

CONNECTMAINE

ConnectMaine Authority Annual Report to the Maine State Legislature

Joint Standing Committee on Energy, Utilities and Technology

January 15, 2020

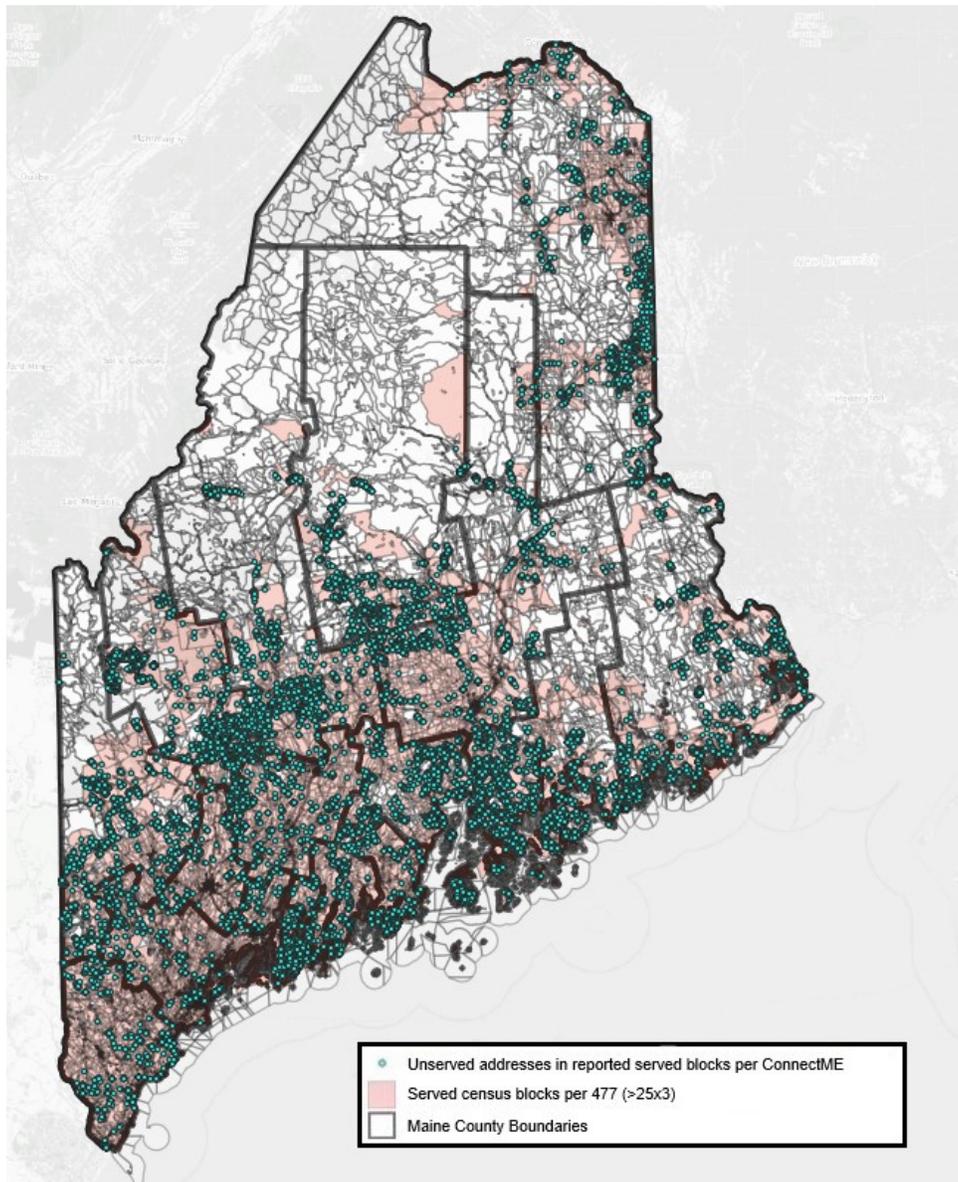


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CONNECTMAINE'S ANNUAL REPORT TO THE LEGISLATURE FOR 2019

In recognition of the critical importance of modern technology for education, health care, and business success in Maine, the Legislature created the ConnectMaine Authority (the Authority) in 2006 as a public instrumentality of the state, to develop and implement broadband strategy for Maine. The Authority is governed by a Board which is comprised of seven members appointed by the Governor or specifically identified and designated by statute.

