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Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Economic Development and Business
and
House Committee on Intrastate Commerce
Wednesday, February 6, 2019
9:00 a.m.
State Capitol, Conference Room 309**

**On the following measure:
H.B. 1156, RELATING TO BROADBAND SERVICE INFRASTRUCTURE**

Chair McKelvey, Chair Ohno, and Members of the Committees:

My name is Ji Sook "Lisa" Kim, and I am the Cable Administrator of the Department of Commerce and Consumer Affairs' (Department) Cable Television Division. The Department offers comments on this bill.

The purposes of this bill are to: (1) establish a broadband service infrastructure grant program, to be administered by the Department of Business, Economic Development, and Tourism (DBEDT), to award grants to applicants to extend infrastructure used to provide broadband service to unserved and underserved areas of the State; and (2) appropriate funds.

In today's world, access to affordable, high-speed broadband services is essential to fully participate in our economy and society. The Department thus strongly supports legislation that can improve access to broadband services for Hawaii residents, particularly in the unserved and underserved rural areas across our state, so

that all of our residents may benefit equally from the services and opportunities afforded by access to high-speed internet. The proposed grant program could help bridge the broadband gap to rural areas where broadband deployment would otherwise be cost prohibitive for providers because of the excessively high cost to install infrastructure to serve only a small number of subscribers in those areas.

Efforts to date, using funding through the Federal Communications Commission's (FCC) Connect America Fund (CAF) program, have been successful in extending infrastructure and access to unserved census blocks. However, given the breadth of the rural broadband gap, many residents remain, and will remain for an indeterminate time, without access to any wired internet service or with service well below any speed threshold currently used to define "broadband-level" service. A grant program that will provide financial incentives to providers to extend their infrastructure into rural, high-cost service areas would assist in extending service to those areas. The proposed program appears to target a need that is not currently being addressed by the FCC's CAF program. Before any grant program is created, however, the State's and counties' broadband stakeholders should be consulted and given the opportunity to advise the State on the substantive terms of any grant program to be created and the ramifications of those terms. Further, best practices from other jurisdictions that may have implemented a broadband infrastructure grant program should be studied and those jurisdictions be consulted regarding the success of, and issues with, such a program. At a minimum, the Department recommends review of the following issues:

1. Page 5, lines 16-17 of the bill provides that the grant applicant shall commit to paying a minimum of twenty per cent of the project costs in matching funds. While this percentage may be too low, the Department lacks sufficient expertise in this area to recommend an amount that is appropriate or that would make the grant program successful.
2. The proposed grant scoring system requires that the highest priority be given to specific listed criteria, including the "[l]ength of time the applicant has been providing broadband services in the State" under section -6(d)(3) on page 10, lines 6-7. To promote competition in the State, it may be better to remove this

- criterion, and another criterion on page 10, lines 3-5 reasonably qualifies an applicant by giving substantial weight to “[t]he experience, technical ability, and financial wherewithal of the applicant in successfully deploying and providing broadband service[.]”
3. Section -6(e), page 11, lines 13-18, provides that in awarding grants, DBEDT shall not consider “any new or additional regulatory obligations beyond those required under applicable law, including but not limited to open access network requirements or any rate, service, or other obligations beyond the speed requirements required by this chapter.” In February 2018, the Governor issued Executive Order No. 18-02, with the support of many members of the State’s House of Representatives, which directs the State’s executive agencies to contract only with internet service providers adhering to net neutrality principles and further directs the State Procurement Office to add net neutrality provisions to, and procurement requirements for, telecommunications and internet service contracts. For this reason, the Department suggests that an amendment be discussed to be consistent with this policy directive.

To allow adequate time to review the State’s undertaking of the proposed grant program, the Department suggests that the Broadband Assistance Advisory Council (BAAC), established by Act 199, Session Laws of Hawaii 2010 to advise the Department on policies to expedite deployment of affordable broadband services, review and research this bill and issue a report with recommendations on the proposed grant program by the next legislative session. As the Legislature is aware, the BAAC includes representatives of state and county government (including DBEDT), as well as a cross-section of private, impacted stakeholder industries that would have a vested interest in implementing the grant program.

Thank you for the opportunity to testify on this bill.

