

# MAINE STATE LEGISLATURE

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

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



**January 26, 2018**

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## EXECUTIVE SUMMARY

In recognition of the critical importance of modern technology for education, health care, and business success in Maine, the Legislature created the ConnectME 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:<sup>1</sup>

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.

*“The ConnectME Authority continues its efforts to invest in unserved areas of Maine and to support planning efforts to expand broadband in support of Maine’s economy, its businesses, citizens, education and health. The Authority is positioned and ready to expand those investments should needed funding be made available.” Richard B. Thompson, Jr., Chair, ConnectME Authority*

### Significant Areas of Focus in 2017

- Definitions of broadband for purposes of ConnectME funding were evaluated as required by statute to be the following: Areas that have available broadband speeds of at least 10 Mbps download/10 Mbps upload are considered served. Areas with available broadband speeds that are lower than 1.5 Mbps download are considered unserved. Areas where the maximum available service is between 1.5Mbps download and 10Mbps download /10Mbps upload are considered underserved<sup>2</sup>
- Eight grants were funded under the Infrastructure Grant Program for \$479,812, making broadband available to 699 households. Seven of the projects are to deliver high speed fiber to the premise (FTTP). To date \$171,235 has been expended on these projects

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

<sup>2</sup> 35-A, M.R.S.A. §9204-A. <http://www.mainelegislature.org/legis/statutes/35-A/title35-Asec9204-A.html>

- The Community Broadband Planning Grant Program awarded \$159,600 to five community entities. Most communities are more than half way through their planning process, expending \$91,294.
- Resolved, through the Office of the Attorney General, an outstanding legal matter regarding a Broadband Sustainability Fee due to the Authority from a single provider. Nearly \$450,000 was collected in the settlement
- The Board provisionally adopted a re-write of Chapter 101 (ConnectME Authority) developed through collaborative stakeholder and public input processes and prepared documents for submittal to the Legislature for consideration as a major substantive rule
- ConnectME Authority staff continued to conduct data collection and education and outreach activities in support of the FirstNet project to develop and operate the Maine portion of a national public safety broadband network, known as FirstNet
- Through a competitive process, selected a new administrator of the ConnectME Fund

Most ConnectME 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 2018, the Authority will:

- Transition oversight responsibilities for the ConnectME Authority from the Department of Administrative and Financial Services Office of Information Technology to the Department of Economic and Community Development. Hire new staff to carry out the work of the Authority
- Develop a statewide plan to expand broadband through leveraging of public investment and assets
- Continue work toward improved broadband availability data and corresponding mapping of that data
- 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 2018 legislative session
- Submit the provisionally-adopted Chapter 101, ConnectME Authority, rule to the legislature for approval as a major substantive rule
- Review and revise the Triennial Strategic Plan approved by the Board in 2016

- Work with the Office of the Governor to fill the Board vacancy with a member of the public representing consumers in Maine
- 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
- Conduct a 2018 round of solicitation of applications for grants for both the Planning and Infrastructure programs, as well as a separate grant solicitation for the settlement funds from the legal matter regarding the Broadband Sustainability Fee

## INTRODUCTION

The ConnectME Authority is pleased to submit to the Joint Standing Committee on Energy, Utilities and Technology Committee its annual report for 2017. The report is divided into five sections: Budget, Activities of the Authority, Investments and Market Conditions.

In 2006, the Legislature created the ConnectME 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.<sup>3</sup> 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 ConnectME 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:

- Establish criteria defining unserved and underserved areas;
- Promote use of broadband service;
- Support broadband investment;
- Facilitate state support of deployment of broadband infrastructure;
- Collect and disseminate information; and
- Administer funds.

The Authority consists of the following seven voting members:

- The Chair of the Public Utilities Commission;
- The Chief Information Officer of the State or the officer's designee;
- One currently vacant 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.

Attachment A – Authority Board

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<sup>3</sup> 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.<sup>4</sup> It is expected to generate approximately \$1.1 million per year. This funding is granted to broadband providers and communities through three statutorily required programs, the Infrastructure Grant Program, the Community Broadband Planning Grant Program and the Municipal Gigabit Broadband Network Access Fund. In 2017, the Authority funded nearly \$640,000 in grants. In addition, the Authority is the State and Local Implementation Grant Program recipient for Maine's FirstNet initiative totaling \$1.1 million.

The ConnectME Fund balance on June 30, 2017, was \$1,607,622. Going forward, from that amount, plus upcoming assessments (approximately \$1.1M annually), the majority is committed for awarded grants not yet completed, as well as for Authority operating expenses. Attachment B reflects the Authority's financial status as of June 30, 2017.

The 2017 Financial Report of Macpage LLC 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, 2017, 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.

