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**Testimony of the Department of Commerce and Consumer Affairs**

**Before the  
House Committee on Intrastate Commerce  
and  
House Committee on Economic Development and Business  
Wednesday, February 6, 2019  
9:10 a.m.  
State Capitol, Conference Room 309**

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

Chair Ohno, Chair McKelvey, 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 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. 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 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. Section -6(e)(1), page 10, lines 14-18 provides 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[.]” 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 the implementation 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 INTRASTATE COMMERCE and  
ECONOMIC DEVELOPMENT & BUSINESS**

February 6, 2019 9:10AM  
State Capitol, Conference Room 309

**COMMENTS FOR:**

**H.B. NO. 1062 RELATING TO BROADBAND**

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

**Re:** **Testimony providing comments for HB 1062**

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

Thank you for this opportunity to submit comments on House Bill 1062. The intent of this bill is to establish a broadband infrastructure grant program. Hawaiian Telcom supports this intent, with the following comments.

This bill discusses the establishment of a broadband infrastructure grant program but does not identify where the funds for this grant program will come from. The cost to deploy broadband, especially in rural communities, is substantial. House Bill 1062 references applicants of the grant program relying on “public funding support” in Section 6(e)2, but there is no reference to where these public funds originate.

Second, 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 don’t rely on state grants to do so. 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.

Third, the language discussing the type of project area that qualifies is unclear. Section 3(b) states that “[a] project area served by the 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.

Fourth, 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.



Charter Communications  
Testimony of Myoung Oh, Director of Government Affairs

COMMITTEE ON INTRASTATE COMMERCE  
COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

Hawai'i State Capitol, Conference Room 309  
Wednesday, February 6, 2019  
9:10 AM

**Support of H.B. 1062, Relating to Broadband**

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

Thank you for scheduling a hearing on this measure. House Bill 1062 (H.B. 1062) 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. 1062 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. 1062.

For the forgoing, we respectfully request the continued passage of H.B. 1062 along the legislative process for continued dialogue. Mahalo for the opportunity to testify.

**HB-1062**

Submitted on: 2/5/2019 8:33:11 AM

Testimony for IAC on 2/6/2019 9:10:00 AM

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

Comments:

**HB-1062**

Submitted on: 1/31/2019 6:31:48 PM

Testimony for IAC on 2/6/2019 9:10:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Rob Guzman	Individual	Support	No

Comments:

I strongly support HB1062. As a resident and property owner in Lower Puna for the past 15 years we still have no reliable internet service which meets the 25 megabit threshold that the FCC considered the minimum broadband-defining speed several years ago. This bill will help encourage development of internet services to the underserved or unserved areas of Lower Puna. In the past 5 years we've had the largest tropical storm to hit the island in decades and two lava disasters. Access to high-speed internet not only supports economic development, but also serves as an information lifeline during such events. Hawaiian Telcom and Spectrum cable have so far not extended services even to densely populated rural area which have power poles and existing lines which could support them. Creative solutions such as this bill are needed.



**HB-1062**

Submitted on: 2/2/2019 9:30:07 AM

Testimony for IAC on 2/6/2019 9:10:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Clayton	Individual	Support	No

Comments:

Recently the Governor has correctly made the education of Hawaiian youth a critical priority and offered several policy recommendations that support the urgency of this issue. However the one missing component of the Governor's policy was the need to drag this state into the 21st century and differentiate us from the mainland states by making internet broadband access available to EVERY part of ALL of Hawaii - inclusive of rural areas.

For keiki desiring to advance their subject knowledge beyond the classroom - and for those whose classrooms are geographically limiting or even unavailable because of natural disasters - broadband internet access when intelligently moderated and managed can be an indispensable tool for educating our children and improving the quality of life for all Hawaiians through an educated public.

I strongly urge the passage and implementation of this legislation.



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

Wednesday, February 6, 2019  
9:10 a.m.  
State Capitol, Conference Room 309

In consideration of  
**HB 1062**  
**RELATING TO BROADBAND.**

Chairs Ohno and McKelvey, Vice Chairs Kobayashi and Kitagawa and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) provides **comments** on HB1062 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.

*Grand*

**Testimony before Joint Committees:  
Committee on Intrastate Commerce, and  
the Committee on Economic Development and Business,**

**HB1062**

**Relating to Broadband**

February 6, 2019

9:10 a.m.

State Capitol, Conference Room 309

**LATE TESTIMONY**

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

Aloha Chairs Ohno and McKelvey, Vice Chairs Kobayashi and Kitagawa,

My name is Mindy E. Hartstein and I am testifying on behalf of the Hawaiian Electric Companies ("Companies") in support of HB1062, and providing amended language 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. 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



**Hawaiian Electric  
Maui Electric  
Hawai'i Electric Light**

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 amended language in Section 4 (Eligible Applicants) that we feel is necessary to be included as a potential “applicant”:

Page 4, Line 18: § 4 Eligible applicants. An applicant for a grant under this chapter: (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~~ (3) 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 (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 Companies support HB1062 and provide the amended language above. Thank you for this opportunity to testify.

**LATE**

**HB-1062**

Submitted on: 2/5/2019 3:20:13 PM  
Testimony for IAC on 2/6/2019 9:10:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Eric Schrager	Individual	Support	No

Comments:

Aloha!

I am strongly in support of this bill. The people of Puna need all the help they can get to rebuild. This project will provide the vital broadband connectivity necessary to help the area recover and thrive in the future.

Mahalo!

Eric Schrager

Ewa Beach

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