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Statement of
MIKE MCCARTNEY
Director

Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE

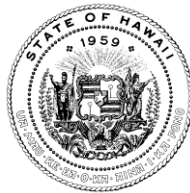
Tuesday, February 26, 2019
1:30 p.m.
State Capitol, Conference Room 308

In consideration of
HB 1062, HD1
RELATING TO BROADBAND.

Chair Luke, Vice Chair Cullen and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) provides **comments** on HB1062, HD1, 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 also needs to assess the resources to create the policies, rules, procedures and reports necessary to successfully implement this program.
3. DBEDT appreciates the intent of this bill, provided it does not replace priorities included in the Executive Budget.

Thank you for the opportunity to testify on this measure.



DAVID Y. IGE
GOVERNOR

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Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Finance
Tuesday, February 26, 2019
1:30 p.m.
State Capitol, Conference Room 308**

**On the following measure:
H.B. 1062, H.D. 1, RELATING TO BROADBAND**

Chair Luke and Members of the Committee:

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 purpose of this bill is to establish a broadband funding program for unserved and underserved areas, 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.

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.

The Department believes that the current bill provides a good starting framework. However, more time to review the proposed grant program and best practices and to solicit comments 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 Committee's consideration, the Department offers the following comments on specific provisions of the bill:

1. Page 5, lines 6-8 of the bill requires that the grant applicant pay 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 "[t]he length of time that the applicant has provided broadband services in the State" under section -6(d)(3) on page 9, lines 8-9. To promote competition in the State, it may be better to remove this

- criterion, and another criterion on page 9, lines 5-7 reasonably qualifies an applicant by giving substantial weight to “[t]he experience, technical ability, and financial skills of the applicant in successfully deploying and providing broadband service[.]”
3. 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. Section -6(e)(1) on page 10, lines 14-18 specifies that in awarding grants, DBEDT shall not consider “[a]ny new or additional regulatory obligations beyond those required under applicable law, including open access network requirements or any rate, service, or other obligations beyond the speed requirements set forth under this chapter[.]” The Department requests amending this section to allow for consideration of the Governor’s net neutrality policy directive. The Department also notes that if section -6 is amended in this way, a conforming amendment may be necessary in section -4 that includes 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.



Charter Communications
Testimony of Myoung Oh, Director of Government Affairs

COMMITTEE ON FINANCE

Hawai'i State Capitol, Conference Room 308
Tuesday, February 26, 2019
1:30 PM

Support of H.B. 1062, H.D.1, Relating to Broadband

Chair Luke, Vice-Chair Cullen, and Members of the Committee.

Thank you for scheduling a hearing on this measure. House Bill 1062, House Draft 1 (H.B. 1062, H.D.1) establishes the framework for the creation of a broadband infrastructure grant program, through public-private partnerships, to applicants to extend deployment of facilities used to provide broadband to remote 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 many communities, last-mile technology represents a major remaining challenge of providing high-speed, high-bandwidth services to residents in remote areas. While we understand that H.B. 1062, H.D.1 represents \$0 funding, Charter respectfully requests the continued passage of H.B. 1062, H.D.1 to ensure that a public-private policy framework is built to connect more remote areas of Hawaii with essential broadband connectivity. The public-private framework is essential in ensuring that limited and scarce public funds compliment the private sector in the furtherance of the mission and objective of connecting rural Hawaii.

Mahalo for the opportunity to submit written testimony.

HB-1062-HD-1

Submitted on: 2/23/2019 4:26:13 PM

Testimony for FIN on 2/26/2019 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Rob Guzman	Individual	Support	No

Comments:

I strongly support this bill. There is no broadband internet anywhere in much of lower Puna, where thousands of us continue to struggle and still don't even have the internet we had a year ago, before the eruption. Such infrastructure is and has been critically important. Since 2014 we have depended on what limited internet we have to learn about crises such as Tropical Storm Iselle, and the lava flows in 2014/15 and 2018 in order to avoid danger and evacuate when necessary.