Attachment B – Budget

Attachment C – ConnectME Authority Balance Sheet

## **II. ACTIVITIES OF THE AUTHORITY**

The Authority received fourteen infrastructure grant applications that met scoring requirements. The two criteria for an application to be scored are that the area to be served by the project be unserved or have internet access service that was less than 1.5 Mbps download speed, and that the completed project provide a symmetrical service of 10 Mbps download and 10 Mbps upload. The eight projects awarded funds range in amounts from \$50,000 to nearly \$775,000. Seven of the eight are fiber to the premise (FTTP) projects. The projects will provide potential connectivity to nearly 700 locations. The projects are in the most rural areas of the state, from Aroostook County to western Maine to an island in Penobscot Bay.

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<sup>4</sup> 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.



**ConnectME Authority: Eleventh Grant Round Infrastructure Awards**

<b>Applicant or Eligible Provider</b>	<b>Community Partner or Eligible Provider</b>	<b>Potential Connection</b>	<b>Project</b>	<b>Grant</b>	<b>Notes</b>
Alna, Town of	Charter Communications	73	\$184,483	\$80,951	FTTP
Alton, Town of	OTT Communications	33	\$156,000	\$78,000	FTTP
Greenville, Town of	FairPoint	45	\$50,000	\$22,500	DSL
Islesford, Town of Cranberry Isles	Axiom Technologies	140	\$752,240	\$69,066	FTTP
Madawaska, Town of	Charter Communications	15	\$69,974	\$32,621	Fiber /Cable
Maple Grove (Presque Isle)	Pioneer Broadband	34	\$104,824	\$59,824	Fiber
Mount Desert, Town of	Charter Communications	325	\$774,876	\$100,000	FTTP
Waldoboro, Town of	Lincolville Communications	34	\$67,000	\$36,850	FTTP
<b>Totals</b>		<b>699</b>	<b>\$ 2,159,397</b>	<b>\$ 479,812</b>	

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 2017, a second round of grant funding totaling \$159,600 was awarded to five entities, each with unique circumstances and proposals for assessing the desire and need for broadband within its environs.

**ConnectME Authority: Second Round Broadband Community Planning Awards**

<b>Applicant</b>	<b>Community Partner or Eligible Partner</b>	<b>Community(s)/Area Served</b>	<b>Project</b>
Belfast	Axiom Technologies	Belfast	\$15,000
Bowdoin	Axiom Technologies	Bowdoin	\$8,000
Franklin County	James W. Sewall Co.	All 22 communities in Franklin County and Livermore Falls in Androscoggin County	\$43,000
Lakes Region	Axiom Technologies	Gray, Standish, Raymond, Windham	\$15,000
Maine West	Northern Forest and Axiom Technologies	Oxford Hills, River Valley, Bethel area	\$78,600
<b>Total</b>			<b>\$159,600</b>

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.<sup>5</sup> 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.

In 2016, the Authority drafted the Detailed 2016-2018 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.<sup>6</sup> The 2017 progress toward the goals and objectives established in the plan are as follows.

1. Support Broadband Infrastructure Deployment
  - A. Continue to target areas where no high-speed internet service currently exists with the ConnectME Authority broadband infrastructure grant program.  
Progress: The Authority awarded eight grants in 2017 providing fiber to the premise and cable connection to 699 unserved locations.
  - B. Determine the effectiveness and impacts of broadband infrastructure grants.

<sup>5</sup> ConnectME Infrastructure and Community Broadband Planning Grants. Retrieved from <http://maine.gov/connectme/grants/index.shtml>

<sup>6</sup> Detailed 2016-2018 Strategic Plan for Broadband Service in Maine. Feb. 2016. Retrieved from <http://maine.gov/connectme/about/docs/ConnectME%20Authority%20Strategic%20Plan%202016-2018.pdf>.

Progress: Developing standard criteria, gathering and analyzing data from past and current grant recipients is in progress and will require more resources.

- C. Implement a local broadband planning grant program.  
Progress: A planning grant program was implemented in 2016, awarding four grants covering twenty-three communities. The 2017 awards were to five entities representing more than thirty communities.
- D. Create a working partnership with FairPoint for the implementation of its nearly \$80 million Connect America Fund II (CAF II) program in Maine.  
Progress: FairPoint (now Spectrum) provides quarterly updates to the Authority regarding CAF II program implementation.<sup>7</sup>

## 2. Support Increased Broadband Use

- A. Support innovative efforts to increase consumer and business use of online services.  
Progress: Located and utilized data sets that allow for analysis of consumer and business use of services within Maine and across the nation. Digital inclusion is a component of the ConnectME planning grants launched in 2016 and was required of 2017 grants, as well.
- B. Coordinate consumer advice and assistance regarding broadband service in the Office of the Public Advocate (OPA).  
Progress: ConnectME staff coordinates with OPA and is kept updated of OPA broadband inquires and issues through a quarterly report.

