

# Telecommunications Reports

## States Not Waiting Around For Congress to Push Rural Broadband Deployment

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As federal lawmakers continue to grouse about the lack of broadband in rural areas while a national strategy slowly unfolds, their state counterparts have been busy launching bold initiatives to ratchet up deployment in "uneconomical-to-serve" areas.

Late last month, Massachusetts Gov. Deval Patrick (D.) filed his much-anticipated \$25 million bond bill, aimed at expanding broadband by 2010 to 32 communities in the state that currently have no access whatsoever.

A newly created "Broadband Incentive Fund," which the administration intends to fund with general obligation bonds, would direct up to \$25 million toward broadband infrastructure - conduits, fiber cables, and wireless towers - as a way to entice the private sector to invest more money in the state and deliver broadband to rural areas. Aside from the 32 Massachusetts towns with no broadband access, 63 more are partially served, with high-speed Internet service only available in certain areas. All but one of the combined unserved and underserved regions is located in Berkshire, Hampshire, Franklin, and Hampden counties in western Massachusetts.

During a recent podcast hosted by the governor, Massachusetts Department of Telecommunications and Cable Commissioner Sharon Gillett noted that government loan programs such as those administered by the U.S. Rural Utilities Service have not turned up enough private companies willing to shoulder the costs of building broadband infrastructure in low-density areas. She said state officials are "very aware" of the alternative methods that have ultimately failed to solve rural broadband deficits but that through this newly created fund, private companies in Massachusetts will hopefully be more competitive in securing federal assistance.

Gov. Patrick's legislation draws on provisions of a similar bill passed earlier this year in neighboring Vermont. HB 248 created the "Vermont Telecommunications Authority" to identify areas in the state without access to broadband by December of this year and then establish an open and competitive process to solicit proposals to eliminate "unserved areas" by the end of 2010, either through the development of telecom facilities or through binding commitments from companies to offer broadband to all unserved areas in a given region.

In the inaugural address of his third term, Vermont Gov. Jim Douglas (R.) called for the creation a telecommunications authority to serve as a bridge between public efforts and private investments, and to complement, not replace, the role of service providers and infrastructure developers. In outlining his strategy, the governor said about \$40 million in state-backed bonds would be used to accumulate as much as \$200 million in private funds to extend broadband access to the most uneconomical parts of the state to serve. The authority will now look to complete the solicitation process by Jan. 31, 2008, giving more weight to proposals offered by small, locally based broadband providers.

During a recent segment on Vermont Public Radio, the authority's chairwoman said the group is on track to meet the governor's goal of deploying wireless and broadband infrastructure throughout the state within three years.

Mary Evslin, a technology consultant and co-founder of the Princeton, N.J.-based technology firm ITXC Corp., said the authority has just started collecting information on where high-speed Internet and cellphone service is already available.

"We need to find out where it's not, where the carriers are willing to be stretched to go a little bit further, where the local Internet service providers (ISPs) and wireless ISPs are willing to go if we can help them," Ms. Evslin said in the October broadcast. "We need to put together incentive packages, one of which is some of that money," she added.

From a national perspective, some proponents of overhauling the Universal Service Fund say the system should include broadband subsidies. But Verizon Communications, Inc., for one, supports public-private partnerships like the "ConnectKentucky" project as a way to get broadband to unserved areas.

According to Andrew McNeill, vice president-program development for ConnectKentucky, 94% of all Kentuckians now have access to broadband. Kentucky has made substantial improvement in the last three years to help citizens obtain high-speed access to the Internet, Mr. McNeill said during a presentation given in August to lawmakers on the state's Interim Joint Committee on Economic Development, noting that just 60% of state residents had broadband available to them in 2004. Of those who have access today, 34% subscribe to broadband service, up from 22% three years ago - a statistic he says puts Kentucky at the national average.

Mr. McNeill credited the growth, in part, to a law passed in 2004 that reduced regulation on broadband services. He also noted that one of ConnectKentucky's partners works with satellite technology so that broadband can eventually be expanded to the sparsely populated rural areas that remain unserved.