The Maine Legislature has adopted the following goals related to broadband:¹

- A. Broadband service be universally available in this State, including to all residential and business locations and community anchor institutions;
- B. There be secure, reliable, competitive and sustainable forward-looking infrastructure that can meet future broadband needs; and
- C. All residents, businesses and institutions in the State be able to take full advantage of the economic opportunities available through broadband service.

Most ConnectMaine initiatives are conducted through collaboration with other state agencies, federal partners, municipalities, and public and private stakeholders, a hallmark of the accomplishments to date.

In 2020, the Authority will:

- Authority staff will continue to work closely with communities, service providers and grant applicants to ensure they have the resources they need to accomplish their project goals as efficiently and effectively as possible.
- Work with the Administration, legislature, citizens, businesses, and other stakeholders to thoughtfully review and analyze the bills and proposed bonds that are being considered in the 2020 legislative session.
- Increase opportunities for federal funding by working with state agencies, our federal delegation, federal agencies and state and national partners, including FCC Rural Digital Opportunity Fund, USDA ReConnect, and telehealth funding.
- Work with the new board to identify priorities and strategies to build partnerships to expand high-speed connectivity.
- Conduct a 2020 round of solicitation of applications for grants for both the Planning and Infrastructure programs. Update the Phase 2 grant to more accurately target community needs for feasibility and cost of a broadband build.
- Continue to improve, as resources allow, our mapping accuracy to target resources.

¹ 35-A MRSA §9202-A. <http://www.mainelegislature.org/legis/statutes/35-A/title35-Asec9202-A.html>

INTRODUCTION

The ConnectMaine Authority is pleased to submit to the Joint Standing Committee on Energy, Utilities and Technology Committee its annual report for 2019. The report is divided into five sections: Budget, Activities of the Authority, Investments, Market Conditions and Conclusion / Attachments.

In 2006, the Legislature created the ConnectMaine Authority to develop and carry out its broadband strategy by identifying unserved areas of the state; developing proposals for broadband expansion projects, demonstration projects and other initiatives; administering the process for selecting specific broadband projects; and providing funding, resources and incentives.² In 2007, the Legislature also approved the Authority's major substantive rule that defines the state's broadband strategy and describes how that strategy is to be implemented. In 2015, the Legislature modified the Authority's duties and added new members to the board.

The ConnectMaine Authority is a public instrumentality of Maine state government whose mission is to facilitate the universal availability of broadband to all Maine households and businesses and help them understand the valuable role it can play in enriching their lives and helping their communities thrive.

Duties of the Authority include:

1. Establish criteria defining unserved and underserved areas;
2. Promote use of broadband service;
3. Support broadband investment;
4. Facilitate state support of deployment of broadband infrastructure;
5. Collect and disseminate information; and
6. Administer funds.

The Authority consists of the following seven voting members:

- The Chair of the Public Utilities Commission or the Chair's designee;
- The Chief Information Officer of the State or the officer's designee;
- One representative of consumers – appointed by the Governor;
- Two members with significant knowledge of communications technology, appointed by the Governor;
- The Commissioner of Economic and Community Development or the commissioner's designee; and
- One member with significant knowledge of telehealth, appointed by the Governor.

² PL 2005, c. 665.

I. 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.³ It is expected to generate approximately \$1.1 million per year. This funding is granted to broadband providers and communities through two statutorily required programs, the Infrastructure Grant Program and the Community Broadband Planning Grant Program. In 2019, the Authority funded \$731,775 in grants.

This year, the biennial budget included additional revenue of 10 cents per line or phone number on land lines, as a result of a decrease in the E911 fee from 45 cents to 35 cents. This new revenue stream will start in January and ConnectMaine anticipates a potential of an additional \$750,000 a year. However, we will not know the actual amount until at least four months into the next calendar year.

The ConnectMaine Fund balance on June 30, 2019, was \$1,784,062.32. Attachment B and Attachment C reflects the Authority's financial status as of June 30, 2019.

The 2019 Financial Report of Wipfli LLP reflects that the financial statements present fairly, in all material respects, the position of the governmental activities and major fund of the Authority, as of June 30, 2019, and the changes in financial position for the year ended in accordance with accounting principles generally accepted in the United State of America. With respect to the Authority's federal awards, the schedule of expenditures is fairly stated in all material respects in relation to the basic financial statements as a whole.

³ 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. To date no mobile communications services provider has volunteered to contribute to the fund.