## 3. Conduct Research and Provide Information

- A. Issue an annual Maine Broadband Indicators Report.  
Progress: As a collaborator with the national Community Connectivity Initiative, data sets were acquired through Maine's beta testing of the online community planning assessment tool.<sup>8</sup> A mapping contract was awarded in 2016 to further collection, analysis and mapping of broadband information. More resources will be required to incorporate data analytics and produce a final report.
- B. Serve as a broadband information resource to Maine communities, aggregating and sharing experiences and encouraging collaboration.  
Progress: Staff continues to engage with communities in Maine; both as planning grant awardees and communities in general who are interested in learning about private and/or public options they may explore.

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<sup>7</sup> FairPoint to receive federal funds to expand rural broadband service in Maine.  
Retrieved from <http://www.pressherald.com/2015/08/18/fairpoint-to-receive-federal-funds-to-expand-rural-broadband-service/>

<sup>8</sup> Community Connectivity Initiative. Retrieved from <https://www2.ntia.doc.gov/CCI>

- C. Conduct a needs analysis to determine the level of investment necessary to make broadband available to all Maine residents and businesses. Progress: Additional resources will need to be devoted to meet this objective.
- D. Leverage broadband opportunities. Progress: ConnectME staff conducts outreach to state agencies, such as Maine's Department of Transportation and the Maine Department of Economic Development, on a regular basis to examine collective broadband opportunities and identification of policy barriers. Progress is reported at Authority meetings.

In order to reflect changes made to the statute governing the Authority during the 127<sup>th</sup> Legislature, revisions to Chapter 101 of Authority Rules were provisionally adopted and will be presented to the 128<sup>th</sup> Legislature for consideration of passage as a major substantive rule.

The Authority meets the statutory charge to promote use of broadband service by identifying and sharing best practices that encourage use of broadband service, eliminating barriers to use of broadband service and facilitating and supporting public-private partnerships to increase use of broadband service. Additionally, technical and financial assistance is provided to communities that include unserved and underserved areas to identify the need for broadband infrastructure and services and develop and implement plans to meet those needs.

Regarding FirstNet, the national public safety broadband network, the FirstNetME governance team, the Maine Interoperable Communications Committee, met quarterly to stay informed of the status of the project and to provide input and feedback to the project team. ConnectME staff provides grant administration and coordination. A milestone event occurred in August of 2017 when Governor LePage determined that Maine would join the FirstNet network as oppose to building a Maine-specific network for the delivery of service to the emergency responder community. The current project federal grant, issued by the National Telecommunications and Information Administration, will conclude in February of 2018. Outside the ConnectME Authority purview, a succeeding grant to continue the work on FirstNet in Maine will be implemented through the State of Maine Office of Information Technology.

### **III. INVESTMENTS**

The Authority continues to support the expansion of broadband into more areas of Maine. In 2017, the Authority awarded its eleventh round of grants from the ConnectME Fund, based on the newly adopted 10 Mbps symmetrical (both download and upload) speed. Grant limits are at a maximum of \$100,000 per project.

Grant Round/Year	# of Grants	Grant Range In Thousands	Total Grants	Total Project Amount In Millions	Household Broadband Availability <sup>9</sup>	Increased Broadband Availability <sup>10</sup>
1/2007	6	\$38 - \$370	\$739 K	\$1.53	13,836	2.5%
2/2008	5	\$45 - \$533	\$1.19 M	\$3.89	8,678	1.6%
3/2009	8	\$43 - \$232	\$610 K	\$1.23	4,227	.7%
4/ 2010	22	\$23 - \$114	\$788 K	\$1.51	2,957	.5%
5/2010	12	\$7- \$191	\$1.09 M	\$1.66	1,545	.6%
6/2011	23	\$5 - \$242	\$1.55 M	\$2.34	2,296	.4%
7/2012	23	\$23 - \$284	\$2.08 M	\$3.16	2,049	.3%
8/2013	15	\$6 - \$144	\$1.02 M	\$1.69	1,034	.2%
9/2014	8	\$12 - \$186	\$749 K	\$1.43	975	.2%
10/2016	15	\$22-\$199	\$1.54 M	\$2.95	1,381	.2%
11/2017	8	\$22-\$100	\$480 K	\$2.16	699	.1%
<b>Total</b>	<b>145</b>	<b>\$5 - \$533</b>	<b>\$11.36 MM</b>	<b>\$21.39</b>	<b>38,978</b>	<b>7.3%</b>

The ConnectME 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.<sup>11</sup> Interest generated by the fund is added to the fund balance.