The Kentucky project stands as one of the first successful state-based rural broadband initiatives and is now starting to find favor among national policy-makers. Rep. Zack Space (D., Ohio) announced the introduction of a bill in October that would provide grants to support mapping efforts that would closely emulate ConnectKentucky. The proposed Connect the Nation Act (HR 3627) would establish a \$40 million-a-year State Broadband Data and Development Grant Program, with applicants required to come up with matching funds equal to at least 20% of the federal grant.

But until a national plan is put into action, state officials are left to contemplate a range of stopgap solutions, such as the ConnectME Authority, an initiative launched by Maine Gov. John Elias Baldacci (D.) and the state legislature in 2004. The authority is tasked with aggregating data on communications services, assessing the availability and need for Internet services in unserved and underserved areas, and identifying and secure funding sources for deployment - with the goal of making broadband available to 90% of the state by 2010 and ensuring reliable wireless phone service by 2008. The group has far less money to work with than other states - \$500,000 drafted from the state universal service fund, which also must be paid back.

Last month, the ConnectME Authority awarded seven grants worth \$787,000 to expand broadband and mobile communications services to rural parts of the state, bringing service to

roughly 14,400 residents. Each grant application is judged based on a number of criteria, such as the projected percentage of households that would be served; the level of public-private partnerships created; community support for the projects; and financial viability.

Phil Lindley, acting executive director of the ConnectME Authority, said the grant decisions were made more difficult by the quality of the applications and the high level of interest.

"It really is a trial project by the legislature," Mr. Lindley told TR recently. "There was a lot of debate about private investment and public money, and in the end they decided to put some modest funding in it ... to be a gap-filler for those areas that density is too sparse to really make the investment traditionally."

Despite the funding challenges facing the authority, Mr. Lindley said he wasn't about to complain to the legislature. Since the coalition just started working toward the state's 90% goal, he expects about \$750,000 to \$1.25 million to be generated in assessments. "Hopefully when the legislature sees that, they'll say, 'yeah, that looks like a good idea,'" he said.

According to a recent study conducted by ConnectME, 86% of Maine households had access to broadband service. "That may seem pretty high," said Mr. Lindley, "but there are still tens of thousands of people that don't have it at all, and those people aren't going to get it the [traditional way]."

A paper published by the Maine Center for Economic Policy last year - "High Speed Internet: A Requisite Rural Development Strategy" - said one reason for the state's lower deployment rate is the costly proposition for smaller ISPs to gain access to the poles and lines of larger ISPs to serve underserved areas of the state. Other reasons are cost and a slower technology adoption rate among certain segments of the population.

Companies receiving grants from the ConnectME Authority are all small wireless companies, which Mr. Lindley characterizes as "really grassroots."

Chebeague.net, which provides broadband to the small island of Chebeague, is one successful grantee that would fit that profile. The company has partnered with the ISP Mainely Wired LLC to provide the bandwidth, equipment, engineering, and technical assistance. The going rate for Internet service on the island is \$40 a month for the basic package, and \$20 a month for inactive, off-season service.

"This is an experiment, quite frankly," Chebeague.net's David Hill said during a recent meeting of the ConnectME Authority. "The portion of the island that is served is served because people got together and showed it could be done. We view it as a matter of survival."

In the town of Edgecomb, however, the ConnectME Authority faced a dilemma. They were presented with two proposals - one by XpressAmerica, which wanted to serve the town with a mix of Wi-MAX and wireless mesh technology, allowing both fixed and mobile access for residents, and another by Midcoast Internet Solutions, a lower-bandwidth, basic platform model. XpressAmerica's application called for \$481 grant dollars per household; Midcoast's \$85. Midcoast's application was approved.

Mr. Lindley said XpressAmerica's plan sounded technologically great, but the authority's job is to help provide basic broadband service to areas that have nothing. ConnectME expects to

conduct another round of grant awards next summer, based on available funding, and submit a plan for implementing broadband legislation by Jan. 31, 2008.

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