HB-1062-HD-1

Submitted on: 2/23/2019 6:41:45 PM

Testimony for FIN on 2/26/2019 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Deborah Davis	Individual	Oppose	No

Comments:

Aloha! I moved to a rural part of this island in order to live more like my grandparents lived. Simply. Growing food, no lights, traffic, TV, sidewalks, and spending time communing with my neighbors on a regular basis. I prefer living on catchment, and having some of my electricity provided by solar. I also prefer limited cell and wifi access. I do not turn wifi on in my home, and choose to use my ethernet cable w/out a router. I like living with less "convenience" and greater peace and quiet. And less electronic interference and vibration. It feels more healthy to my body and nervous system. I encourage you to keep Lower Puna as natural as possible, and support our rural way of life by opposing this bill. Thank you very much!

TESTIMONY BEFORE THE
HOUSE COMMITTEE ON FINANCE

LATE

H.B. 1062, HD1

Relating to Telecommunications

Tuesday, February 26, 2019
1:30 p.m., Agenda Item # 14
State Capitol, Conference Room 308

Testimony in Support with Requested Amendments

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

Aloha Chair Luke, Vice Chair Cullen and Members of the Committee,

My name is Mindy E. Hartstein and I am testifying on behalf of the Hawaiian Electric Company, Inc., Maui Electric Company, Limited and Hawai'i Electric Light Company, Inc. ("the Hawaiian Electric Companies") **in support of H.B. 1062, HD1 with requested amendments for your consideration.**

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. This means that the Companies now serve to facilitate broadband service to all parts of the State with our pole infrastructure. 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 a physical infrastructure owner across all islands (except Kauai) and owner of temporary and spare fiber, the Hawaiian Electric 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. We also believe broadband infrastructure providers should be allowed to upgrade facilities as part of the project being proposed. We also believe that applicants should be allowed to use additional state and/or federal funds via awarded grants or loan programs to serve unserved and underserved areas, especially when those projects could be rolled into other expansive broadband state-wide deployment efforts, including above ground and/or undersea fiber projects. Please find proposed amendments for your consideration that will ensure that Hawaiian Electric Companies are an eligible applicant for this grant program.

- 1) **Page 3, Line 3:** “Broadband service infrastructure” means the ~~signal transmission facilities and associated network equipment proposed to be deployed in a project area used for the provision of broadband service to residential customers.~~ the medium used to provide broadband access or broadband service, including fiber optic cable, cooper cable, coaxial cable, and wireless media, such as satellite communications, wi-fi, and worldwide interoperability for microwave access, and poles, towers, and other physical structures to which broadband equipment is attached.



- 2) **Page 4, Line 12:** § 3 (a) No grants shall be awarded for a project unless the area to be served by the proposed deployment of broadband service infrastructure is an unserved area or underserved area. ~~No grants shall be awarded for any project involving the upgrade of an existing broadband plant to meet the minimum speed thresholds as an unserved area or underserved area.~~
- 3) **Page 4, Line 18:** § 4 (1) Shall be a non-governmental entity with demonstrated experience in providing broadband service, broadband infrastructure, or other communications service to residential customers within the State; (2) ~~Shall not apply for or receive funds for a project under any other federal or state government grant or loan program;~~ and (32) At the time of application, shall agree to pay, a matching funds, a minimum of twenty per cent of the project costs; ~~provided that the matching funds shall not be derived from funds received by the applicant through any other federal or state government grant, loan, or subsidy program;~~ and (3) 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.
- 4) **Page 6, Line 4:** §5 b (7) The amount of matching funds that the applicant proposes to contribute ~~and a certification that no matching funds are derived from any other federal or state grant, loan, or subsidy program;~~
- 5) **Page 8, Line 5:** §6 b (1) Disputes and applicant's certification that a proposed project area is an unserved area or underserved area ~~or that no matching funds that the applicant proposes to contribute towards the project are derived from any other federal or state programs;~~ or

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 Companies support H.B. 1062, HD1 and respectfully request your consideration for the abovementioned amendments. Thank you for this opportunity to testify.

