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## **ConnectME Authority: *Universal Service Fund (USF) Assessment***

The ConnectME Authority announces today the release of the *Universal Service Fund (USF) Assessment: A Study on the Impacts and Opportunities of USF Reforms in Maine*. Commissioned by the Authority in November 2013, this study was conducted by James W. Sewall Company to evaluate the existing and potential impacts of the FCC's reforms on the USF in Maine; assess the strength of Maine's positioning for USF support, identifying the potential gap in Maine's future funding resources; and provide recommendations for the Authority and other stakeholder agencies to consider in developing Maine strategy, policy and programs that align with future USF funding opportunities. Funded under the Future Leading Practices component of the American and Reinvestment Act grant received by the Authority in 2009, the study drew upon the complex library of publicly available information and the guidance of several recognized experts in the various USF programs to complete the analysis and develop informed recommendations. The analysis, recommendations and any opinions expressed in the study are Sewall's alone.

Maine receives approximately \$46 million in annual funding from the USF to support affordable access to telecommunications services statewide. Distributed through the USF's four major programs—High Cost, Low Income, Schools and Libraries, and Rural Health Care—the fund provides Maine telecommunications carriers with a significant portion of their annual operating revenues. Since the 2010 release of the National Broadband Plan, the FCC has been in the process of modernizing these programs, shifting the focus on basic, ubiquitous telephone services to that of improving broadband access. The reforms have redirected and limited the various funds, establishing higher accountability and greater contribution, including significant investment, from carrier participants. As the reforms are fully implemented in the next few years, they are expected to create both opportunities and challenges for Maine rural providers, State policy makers, schools and libraries, rural healthcare facilities, and Maine citizens who benefit from this support.

Based on research of federal USF materials and interviews with industry experts, the study finds that:

- Maine's eligibility and status as an USF recipient is high among New England states, with only Massachusetts receiving a higher annual average.
- FCC reforms to legacy programs are reducing the amount of annual support to Maine for telecommunications services, in some cases, without compensatory support for broadband.
- Uncertainty of funding has led some carriers in Maine to reduce broadband network investments and to focus new services in lower cost areas that promise higher return.
- Maine is benefiting from new programs for USF funding that support broadband, particularly from pilot and phase I programs.

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- Funding from several USF programs, including the Low Income and Rural Health Care programs, remains a largely untapped resource for Maine. Maine can realize more benefit from the Schools and Libraries program by increasing the local contribution match.
- The development of cost-efficient, ubiquitous broadband in Maine is impacted by several factors, including the predominance of broadband DSL over copper, the limited amount of fiber network buildout, low standard broadband speed definitions in the state, and the lack of integrated, policy-based investment support.
- The ConnectME Authority is positioned to support and drive initiatives to fill funding gaps and to lead the development of broadband policies and programs that maximize USF funding opportunities.

Based on these and more detailed findings in the report, the study makes the following recommendations to the Authority:

1. Optimize untapped existing and new opportunities for USF support. Act as a clearinghouse of information.
2. Encourage employing the Maine Universal Service Fund to support a redefined concept of universal service, rather than supporting voice provider of last resort (POLR) services, which will soon become obsolete.
3. Encourage State and regulatory support for new business arrangements (consolidations, partnerships, service bundling, diversification) for local carriers to target funding and develop products that meet USF-supported broadband speeds.
4. Raise the definition of broadband on an annual basis to competitive standards, and consider defining mobile as broadband. Continue to inventory speeds and develop more granular mapping to identify opportunities and close gaps in coverage.
5. Encourage coordinated broadband efforts to save costs and help coordinate efforts of complementary public- and private-sector programs to share and maximize benefits.
6. Advance definitions for those provider entities and their customers who will contribute to and qualify for future funding.
7. Take the lead in developing Maine State policy for ubiquitous broadband, as outlined in State statute, integrating these recommendations and those of the Maine Broadband Strategic Plan.

Phillip Lindley, Executive Director of the Authority, says, "This study gives the Authority, State leadership and other State agencies a single, comprehensive resource on the USF reforms and their impacts in Maine. Drawing upon this study, our broadband mapping and planning assessments, and the Maine Broadband Strategic Plan, we look forward to developing collaborative approaches to funding broadband, as part of our mission to facilitate its universal availability in Maine."

The ConnectME Authority's goals are increasing broadband availability to Maine residents, businesses, and community anchor institutions, and raising awareness of broadband benefits to Maine education, health, and economic development.

An executive summary of the study and the full report are available at <http://maine.gov/connectme/grants/ntia/mapping.shtml>. For additional information, contact: Phillip Lindley, Executive Director, [phil.lindley@maine.gov](mailto:phil.lindley@maine.gov), 207-624-9970.