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DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
MIKE MCCARTNEY
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS
AND
SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH

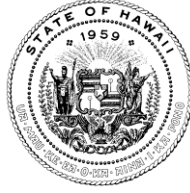
Monday, February 25, 2019
11:00 a.m.
State Capitol, Conference Room 211

In consideration of
SB 553, SD1
RELATING TO BROADBAND SERVICE INFRASTRUCTURE.

Chairs Dela Cruz and Baker, Vice Chairs Keith-Agaran and Chang and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) **supports the intent** and provides comments on SB553, SD1 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. DBEDT appreciates the additional resources to create the policies, rules, procedures and reports necessary to successfully implement this program.
2. DBEDT appreciates the intent of the bill provided that it does not replace priorities included in the Executive Budget.

Thank you for the opportunity to testify on this measure.



DAVID Y. IGE
GOVERNOR

JOSH GREEN
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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Ways and Means
and
Senate Committee on Commerce, Consumer Protection, and Health
Monday, February 25, 2019
11:00 a.m.
State Capitol, Conference Room 211**

**On the following measure:
S.B. 553, S.D. 1, RELATING TO BROADBAND SERVICE INFRASTRUCTURE**

WRITTEN TESTIMONY ONLY

Chair Dela Cruz, Chair Baker, 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.

S.D. 1 includes amendments that address a number of concerns raised in testimony to, among other things, broaden the possible participant pool and raise the level of matching funds required from a grantee. The Department believes that the current bill provides a good starting framework. The Department also believes that more time to review the proposed grant program and best practices and to solicit comment from other potential applicants and stakeholders may help ensure that the program is, and the grant-awarded projects are, well-planned, broadly supported, and likely to succeed.

For the Committees' consideration, the Department offers the following comment on specific provisions of the bill:

1. S.D. 1 amends the definition of "broadband service" to be identical to the definition of "broadband access or broadband service" in Hawaii Revised Statutes (HRS) section 440J-1. The Department recommends the bill instead

- reference the definition in HRS section 440J-1, instead of including the actual definition in the bill.
2. S.D. 1 replaces the term "broadband service infrastructure" with the term "broadband infrastructure" to employ the same meaning as "broadband infrastructure" in HRS section 440J-1. The Department recommends the bill instead reference the definition in HRS section 440J-1, instead of including the actual definition in the bill.
 3. This bill defines "unserved area" to mean "a project area without access to broadband service with minimum speeds of at least twenty-five megabits per second downstream and three megabits per second upstream." Given the adoption of the definition of "broadband service" under HRS section 440J-1, which is linked to the broadband speed threshold defined or established in the most recent broadband progress report issued by the FCC to Congress, the specific speed language in the definition should be deleted to maintain consistency with the HRS section 440J-1 definition, which also allows for the upward movement of this threshold over time.
 4. This bill defines "underserved area" to mean "a project area without access to broadband service with minimum speeds of at least fifty megabits per second downstream and five megabits per second upstream." Given the reasoning in paragraph 3 above that HRS section 440J-1 defines "broadband service" in accordance with the most recently adopted FCC speed threshold, this definition of "underserved areas" should be amended to not use specific speeds, but to instead set the targeted upload and download speed using the FCC's speed threshold as a reference point.
 5. Section -6(b)(1) on page 8, lines 7-16 allows a broadband service provider to submit a written challenge disputing an applicant's certification "that no other federal or state programs provide funding for a proposed project for which program support is sought"; however, no such certification is required for applications under section -5. If the Legislature desires this certification, it should be added as a requirement by inserting the language "that is available

to the applicant,” because certain funding programs have applicant qualifications that make the funding unavailable to applicants that qualify for a grant under this bill.

6. The Department suggests making the award of a grant under the proposed chapter consistent with the Governor’s Executive Order No. 18-02, issued in February 2018, which directs the State’s executive agencies to contract only with internet service providers adhering to net neutrality principles and which further directs the State Procurement Office to add net neutrality provisions to, and procurement requirements for, telecommunications and internet service contracts. Accordingly, the Department requests amending section -4 to include a requirement that an applicant agree to abide by net neutrality principles to be eligible for a grant.

Thank you for the opportunity to testify on this bill.

SB-553-SD-1

Submitted on: 2/24/2019 10:27:41 AM

Testimony for WAM on 2/25/2019 11:00:00 AM

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

Comments:

SB-553-SD-1

Submitted on: 2/21/2019 7:34:16 AM

Testimony for WAM on 2/25/2019 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Elton Wilson	Testifying for Aloha Broadband	Support	No

Comments:

Thank you for the opportunity to submit a comment on Bill 553. Aloha Broadband has specialized in providing High Speed internet to the rural areas of Hawaii for over 18 years now.

Wireless technology has come a long way in the last 20 years. We are now able to offer speeds over 100mb to our clients if they have line of sight to our towers. Non-Line of Site is harder, but possible with wireless.

We are always looking for areas that are not served and are willing to go where we are needed. Costs can rise quickly in communities that are very rural and off grid. Providing 50mb per house is possible, but a grant program could facilitate a faster roll out.

I believe the grant should also allow for the upgrade of existing infrastructure. We have areas that we are upgrading as funds allow, but a grant would allow us to upgrade everyone at once.