II. ACTIVITIES OF THE AUTHORITY

The Authority received seven infrastructure grant applications in 2019 that met scoring requirements. For the fourteenth grant round, the two criteria for an application to be scored were that the area to be served by the project be unserved or have internet access service that was less than 25 Mbps download speed and 3 Mbps upload. Infrastructure grants require that the completed project provide a symmetrical service of a minimum of 10 Mbps download and 10 Mbps upload. The projects will provide potential connectivity to 867 locations.

| Applicant or Eligible Provider | Community Partner or Eligible Provider | Potential Connection | Project | Grant | Grant Cost per Potential Connection | Notes |
|---------------------------------------|---|-----------------------------|--------------------|------------------|--|--------------|
| Bowdoinham | LCI | 214 | \$580,630 | 90,000 | \$420 | FTTP |
| Alton | Otelco | 260 | \$700,000 | \$260,000 | \$1000 | FTTP |
| Cambridge | Premium Choice | 263 | \$650,000 | \$200,000 | \$760 | FTTP |
| Alna | Tidewater | 130 | \$185,000 | \$92,500 | \$711 | FTTP |
| | Totals | 867 | \$2,116,130 | \$642,500 | | |

The Community Broadband Planning Grant Program launched its pilot round in 2016. The Authority provides funds for broadband planning grants to municipalities, groups of municipalities or nonprofit local or regional community organizations that are providing local or regional economic development programs to develop plans to expand the availability of broadband services in unserved and underserved areas. In 2019, a fourth round of grant funding totaling \$89,275 was awarded to four entities, each with unique circumstances and proposals for assessing the desire and need for broadband within its environs.

ConnectMaine Authority: Fourth Round Broadband Community Planning Awards

| Applicant | Community(s)/Area Served | Phase I | Phase II |
|------------------|---|-----------------|-----------------|
| WKLCBA | Fayette, Leeds, MT. Vernon, Readfield, Vienna & Wayne | \$12,000 | |
| Argyle | Argyle | \$6,375 | |
| Swans Island | Swans Island | | \$42,400 |
| Franklin County | 22 Communities | | \$28,500 |
| | Total | \$18,375 | \$70,900 |

The Community Broadband Planning Grant Program incorporates two separate phases, with the first phase focused on community organization, service provider engagement and digital inclusion planning, and the second phase focused on network design.

Grant applications are scored on the criteria specified in the statute and rule. The Authority developed grant scoring guidelines and criteria to assist applicants with all materials posted on the Authority’s website.⁴ Authority staff will continue to work closely with grantees to ensure they have the resources they need to accomplish their project goals as efficiently and effectively as possible. 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 to ensure that the funds are used only for appropriate purposes.

⁴ ConnectMaine Infrastructure and Community Broadband Planning Grants. <http://maine.gov/connectme/grants/index.shtml>

In 2019, the Authority revised its triennial Strategic Plan for Broadband Service in Maine, which includes quantifiable measures of performance to carry out the duties of the Authority and to further the goals of the state broadband policy.⁵ The progress toward the goals and objectives established in the plan are as follows.

1. To have 93% of Maine locations have available high-speed internet access by 2021; i.e., access to basic internet service increase in Maine (defined as at least 25/3 Mbps up), as measured by the ConnectMaine Authority detailed mapping.

- Four grants were funded under the Infrastructure Grant Program for a total of \$642,500, making broadband available to 867 households. All of these projects are to deliver high speed Fiber-to-the-Premise (FTTP). Since inception, \$12.97 Million has been expended on the Infrastructure Grant Program.
- Restructured Community Broadband Planning Grant Program incorporating 2 separate phases, with the first phase focused on community organization, service provider engagement and digital inclusion planning, with the second phase focused on network feasibility and design. The Community Broadband Planning Grant Program awarded \$89,275 to four entities. Since inception in 2016, \$636,847 has been expended on the Community Broadband Planning Grant Program.
- Provided letters of support, mapping, match and other information needed for the four applications for the USDA ReConnect Program from Maine. Worked with the Governor's office and the Maine Congressional Delegation to provide direct feedback to the USDA as a result of Maine's experience with the ReConnect applications.
- Submitted comments to the FCC Rural Digital Opportunity Fund (RDOF) and telehealth rule making. The comments to on the RDOF fund focused on the work ConnectMaine did last spring with Vetro Fiber to enhance our data collection. As a result of that work we were able to show that over 30,000 locations in Maine that should be eligible for RDOF funding would not be if the FCC implemented the program as described. Our comments were mentioned in several other filings, including the Institute for Local Self Reliance.
- Meet with communities across the state on their community planning process. The list includes Somerville, Cambridge, Jefferson, Whitefield, Breman, Bristol, Wiscasset, Our Katahdin and others.
- Definitions of broadband for purposes of ConnectMaine funding were redefined as required by statute⁶ to be the following: Areas that have available broadband speeds of at least 25 Mbps download / 3 Mbps upload are considered served. Areas with available broadband speeds that are

