectME Authority is to expand broadband access in the most rural, unserved areas of the state. It would be very difficult for unsupported projects to be financially viable in these areas. The support from the ConnectME grants alters the financial equations enough to allow the services to be offered. To meet this goal, the Authority must determine with the highest degree of certainty it can, where broadband is and is not.

The Authority is required to collect, aggregate, coordinate, and disseminate information and data concerning communications services and advance

communications technology infrastructure in the State.³⁴ For many years, the FCC has provided broadband reports that allow a reasonable comparison picture across the states. However, they tend to seriously overstate the availability of broadband services because if one subscriber is found under an entire zip code, the FCC considers the entire zip code to have broadband. This overstatement is particularly true in a state like Maine.

In July 2008, the ConnectME Authority filed joint comments with the Maine PUC at the FCC urging them to require broadband providers to submit detailed, address-by-address information regarding the availability of the broadband service in their territories. We also requested that the FCC reconsider its decision not to share individual provider's broadband availability data. In late 2008, the Broadband Data Improvement Act (BDIA) was enacted which may provide much better and more granular data regarding broadband services.

In 2009, the Authority plans to conduct a comprehensive mapping and inventory project to obtain more granular, Maine-specific information regarding broadband availability. One option we are exploring is to work with the Office of Information Technology, and possibly the Maine Office of GIS, to develop a framework for a mapping project that will use a combination of provider and public data to refine our understanding of unserved areas of Maine.

During 2008, Connected Nation made a presentation to the Authority on the services it offers, highlighting the mapping products of its client states. While the Connected Nation services may be unaffordable for Maine at this time, we intend to use some of the same techniques and resources for our project, including creating a GIS compatible database that will allow detailed mapping of broadband availability in Maine.

E. Increase Take Rates

The second goal of the Authority is to increase the demand for broadband services.³⁵ Increasing the "take rate" makes broadband infrastructure in rural areas more feasible, because providers will be able to generate more revenue in the same small area. The Authority continues to encourage applications like telehealth, aggregating demand with communities, and online commerce to increase the demand.

A major factor to increase take rates is access to a computer. The Authority has contacted the "PCs for Maine Computer Access and Literacy Project" which was created to help people with low incomes overcome the normally high cost of a personal computer and to provide technical support and training. This program provides more than inexpensive computers primarily using donated computers; it also provides training resources and support. The Authority will help this initiative through education efforts to

³⁴ 35-A, M.R.S.A. §9204(3)(A).

³⁵ As stated under Additional Duties in 35-A, M.R.S.A, §9204(3)(F), "Create and facilitate public awareness and educational programs to encourage the use of broadband services."

increase technical skills, and thus improve hireability and personal income. (See Attachment E) ³⁶

V. CONCLUSION

The short history of the ConnectME Authority has shown that supporting small public-private initiatives to expand broadband has been and will continue to be a successful strategy. Much has been accomplished in the past two years to better position Maine as a state that embraces what technology can offer. We have increased the access rate from 86% to over 90% and the take rate by 10% (from 39% to 49%)

We are on our way to meet universal broadband availability goals. Yet much work remains for Maine to become a leader and to gain from the benefits of broadband including employment opportunities, education, healthcare, and public safety. We also need to coordinate State and Federal activities to ensure that we take advantage of all opportunities for funding and collaboration. The ConnectME Authority commits to working with all levels of government and public and private stakeholders to bring broadband advantages to fruition in Maine.

Attachments:

- Attachment A – ConnectME Authority and Advisory Council Members
- Attachment B – ConnectME Fund Reports
- Attachment C – ConnectME Grant Awards: 2007 and 2008
- Attachment D – Maps of Grant Awards: 2007 and 2008
- Attachment E – PCs for Maine Computer Access and Literacy Project
- Attachment F – What Is Broadband?³⁷
- Attachment G – Glossary

³⁶ www.pcsformaine.org/

³⁷ Final Report of the California Broadband Task Force – January 2008, page 12.