O'ahu County Democrats
oahudemocrats.org



Aloha Chairs Dela Cruz and Baker, and Members of the Committees on Ways and Means, and Commerce, Consumer Protection and Health,

RE: SB553 SD1, Relating to Broadband Service Infrastructure

I write in support of Senate Bill 553, Senate Draft 1. This bill intends to disseminate grants for expanded broadband access to "underserved" areas of the state, which can be characterized as essentially our remote and rural communities. Though many of these areas are on the neighbor islands, this is also of personal interest for Oahu County Democrats, many of whom live in areas with high incidence of poverty and low levels of infrastructure development and/or maintenance.

When looking to the O'ahu County Democrats' Platform, notably, we find that we are compelled to "*encourage our entrepreneurs and prevent them from leaving Hawai'i, [and] we must create incentives for small investors of startup businesses.*" Furthermore, we "*must give priority to the development of 'green' sustainable industries, diversification of our tourism market, and local business ownership.*" Many small tourism-based companies operating in Hawaii are based in rural areas and form a considerable share of our local businesses. Reliable internet is an increasing determinant of business capability in our world.

Lastly, rural infrastructure is an important tangible metric for racial and ethnic equity, given the high preponderance of Native Hawaiian, other Pacific Islanders, and Asia-Pacific immigrant-Americans in our rural areas. Environmental justice research compiled by organizations like the OahuMPO (2004) demonstrates that Samoan-Americans and Filipino-Americans disproportionately cluster outside of the Primary Urban Center (PUC) on Oahu, often in agriculture-based communities. Rural infrastructure investment becomes a matter of essential fairness for those of us advocating on behalf of a laboring public.

I thank Senator Baker for her sense of justice in promoting this important issue, and as such am pleased to offer testimony in support as based on the Oahu County Democrats Platform. Please vote 'aye' on SB553 SD1.

Respectfully,

Dylan P. Armstrong, Vice Chair
O'ahu County Committee, O'ahu County Democrats

Liaison for Ways and Means,
O'ahu County Committee on Legislative Priorities (OCCLP)

SB-553-SD-1

Submitted on: 2/20/2019 5:58:34 PM

Testimony for WAM on 2/25/2019 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Elle Cochran	Individual	Support	No

Comments:

Aloha Chairs Dela Cruz and Baker and Vice Chairs Keith-Agaran and Chang,

I am Elle Cochran a resident of Honolua Valley on Maui where I live off-the-grid. I had Broadband once through a company called Starband. They installed a huge dish that tracked a their satellite that gave us WiFi. Their satellite went down and with it our internet service. It cost several thousand dollars to install too. There is a hardship in remote areas such as Honolua Valley and Honokohau Valley's in upper West Maui. I'm hoping this Broadband Service Infrastructure Grant Program can assist residents in these areas.

Mahalo for your time and consideration,

Elle Cochran

808-281-7709

Charter Communications
Testimony of Myoung Oh, Director of Government Affairs

COMMITTEE ON WAYS AND MEANS

COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH

Hawai'i State Capitol, Conference Room 211
Monday, February 25, 2019
11:00 AM

Support of S.B. 553, S.D.1, Relating to Broadband Service Infrastructure

Chair Dela Cruz, Chair Baker, and Members of the Committees.

Thank you for scheduling a decision making on this measure. Senate Bill 553, Senate Draft 1 (S.B. 553, S.D.1) establishes the broadband infrastructure grant program to award grants, through public-private partnerships, to applicants to extend deployment of facilities used to provide broadband 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 in unserved and underserved areas in Hawaii would enhance economic development, education, health care, and emergency services in the State.

In the furtherance of ensuring public funds are used carefully for broadband infrastructure, we believe private funding should be derived and be solely from private sources, and that other public forms of funding should not be used in conjunction with the broadband infrastructure grant program. The eligibility criteria to allow the use of any federal or state funding, such as Universal Service Fund, to secure additional state funding under the grant program would risk this program to being a public-public partnership (PPP). This would defeat the purpose and intent of this measure as means of creating PPP.

As such, we respectfully request the following amendments be entered back into the measure:

§ -4 Eligible applicants. To become eligible for a grant, an applicant for a grant:

-1 May not receive funds under any other federal or state government grant or loan program for projects covered by an application;

-2 Provided further that no applicant may use funds to support any project involving the upgrade of existing broadband plant by an applicant;

Additionally, we believe all applications should be treated fairly and without discrimination. The possible imposition of additional obligations could influence how applications are chosen. And, in light of active Executive Order No. 18-02 issued by Governor David Y. Ige that requires "state government agencies to contract internet-related services only with internet service providers who demonstrate and contractually agree to support and practice net neutrality principles", we should be explicitly clear that additional obligations would not be required.

§ -6 Review of applications; approval.

(f) In awarding grants, the department shall not include consideration of 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. The department shall not consider factors that would constrain an awardee from offering or providing broadband service in the same manner as the service is offered without funding support by the provider in other areas of the State.

For the forgoing, we respectfully request the continued passage of S.B. 553, S.D.1 along with our amendments.

Mahalo for the opportunity to submit written testimony.