

MAINE STATE LEGISLATURE

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CONNECTME



State of Maine
ConnectME Authority
59 State House Station, Augusta, Maine 04333-0059
Connect.ME@maine.gov
www.Maine.gov/connectme/

Dick Thompson
Chair

Authority Members - Denise Garland - Susan Woods - Bruce Williamson – Jon Richard - Ralph Johnson

January 28, 2019

Senator Mark Lawrence, Chair
Representative Seth Berry, Chair
Legislative Information Office
100 State House Station
Augusta, ME 04333

Dear Senator Lawrence, Representative Berry and members of the Energy, Utilities and Technology Committee:

Pursuant to Title 35-A, Chapter 93, Section 9208, please consider this the letter of transmittal for the required Legislative Oversight Report to the Energy, Utilities and Technology Committee from the ConnectME Authority.

Please contact me if you have any questions or need additional information.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Thompson".

Richard Thompson
Chair, ConnectME Authority
Deputy Commissioner, DAFS

ConnectME Authority Annual Report
to the Maine State Legislature
Joint Standing Committee on Energy, Utilities and Technology

CONNECTME



January 28, 2019

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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: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.

Significant Areas of Focus in 2018

- Definitions of broadband for purposes of ConnectME funding were redefined as required by statute² 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 lower than 25 Mbps download / 3 Mbps upload are considered unserved.
- Two grants were funded under the Infrastructure Grant Program for a total of \$255,650, making broadband available to 206 households. Both of the projects are to deliver high speed Fiber-to-the-Premise (FTTP). Since inception, \$12.33 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 design.
- The Community Broadband Planning Grant Program awarded \$214,200 to entities. Since inception in 2016, \$580,872 has been expended on the Community Broadband Planning Grant Program.
- 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.

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

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

- Transitioned 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. Hired new staff to carry out the work of the Authority.
- Developed a State-wide Broadband Action Plan to expand broadband through leveraging of public investment and assets.
- Updated broadband availability mapping database with latest FCC Form 477 data input and newly available address specific, actual speed availability data from Consolidated Communications.
- Concluded the legal matter regarding the Broadband Sustainability Fee.
- 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.

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 2019, 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 2019 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 2019 round of solicitation of applications for grants for both the Planning and Infrastructure programs.

INTRODUCTION

The ConnectME Authority is pleased to submit to the Joint Standing Committee on Energy, Utilities and Technology Committee its annual report for 2018. The report is divided into five sections: Budget, Activities of the Authority, Investments, Market Conditions and Conclusion / Attachments.

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.³ 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 or the Chair's designee;
- The Chief Information Officer of the State or the officer's designee;
- One representative of consumers – currently vacant, 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.

³ 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.⁴ 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 2018, the Authority funded nearly \$631,330 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, 2018, was \$1,470,399. Attachment B and Attachment C reflects the Authority's financial status as of June 30, 2018.

The 2018 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, 2018, 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.

⁴ 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.

II. ACTIVITIES OF THE AUTHORITY

The Authority received eighteen infrastructure grant applications in 2018 that met scoring requirements. For the Twelfth 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 1.5 Mbps download speed. For the Thirteenth 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. Both grant rounds required that the completed project provide a symmetrical service of 10 Mbps download and 10 Mbps upload. The projects will provide potential connectivity to 511 locations.

ConnectME Authority: Twelfth Grant Round Infrastructure Awards

Applicant or Eligible Provider	Community Partner or Eligible Provider	Potential Connection	Project	Project Cost per Potential Connection	Grant	Grant Cost per Potential Connection	Notes
Plunkett Pond	Pioneer Broadband	168	\$252,795	\$1,505	\$184,650	\$1,099	FTTP
Lowell/Burlington	Otelco	38	\$142,000	\$3,737	\$71,000	\$1,868	FTTP
	Totals	206	\$394,795	\$1,916	\$ 255,650	\$1,241	

ConnectME Authority: Thirteenth Grant Round Infrastructure Awards

Applicant or Eligible Provider	Community Partner or Eligible Provider	Potential Connection	Project	Project Cost per Potential Connection	Grant	Grant Cost per Potential Connection	Notes
Our Katahdin	Millinocket	178	\$254,106	\$1,427	\$62,820	\$353	FTTP
Plymouth/Dixmont	Otelco	127	\$207,320	\$1,632	\$103,665	\$816	FTTP
	Totals	305	\$461,426	\$1,512	\$166,485	\$546	

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 2018, a third round of grant funding totaling \$214,200 was awarded to five entities, each with unique circumstances and proposals for assessing the desire and need for broadband within its environs.