#### IV. MARKET CONDITIONS

Utilizing national and state data sets, the ConnectME Authority has portrayed broadband in Maine in previous reports. The data and resulting assessment remain unchanged.

*"Broadband is a big contributor to Maine's economic growth – if we are not connected, we are not competing!"*

*George Gervais, Commissioner Department of Economic and Community Development*

<sup>9</sup> Household broadband availability is defined as those houses offered the option of acquiring broadband services from a provider and is also referred to as houses passed.

<sup>10</sup> Based on the 2010 Census for estimates of population and number of households in Maine, obtained from the State Planning Office. Total est. occupied housing units = 562,873, population = 1.328 MM, 2.36 = average household size.

<sup>11</sup> The quarterly assessments are paid to an independent fund administrator the month after the end of each quarter. Ro ka 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.

## V. CONCLUSIONS AND ATTACHMENTS

During the past ten 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. Those not chosen for funding by the Authority, and many other communities which are funding their own initiatives, use the planning process developed by the ConnectME Authority and frequently seek advice and assistance from Authority staff.

The Municipal Gigabit Broadband Network Access Fund put into effect by the 127<sup>th</sup> legislature is unfunded at this point but has been referenced in proposed legislative initiatives by the 128<sup>th</sup> legislature. This fund was established to address the need in the Maine for access to ultra-high-speed broadband infrastructure that will enhance the competitiveness in national and international economies. To the extent funds are available, the fund must be used to provide grants to communities, regional partnerships and municipalities to support public-private partnerships to support a municipal gigabit fiber-optic broadband network in their regions.<sup>12</sup>

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 2018, as was the case in 2017, the Authority expects increased legislative activity around broadband. The largest challenge for the Authority and Maine in general, will be funding broadband adoption and expansion. 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.

Attachment A – ConnectME Authority Board Members  
Attachment B – Budget  
Attachment C – ConnectME Balance Sheet

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<sup>12</sup> 35-A, M.R.S.A. §9211(A). <http://www.mainelegislature.org/legis/statutes/35-A/title35-Asec9211-A.html>.

## **Attachment A - ConnectME Authority Board**

### Authority Members:

1. Richard B. Thompson, Jr., Chair, former Chief Information Officer, UMaine System
2. Sandy Saunders, Director, Communications and Administration, Office of Information Technology, State of Maine
3. Ralph Johnson, Regional Chief Information Officer, MaineHealth
4. Bruce Williamson, Commissioner, Maine Public Utilities Commission
5. Susan Woods, M.D., Principal, HiTechHiTouch, LLC
6. Denise Garland, Deputy Commissioner, Maine Department of Economic and Community Development
7. Vacant (representing consumers)

**Attachment B – Budget**

ConnectME Authority -- Budget FY 2017		
<b>Statement of Revenues, Expenditures and Change in Fund Balance - Governmental Fund</b>		
<b>Year Ended June 30, 2017</b>		
		<b>Special Revenue Fund</b>
<b>Revenues</b>		
Federal Grants		
First Responder Network Authority (FirstNet)		171,500
Assessments		1,190,448
Broadband sustainability fee (encumbered)		
Broadband sustainability fee (5% to ConnectME Fund)		
Interest		861
<b>Total Revenues</b>		<b>1,362,809</b>
<b>Expenditures</b>		
Management - Office of Information Technology (Salaries, Admin, etc.)		337,213
Purchased professional and technical services		
Contract services		
Broadband infrastructure grants		933,115
Broadband sustainability fund grants		
Broadband planning grants		175,115
Mapping		22,850
First Responder Network Authority (FirstNet)		171,719
GEM software (FirstNet)		
Fund administration		27,150
Professional fees (audit)		25,750
Bank fees		4,877
Miscellaneous		2,137
<b>Total Expenditures</b>		<b>1,699,926</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>		<b>(337,117)</b>
<b>Fund Balance, Beginning (7/1/2016)</b>		<b>1,607,662</b>
<b>Fund Balance, Ending</b>		<b>\$ 1,270,545</b>



## Attachment C - ConnectME Balance Sheet

### ConnectME Authority

#### Balance Sheet – Government Fund

June 30, 2017

	<b>Special Revenue Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,102,982
Accounts receivable	308,307
Due from other governments	21,007
Other receivable	<u>294</u>
<b>Total Assets</b>	<b><u>\$ 1,432,590</u></b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts Payable	\$ 154,026
Accrued Liabilities	<u>8,019</u>
<b>Total Liabilities</b>	<b><u>\$ 162,045</u></b>
<b>Fund Balance</b>	
Restricted for:	
Advanced communications technology Infrastructure	<u>1,270,545</u>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 1,432,590</u></b>