⁵ Detailed 2016-2018 Strategic Plan for Broadband Service in Maine. Feb. 2016. <http://maine.gov/connectme/about/docs/ConnectME%20Authority%20Strategic%20Plan%202016-2018.pdf>.

⁶ 35-A MRS §9204-A. <http://www.mainelegislature.org/legis/statutes/35-A/title35-Asec9204-A.html>

lower than 25 Mbps download / 3 Mbps upload are considered unserved. ConnectMaine rule requires an annual review of the unserved/underserved definitions. The ConnectMaine board will be revisiting these standards at their January meeting.

Mapping:

- Moved from static mapping contract to GIS web-based application to improve transparency to the public on broadband availability. This project went live in December and will include a “story line” highlighting different projects ConnectMaine has funded.
 - Updated broadband availability mapping database with latest FCC Form 477 data input and newly available address specific, actual speed availability data from Consolidated Communications.
 - ConnectMaine is part of a group of 8 states selected by NTIA to implement a mandate from Congress to improve national mapping. The project, National Broadband Availability Map (NBAM), combines a series of publicly available data from federal, M-Lab, state specific data, and Ookla to help states better identify areas that are potentially eligible for Federal or other funding. The map is not publicly facing and is for use only by states. More states will be added over the coming years, improving the quantity and quality of data that is available.
 - Serve as an information conduit in conjunction with the Office of Public Advocate for Maine’s broadband initiatives at all levels and as a point of contact and resource clearing house for households, municipalities, businesses and communications service providers. ConnectMaine gets calls and emails daily from individuals who need broadband at their homes for work and other economic activities. We do our best to connect them with the service provider in their area, but often there is no resolution to their inability to get an adequate connection.
 - Pew Charitable Trust selected Maine as one of the states to do an in-depth study on promising practices in Maine. ConnectMaine arranged over 45 visits and interviews in a three-day period with the Pew Team. While we did make sure they were fed, we neglected to feed them lobster.
- 2. To increase the usage of high-speed internet by 2021 from 76% to 85%; i.e., the proportion of Maine households that subscribe to high-speed internet (via cable, cell, or other means) increase from 76% in 2018 to 85% in 2021, as measured by the US Census. This requires addressing all aspects of digital inclusion: affordable internet, affordable equipment, digital literacy training, and public computer access.**
- ConnectMaine’s planning grants all have a requirement for a digital inclusion plan. These plans need to address not only digital literacy, but access to affordable equipment and affordable internet. The Oxford County planning area is working with their local libraries, adult education and the National Digital Equity Center (NDEC) to provide new routers and newer laptops to libraries in that area.
 - The Director made presentations at the Maine State Housing Annual Conference, as well as meetings in Dover-Foxcroft, Windham, Dirigo Speaks in Bangor, the American Council of Engineering Companies of Maine, the national School, Health, Library Broadband coalition, KVCOG and other organizations.

- Sponsored and presented at the Maine Broadband Coalition's 2019 Broadband Summit, which was attended by about 200 people, including communities, economic development organizations, federal and state agencies.
- NDEC was awarded a grant from the Economic Development Administration, U.S. Department of Commerce, to expand its digital literacy training to all 16 counties in Maine. They would in conjunction with libraries, adult education and others to deliver training.

3. To fully engage Maine business with the internet; i.e., the proportion of Maine businesses that carry out marketing and online activities through their own website to 80% in 2021.

- The authority didn't take any direct activities on this goal in 2019.

