



STATE OF ARIZONA

JANICE K. BREWER
GOVERNOR

EXECUTIVE OFFICE

May 3, 2010

The Honorable Lawrence E. Strickling
Assistant Secretary for Communications and Information
Administrator, National Telecommunications and Information Administration (NTIA)
Herbert C. Hoover Building
U.S. Department of Commerce/NTIA
1401 Constitution Avenue, N.W.
Washington, D.C. 20230

Dear Secretary Strickling:

This letter serves to comment on the Arizona based broadband grant applications you have received as part of the federal Broadband Technology Opportunities Program ("BTOP") second round funding.

In support of this process, I authorized the formation of an Arizona Broadband Advisory Committee ("ABAC"). The ABAC was comprised of representatives from eleven state agencies and chaired by our State CIO and Director of the Government Information Technology Agency. The committee met multiple times and held a public meeting. Included with this correspondence you will find the ABAC recommendations along with a short list of these grants and a summary their impact on the state of Arizona.

One grant in each of three funding categories received the highest rating by ABAC as part of our deliberative process:

Comprehensive Community Infrastructure (CCI)
-GovNET, Inc., State of Arizona Counties Communication Network (SACCNet)

Public Computer Center (PCC)
-Office of the Governor, Arizona Office of Economic Recovery

Sustainable Broadband Adoption (SBA)
-Maricopa County Superintendent of Schools

Comprehensive Community Infrastructure (CCI)

In the CCI category, the highest ranking grant is a request from GovNet, Inc., for the project called State of Arizona Counties Communication Network – Arizona Critical Middle Mile (commonly called SACCNet). This grant application for \$39,274,877 addresses the most important broadband need for the state of Arizona – middle mile infrastructure. This grant provides middle mile service in rural and rural remote areas where returns on investment makes it difficult for private industry to invest solely on their own.

The purpose of this grant is to connect the 20% of Arizona’s 6.8 million population that is located outside of the greater Phoenix and Tucson areas and this project covers approximately 88,000 square miles of Arizona’s 113,417 square miles.

The project provides 100-300 Mbps broadband service to 130 markets, 82 rural schools, 115 state and tribal libraries, 14 community colleges, 24 rural state agency locations, 26 rural hospitals and 15 county seat governments promoting public safety, education, health, government and consumer and business access. Seventy-five percent of the network is for commercial use. Based on your definition created to calculate not only direct jobs but also indirect jobs, this project creates the equivalent of 543 total “job-years” over a three-year period.

This grant application has a large number of supporters including three state agencies, the Arizona Association of Counties, County Supervisors Association, Arizona Association of County School Superintendents, tribal organizations and the Arizona League of Cities and Towns.¹

Public Computer Center (PCC)

The highest ranking grant request in the PCC category is from the Arizona Office of Economic Recovery. This grant application builds on Arizona’s NTIA Round I grant award of \$1.2 million to the Arizona State Library which was highlighted as an example of grant research by NTIA in a conference call with grant applicants. This Round I grant award was among the first group of eighteen grant applications approved by NTIA.

This second round grant creates 200 Virtual Workforce Workstations and provides 28 AZ Job Help Hubs at public libraries with at least one in each of Arizona’s 15 counties and brings these services to areas of the state where they are needed, areas where otherwise, the closest similar facility may be hours away. The grant request is for \$1,646,936. The Gates Foundation is providing most of the 30% match.

Sustainable Broadband Adoption (SBA)

¹ Some industry representatives have expressed competitive concerns about this application based on the limited information available. It is currently our understanding that GovNET intends to serve only as a middle mile provider, leaving final or last mile service to other providers while providing critical infrastructure to improve interoperability among government users.

The highest ranking grant request in the SBA category is from the Maricopa County Superintendent's Office for \$2,786,611 and is based upon a successful pilot project in one of the state's largest school districts which provided at risk students internet connectivity and computer equipment in their homes to expand the school day. This project broadens this program to four school districts in Maricopa County. A major backer of this project is Cox Communications which is financially supportive and envisions the potential to expand this concept to other parts of the country and with the support of other cable providers.

The benefits to the state of Arizona from the other grant applications highlighted by the ABAC Committee are outlined in the attached document. I have instructed the chair of the ABAC, Chad Kirkpatrick (GITA Director), to make himself available to you should you have any questions about the work of the ABAC, its recommendations, or Arizona specific information that may be helpful to you as you examine the complete applications.

Sincerely,

A handwritten signature in black ink that reads "Janice K. Brewer". The signature is written in a cursive, flowing style with a large initial "J".