ConnectME Authority: Third Round Broadband Community Planning Awards

Applicant	Community(s)/Area Served	Phase I	Phase II
Lincoln County	Wiscasset, Westport Island, Dresden, Whitefield, Somerville & Edgecomb	\$6,825	\$31,850
Monhegan	Monhegan Plantation	\$5,000	\$10,010
NMDC	Portage Lake, Winterville Plantation, Eagle Lake, Walagrass, Frenchville, Fort Kent, Van Buren, Long Lake, Cross Lake, St. Agatha, Madawaska, TR7R3, T16R4, Square Lake Township	\$12,510	\$50,820
EMDC	Corinna, Dexter, Hermon, Howland, Lagrange, Lincoln, Newport, Orrington, Plymouth, Veazie	\$9,235	\$47,950
Bowdoinham	Bowdoinham	\$0	\$40,000
	Total	\$33,570	\$180,630

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.⁵ 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.

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

In 2016, the Authority drafted a 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.⁶ The 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 13 grants in 2016, 7 grants in 2017 and 4 grants in 2018, providing high-speed broadband connections to 2,180 unserved locations.

- B. Determine the effectiveness and impacts of broadband infrastructure grants.

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. The Authority awarded, 4 grants covering 23 communities in 2016, 5 grants in 2017 covering 31 communities, and 5 grants in 2018 covering 30 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 Consolidated Communications) provides quarterly updates to the Authority regarding CAF II program implementation.⁷

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 program launched in 2016.

- B. Coordinate consumer advice and assistance regarding broadband service in the Office of the Public Advocate (OPA).

Progress: ConnectME staff routinely coordinates with OPA and is kept updated of OPA broadband inquires and issues through a quarterly report.

⁶ 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> .

⁷ FairPoint to receive federal funds to expand rural broadband service in Maine.

<http://www.pressherald.com/2015/08/18/fairpoint-to-receive-federal-funds-to-expand-rural-broadband-service/>

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.⁸ 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 regularly engages 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.

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 are needed 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 127th Legislature, revisions to Chapter 101 of Authority Rules were provisionally adopted and presented to the 128th Legislature for consideration of passage as a major substantive rule. Due to administrative error, the revisions to Chapter 101 of Authority Rules have been presented to the 129th Legislature for consideration of passage.

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.

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

III. INVESTMENTS

The Authority continues to support the expansion of broadband into more areas of Maine. In 2018, the Authority awarded its Thirteenth round of grants from the ConnectME Fund, based on the newly adopted 10 Mbps symmetric (both up and down) speed. Grant limits are a maximum of \$100,000 per project, funding no more than 50% of the total project although many of the recent grants have been above those levels.

Grant Round	# of Grants	Grant Range in Thousands	Total Grants	Total Project Amount	Household Broadband Availability ⁹	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
Total	146	\$5 - \$533	\$12.33 MM	\$24.37 MM	39,777	\$310

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.¹⁰ Interest generated by the fund is added to the fund balance.

⁹ 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.

¹⁰ 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 ConnectME Fund.

IV. MARKET CONDITIONS

Based on the FCC 2018 Broadband Deployment Report, US Census Bureau population estimates as of July 1, 2017, and household estimates from 2012-2016; we estimate 55,359 or 10% 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 overstated in terms of availability, and as such, believe our estimates are conservative. We are in the process of seeking refined data from service providers and community stakeholders in an attempt 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.