Written Statement of
Ani Menon
Director of Government & Community Affairs

**HOUSE COMMITTEES ON ECONOMIC DEVELOPMENT & BUSINESS
and INTRASTATE COMMERCE**

February 6, 2019 9:00AM
State Capitol, Conference Room 309

COMMENTS FOR:

H.B. NO. 1156 RELATING TO BROADBAND SERVICE INFRASTRUCTURE

To: Chairs McKelvey and Ohno, Vice-Chairs Kitagawa and Kobayashi, and Members of the Committees

Re: **Testimony providing comments for HB 1156**

Aloha Honorable Chairs, Vice-Chairs, and Committee Members:

Thank you for this opportunity to submit comments on House Bill 1156. The intent of this bill is to establish a broadband infrastructure grant program. Hawaiian Telcom supports this intent, with the following comments.

As this bill is currently written, it would be difficult for Hawaiian Telcom to qualify as an eligible applicant under Section 4, Eligible applicants. We recommend that the eligibility criteria be widened to include applicants who receive federal funds.

Hawaiian Telcom is the only service provider who has submitted bids for and won federal Connect America Funds (CAF) to connect rural communities throughout Hawaii. We are committed to enabling Hawaii's rural communities with integrated communications, including high-speed internet, data, video entertainment, and local and long distance voice services, and do so without relying on state grants. CAF is the Federal Communications Commission's major reform to the Universal Service Fund (USF) to accelerate broadband deployment in unserved areas across the nation. In 2011, we submitted a bid for and won \$1.4 million in CAF support for Phase I (2011-2014), and \$26.5 million for Phase II (2015-2020). Just this past summer, we submitted and won a competitive bid for the CAF Phase II Auction (a second allocation of FCC Phase II funds, 2018-2024). Hawaiian Telcom was awarded \$18.2 million in CAF Phase II Auction funds to deploy high-speed internet service of 1 gigabit per second download and 500 megabits per second upload.

As of today, we have enabled more than 6,000 rural locations. We would welcome the opportunity to help enable more unserved and underserved areas statewide.

Second, the language discussing the type of project area that qualifies is unclear. Section 3(b) states that "[a] project area to be served by a project...shall be described on a census block

basis.” This makes it appear as though a project area will be a census block. Section 5(b)(2), however, provides in part that the application for the project shall include “a description of...the portions of the census block that are already served, [and] the portions of the census block that constitute an unserved area or underserved area...” This section makes it appear as though a project can be for just a portion of a census block.

Additionally, the definitions of “underserved area” and “unserved area” should be revisited on an annual basis to evaluate the growing broadband speed needs of customers.

Lastly, we suggest allowing grant funds to be used to support projects involving the upgrade of existing broadband infrastructure in unserved or underserved areas.

Thank you for the opportunity to submit these comments.

**TESTIMONY BEFORE JOINT HOUSE COMMITTEES
COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS,
AND
COMMITTEE ON INTRASTATE COMMERCE**

H.B. 1156

Relating to Broadband Service Infrastructure

Wednesday, February 6, 2019
9:00 a.m., Agenda Item #2
State Capitol, Conference Room 309

Mindy E. Hartstein
Director of Pole Infrastructure Enterprise
Hawaiian Electric Companies

Aloha Chair McKelvey and Chair Ohno, Vice Chair Kitagawa and Vice Chair Kobayashi and Members of the Committee,

My name is Mindy E. Hartstein and I am testifying on behalf of the Hawaiian Electric Company Inc. and its subsidiary utilities Maui Electric Company, Limited and Hawai'i Electric Light Company, Inc. (collectively, "the Companies") in **support with suggested amendments** of H.B. 1156, Relating to Broadband Service Infrastructure.

On October 16, 2018, the Public Utilities Commission approved the joint Docket No. 2018-0075, between the Companies and Hawaiian Telcom, Inc. As of October 16, 2018, the Companies are now the sole managing owner of the communication space on approximately 120,000 poles that were once jointly-owned with Hawaiian Telcom. That means that the Companies now serve as a broadband infrastructure owner/provider and is eager to assist in broadband deployment to all parts of the State. The Companies also use broadband services to assist with key renewable and resiliency efforts such as our distributed energy resources opportunities and in providing innovative grid modernization solutions.