III. INVESTMENTS

The Authority continues to support the expansion of broadband into more areas of Maine. In 2019, the Authority awarded its fourteenth round of grants from the ConnectMaine Fund, based on the newly adopted 10 Mbps symmetric (both up and down) speed.

| Grant Round | # of Grants | Grant Range in Thousands | Total Grants | Total Project Amount | Household Broadband Availability ⁷ | Grant Amount per Household Availability |
|--------------|-------------|--------------------------|-------------------|----------------------|---|---|
| 1 | 6 | \$38 - \$370 | \$739 K | \$1.53 MM | 13,836 | \$53 |
| 2 | 5 | \$45 - \$533 | \$1.19 MM | \$3.89 MM | 8,678 | \$137 |
| 3 | 8 | \$43 - \$232 | \$610 K | \$1.23 MM | 4,227 | \$144 |
| 4 | 22 | \$23 - \$114 | \$788 K | \$1.51 MM | 2,957 | \$266 |
| 5 | 12 | \$7- \$191 | \$1.09 MM | \$1.66 MM | 1,545 | \$705 |
| 6 | 23 | \$5 - \$242 | \$1.55 MM | \$2.34 MM | 2,296 | \$675 |
| 7 | 23 | \$23 - \$284 | \$2.08 MM | \$3.16 MM | 2,049 | \$1,015 |
| 8 | 15 | \$6 - \$144 | \$1.02 MM | \$1.69 MM | 1,034 | \$986 |
| 9 | 8 | \$12 - \$186 | \$749 K | \$1.43 MM | 975 | \$768 |
| 10 | 13 | \$22 - \$199 | \$1.31 MM | \$2.26 MM | 1,043 | \$1,256 |
| 11 | 7 | \$22 - \$100 | \$398K | \$1.98 MM | 626 | \$635 |
| 12 | 2 | \$71 - \$185 | \$255K | \$395K | 206 | \$1,237 |
| 13 | 2 | \$62 - \$104 | \$166K | \$461K | 305 | \$544 |
| 14 | 4 | \$90 - \$260 | \$642K | \$2.11MM | 867 | \$740 |
| Total | 150 | \$5 - \$533 | \$12.33 MM | \$24.37 MM | 40,491 | \$310 |

The ConnectMaine Fund is administered by an independent fiscal agent which 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.⁸ Interest generated by the fund is added to the fund balance.

⁷ Household Broadband availability is defined as those houses offered the option of acquiring broadband services from a provider and is also referred to as homes passed.

⁸ The quarterly assessments are paid to an independent fund administrator the month after the end of each quarter. Solix is the fund administrator for the ConnectMaine Fund.

IV. MARKET CONDITIONS

Based on the FCC 2018 Broadband Deployment Report (Form 477 data), US Census Bureau population estimates as of July 1, 2018, and household estimates from 2012-2016; **we estimate 83,144 or 11.5% of households in Maine do not have access to fixed broadband speeds of at least 25 Mbps / 3 Mbps. We recognize the data submitted by the service providers to the FCC is vastly overstated in terms of availability, and as such, believe our estimates are quite conservative.** We are in the process of seeking refined data from service providers and community stakeholders to improve the accuracy of this reporting and our confidence in the results. As noted previously, the Authority considers areas without service of at least 25 Mbps / 3 Mbps as unserved.

| County | Total households | Households with less than 25/3 Mbps | % of households with less than 25/3 Mbps |
|--------------|------------------|-------------------------------------|--|
| Maine | 722,106 | 83,144 | 11.5 |
| Piscataquis | 7,572 | 5,826 | 76.94 |
| Franklin | 11,684 | 6,196 | 53.03 |
| Hancock | 23,748 | 8,290 | 34.91 |
| Waldo | 16,820 | 5,395 | 32.07 |
| Washington | 14,065 | 4,399 | 31.28 |
| Oxford | 20,723 | 5,498 | 26.53 |
| Somerset | 21,376 | 4,917 | 23.00 |
| Aroostook | 29,852 | 5,080 | 17.02 |
| Lincoln | 15,021 | 1,385 | 9.22 |
| Penobscot | 61,787 | 5,461 | 8.84 |
| Sagadahoc | 15,613 | 1,366 | 8.75 |
| Knox | 16,813 | 1,276 | 7.59 |
| Kennebec | 50,829 | 1,047 | 2.06 |
| York | 82,588 | 972 | 1.18 |
| Cumberland | 117,871 | 1,068 | 0.91 |
| Androscoggin | 44,747 | 318 | 0.71 |

V. CONCLUSION AND ATTACHMENTS

During the past thirteen years, the Authority has continued to see an increase in the need for broadband at the household and business levels. Receiving more infrastructure applications than can be funded for the unserved areas of the state demonstrates the continued work that remains to be done to provide universal broadband access to all Maine citizens.