State, County or County Equivalent	Population July 1, 2017 Estimate	Households 2012-2016	Persons per Household 2012-2016	Households with Fixed 25 Mbps/3 Mbps	% of Households with Fixed 25 Mbps/3 Mbps	Households without Fixed 25 Mbps/3 Mbps	% of Households without Fixed 25 Mbps/3 Mbps
Maine	1,335,907	551,109	2.35	495,750	89.96%	55,359	10.04%
Penobscot County	151,957	61,787	2.37	53,013	85.80%	8,774	14.20%
Somerset County	50,626	21,376	2.37	12,744	59.62%	8,632	40.38%
Aroostook County	67,653	29,852	2.25	22,886	76.66%	6,966	23.34%
Franklin County	29,988	11,684	2.49	5,334	45.65%	6,350	54.35%
Waldo County	39,832	16,820	2.28	11,364	67.56%	5,456	32.44%
Hancock County	54,497	23,748	2.23	19,016	80.07%	4,732	19.93%
Piscataquis County	16,773	7,572	2.21	3,089	40.80%	4,483	59.20%
Washington County	31,593	14,065	2.20	10,793	76.73%	3,272	23.27%
Oxford County	57,439	20,723	2.73	18,122	87.45%	2,601	12.55%
York County	204,191	82,588	2.39	81,504	98.69%	1,084	1.31%
Sagadahoc County	35,392	15,613	2.23	14,559	93.25%	1,054	6.75%
Cumberland County	292,500	117,871	2.37	116,964	99.23%	907	0.77%
Lincoln County	34,204	15,021	2.23	14,180	94.40%	841	5.60%
Knox County	39,790	16,813	2.29	16,344	97.21%	469	2.79%
Kennebec County	121,821	50,829	2.31	50,366	99.09%	463	0.91%
Androscoggin County	107,651	44,747	2.33	44,708	99.91%	39	0.09%

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. Those not funded by the Authority and many other communities use the ConnectME planning process in their efforts and continue to reach out to staff for information and assistance.

The Municipal Gigabit Broadband Network Access Fund put into effect by the 127th legislature is unfunded at this point. This fund was established to address the need in 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.¹¹

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 2019, as was the case in 2018, 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.

¹¹ 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, HiTecHiTouch, LLC
6. Denise Garland, Deputy Commissioner, Maine Department of Economic and Community Development
7. Vacant

Attachment B – Budget

ConnectME Authority -- Budget FY2018	
	Budget
Revenues	FY2018
Assessments	\$1,151,663.79
Broadband sustainability funds available to distribute	\$360,629.60
Broadband sustainability funds to remain in the fund	\$87,434.40
FirstNet	\$75,783.78
Interest	\$4,634.87
Total Revenues	\$1,680,146.44
A/R Refunds	\$2,188.50
Expenditures	
Management - Office of Information Technology (Salaries, Admin, etc.)	\$236,045.00
Broadband infrastructure grants	\$752,812.75
Broadband planning grants	\$159,171.75
Mapping	\$21,850.00
FirstNet	\$72,682.84
Fund administration	\$23,375.00
Professional fees (audit)	\$29,440.00
Misc expenses	\$3,877.24
Operational services	\$9,649.08
Bank fees	\$1,636.66
Total Expenditures	\$1,310,540.32
Fund Balance, Beginning	\$1,102,982.00
Fund Balance, Ending	\$1,470,399.12

Attachment C - ConnectME Balance Sheet

ConnectME Authority

Balance Sheet – Government Fund

June 30, 2018

		Special Revenue Fund
ASSETS		
Cash and cash equivalents	\$	1,614,092
Accounts receivable		332,236
Total Assets		<u>\$1,946,328</u>
 LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$	115,813
Due to other governments		79,004
Accrued Liabilities		15,323
Total Liabilities	\$	<u>210,140</u>
 Deferred Inflows of Resources		
Fund Balance		<u>360,630</u>
 Restricted for:		
Advanced communications technology Infrastructure		<u>1,375,558</u>
 Total Liabilities and Fund Balance	 \$	 <u>1,946,328</u>