As an infrastructure owner across all islands (except Kauai), the Companies believe the it can contribute to the deployment of broadband services in unserved, and underserved areas of Hawaii, which will enhance the economic development, education, health care, and emergency services across the State. As an infrastructure owner, we anticipate being involved in the planning of some of the projects submitted by applicants over the years; however, we would also like the opportunity to submit our own applications and we believe the language of this bill does not provide that opportunity. Please find below the proposed amended language in Section 4 (Eligible Applicants) that we feel is necessary to be included as a potential “applicant”:

Page 6, Line 1: (3) May be any non-governmental entity with demonstrated experience in providing broadband service, broadband infrastructure, or other communications service to residential customers within the State; and (4) A non-governmental broadband service infrastructure provider may be considered an eligible applicant or may partner with another eligible applicant in order to qualify to receive funds.

Hawaii’s broadband initiative is paramount for robust connectivity, economic viability, and to create renewable, resilient, and sustainable communities for the future. As an infrastructure owner, we would like the opportunity to apply for the grants proposed in this bill. Accordingly, the Hawaiian Electric Companies support H.B. 1156 and respectfully request adoption of the proposed amended language above. Thank you for this opportunity to testify.



Charter Communications
Testimony of Myoung Oh, Director of Government Affairs

COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
COMMITTEE ON INTRASTATE COMMERCE

Hawai'i State Capitol, Conference Room 309
Wednesday, February 6, 2019
9:00 AM

Support of H.B. 1156, Relating to Broadband Service Infrastructure

Chair McKelvey, Chair Ohno, and Members of the Committees.

Thank you for scheduling a hearing on this measure. House Bill 1156 (H.B. 1156) establishes a broadband service infrastructure grant program under the authority of the Department of Business, Economic Development, and Tourism (DBEDT) to award grants to applicants to extend deployment of wireline and wireless facilities used to provide broadband service to remote areas of the State.

The purpose of this measure is to facilitate the deployment of broadband service infrastructure in remote areas of Hawaii by identifying and addressing remaining obstacles to full deployment of broadband infrastructure to all areas of Hawaii. H.B. 1156 establishes the broadband service infrastructure grant program to award grants, through public-private partnerships, to applicants to extend deployment of facilities used to provide broadband service to unserved and underserved areas of the State.

Like many part across the country, Hawaii is not immune to the challenges of remote access to broadband. Access to broadband services in unserved and underserved areas in Hawaii would enhance economic development, education, health care, and emergency services in the State.

While Hawaii was one of the early state to adopt a task force focused on advancing broadband, there are already a number of other activities in other state programs similar to what is being proposed in H.B. 1156.

For the forgoing, we respectfully request the continued passage of H.B. 1156 along the legislative process for continued dialogue. Mahalo for the opportunity to testify.

HB-1156

Submitted on: 2/5/2019 8:30:36 AM

Testimony for EDB on 2/6/2019 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:



DAVID Y. IGE
GOVERNOR

MIKE MCCARTNEY
DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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LATE

Statement of
MIKE MCCARTNEY
Director

Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS AND HOUSE COMMITTEE ON INTRASTATE COMMERCE

Wednesday, February 6, 2019
9:00 a.m.
State Capitol, Conference Room 309

In consideration of
HB 1156
RELATING TO BROADBAND SERVICE INFRASTRUCTURE.

Chairs McKelvey and Ohno, Vice Chairs Kitagawa and Kobayashi and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) provides **comments** on HB1156 which establishes the broadband service infrastructure grant program to award grants to applicants to extend deployment of facilities used to provide broadband service to unserved and underserved areas of the State. We have the following comments:

1. To create a level playing field, the restriction on an applicant receiving funds from other federal or state grant or loan programs should be removed. There are many federal rural grant programs that seek matching state funding. This program could help augment those federal programs.
2. DBEDT appreciates the additional resources to create the policies, rules, procedures and reports necessary to successfully implement this program.
3. DBEDT appreciates the intent of this bill, provided that it does not replace priorities included in the Executive Budget.

Thank you for the opportunity to testify on this measure.