The first in the nation community broadband planning grant program continues to be well received by Maine entities. Communities use the ConnectMaine planning process in their efforts to build support and understanding of the importance of having a reliable, affordable high-speed connection to the internet. Though out the planning process, communities continue to reach out to staff for information and assistance. Other organizations including the Maine Community Foundation and the Island Institute offer planning grants, and there are several communities across the state who undertake a community planning process with just local funds. As a result, we estimate that well over 50 communities in Maine have a solid plan to build out infrastructure and are just waiting for funding. These communities represent a significant portion of rural Maine.

The Authority continues its commitment to gather, analyze, and disseminate broadband data from service providers and others. It is crucial to present current infrastructure and service information, whether via data or maps, for strategic direction as well as public consumption. Individuals and entities continue to rely on the Authority as a statewide resource for broadband information.

In 2020, as was the case in 2019, the Authority expects increased legislative activity around broadband, particularly around infrastructure funding. Funding represents the largest challenge for the Authority and Maine in general. Public/private partnerships, as the Authority has funded in all grant rounds, will continue to add value to the Maine broadband landscape. Increased communication with Maine businesses, government entities, regions, non-profits, for-profits, and community anchor institutions indicates to the Authority that solutions continue to be of utmost importance in expanding last mile and middle mile solutions. We are all working hard to make sure communities are ready. Unless the Authority gets significant funding to help these areas actually build out, there will be little progress in increasing Maine's broadband connectivity, and our communities, especially our rural areas, will continue to miss opportunities for education, work and better health care.

Attachment A - ConnectMaine Authority Board

Authority Members:

1. Susan Corbett, President, National Digital Equity Center
2. Fred Brittain, CIO, OIT, State of Maine
3. Jeffrey Letourneau, Executive Director, Network Maine
4. Liz Wyman, Staff Attorney, Maine PUC
5. Theodore Logan, MD, MaineHealth
6. Douglas Birgfeld, Director of Process Innovation, DECD
7. Nick Battista, Senior Policy Officer, Island Institute

Attachment B – Budget

Projected ConnectME Authority -- Budget 2018-2019

| | Budget 2018-2019 |
|---|-----------------------------------|
| Revenues | |
| Assessments | \$1,150,000.00 |
| Interest | \$4,500.00 |
| Total Revenues | <u>\$1,154,500.00</u> |
| | |
| Expenditures | |
| Management - Office of Information Technology (Salaries, Admin, etc.) | \$300,000.00 |
| Consulting services | \$17,000.00 |
| Broadband infrastructure grants | \$625,000.00 |
| Broadband sustainability fund grants | \$360,629.63 |
| Broadband planning grants | \$250,000.00 |
| Mapping (Sewall) | \$42,000.00 |
| Fund administration (Solix) | \$26,000.00 |
| Travel | \$10,000.00 |
| Marketing/Education | \$10,000.00 |
| Professional fees (audit) | \$25,000.00 |
| Misc. Expenses | \$10,000.00 |
| Professional Development | \$5,000.00 |
| Total Expenditures | <u>\$1,680,629.63</u> |
| | |
| Fund Balance, Beginning | <u>\$1,470,399.12</u> |
| | |
| Fund Balance, Ending | <u><u>\$944,269.49</u></u> |

Attachment C - ConnectMaine Balance Sheet

ConnectMaine Authority

Balance Sheet – Government Fund

June 30, 2019

Special Revenue Fund

ASSETS

| | | |
|---------------------------|-----------|-------------------------|
| Cash and Cash Equivalents | \$ | 1,784,087 |
| Accounts Receivable | | 256,073 |
| Total Assets | \$ | <u>2,040,160</u> |

LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

Liabilities

| | | |
|--------------------------|-----------|----------------------|
| Accounts Payable | \$ | 66,559 |
| Accrued Liabilities | | 2,125 |
| Total Liabilities | \$ | <u>68,684</u> |

Deferred Inflows of Resources

| | | |
|------------------|--|----------------|
| Unearned Revenue | | <u>347,108</u> |
|------------------|--|----------------|

Fund Balance

| | | |
|---|--|------------------|
| Restricted for: | | |
| Advanced Communications Technology Infrastructure | | <u>1,624,368</u> |

| | | |
|---|-----------|-------------------------|
| Total Liabilities and Fund Balance | \$ | <u>2,040,160</u> |
|---|-----------|-------------------------|