Janice K. Brewer
Governor

JANICE K. BREWER
GOVERNOR



CHAD KIRKPATRICK
DIRECTOR

STATE OF ARIZONA
GOVERNMENT INFORMATION TECHNOLOGY AGENCY
100 N. 15th Avenue, Suite 440
Phoenix AZ 85007

**Arizona Broadband Advisory Committee
Second Round NTIA Broadband Grant Groupings & Prioritization
Comprehensive Community Infrastructure (CCI) Broadband Grant Category**

Middle Mile

Highest Recommendation for BTOP Grant Funding

GovNET, Inc., State of Arizona Counties Communication Network (SACCNNet)

Exceptional Recommendation for BTOP Grant Funding

Triplet Mountain/San Carlos Apache Telecom

Pac Tex Communications, Inc.

Outstanding Recommendation for BTOP Grant Funding

(No Grants in this Category)

Recommend for BTOP Grant Funding

(No Grants in this Category)

Last Mile

Highest Recommendation for BTOP Grant Funding

(No Grants in this Category)

Exceptional Recommendation for BTOP Grant Funding

(No Grants in this Category)

Outstanding Recommendation for BTOP Grant Funding

(No Grants in this Category)

Recommend for BTOP Grant Funding

I Link Communications – Morristown, AZ

JANICE K. BREWER
GOVERNOR



CHAD KIRKPATRICK
DIRECTOR

STATE OF ARIZONA
GOVERNMENT INFORMATION TECHNOLOGY AGENCY
100 N. 15th Avenue, Suite 440
Phoenix AZ 85007

Public Computer Center (PCC) Broadband Grant Category

Highest Recommendation for BTOP Grant Funding

Office of the Governor, Arizona Office of Economic Recovery

Exceptional Recommendation for BTOP Grant Funding

City of Phoenix

The Navajo Nation Tribal Government

Outstanding Recommendation for BTOP Grant Funding

Marana Health Center, Inc.

Mission Economic Development Association, Inc.

Recommend for BTOP Grant Funding

(No Grants in this Category)

Sustainability Broadband Adoption (SBA) Grant Category

Highest Recommendation for BTOP Grant Funding

Maricopa County Superintendent of Schools

Exceptional Recommendation for BTOP Grant Funding

CommunityVine, Inc.

Outstanding Recommendation for BTOP Grant Funding

Communication Service for the Deaf, Inc.

Recommend for BTOP Grant Funding

(No Grants in this Category)

Summary of Round II NTIA Grants recommended by the Arizona Broadband Advisory Committee (ABAC)

Highest Recommendation for BTOP Grant Funding

GovNet, Inc – State of Arizona Counties Communication Network (SACCNet) – \$39,274,877 - A 5-ring microwave and fiber system establishing critical Middle Mile infrastructure across the State. Middle mile is the most important broadband need for the state of Arizona. Provides broadband service of 100 – 300 Mbps to promote public safety, education, health, government and consumer access. Grant has a large amount of political support. Endorsed by several state agencies, the counties, and a long list of others. Some 75% of its use will be for private industry. Provides broadband service to 130 markets and more than 281 public safety and community anchor institutions. The network includes 82 rural schools, 115 state libraries, 14 community colleges, 26 rural state agency locations, 26 rural hospitals and 15 county seat governments. Will save rural school districts distance charges on their internet – a significant savings. For example, a rural school paying \$1,200 a month for internet with distance charges would pay \$325 a month. Will improve public safety along the border. Provides service in rural and rural remote areas where ROI makes it difficult for private industry to invest.

Office of the Governor, Arizona Office of Economic Recovery - \$1,646,936 - Creates 200 Virtual Workforce Workstations - Provides 28 AZ Job Help Hubs at public libraries with at least one in each of Arizona's 15 counties. Gates Foundation is providing most of the 30% match. This is a follow-on grant from the successful first round \$1.2 million NTIA grant that funded 1000 computers in 84 throughout the state of Arizona.

Maricopa County Superintendent of Schools - \$2,786,611 – Cox Cable had suggested this as a potential area of recipient support for Arizona. Based on a successful pilot project at Paradise Valley School District, this project provides notebook type computers to at risk students in need who do not have home internet service. Cox provides a discounted service, and all technical support, modem, etc. Four school districts are involved: Chandler, Osborn, Paradise Valley and Glendale. Will benefit approximately 2,000 students in need to help bridge the Digital Divide. This grant enjoys particularly strong in-kind matching support. Project would begin fall 2010.

Exceptional Recommendation for BTOP Grant Funding

City of Phoenix - \$986,500 – Partnership of four city departments and 12 non-profit organizations that will provide 348 replacement PCs at 14 city libraries, 34 new and 16 replacement PCs at 5 community centers, 60 new and 45 replacement PCs at 3 PWC One-Stop Centers, 36 new PCs at 12 PWC partner sites, and 60 portable laptops for PWC.

Navajo Nation Tribal Government - \$10,931,249 – provides 309 sites on the Navajo Nation with computers including 110 chapter houses, 111 Head Start Centers and 88

senior centers with 1,260 public access computers. The Navajo Nation Utility Authority received a \$32 million grant in the first round NTIA to build the infrastructure for a reservation broadband service. This grant will provide the last mile use of that infrastructure and compliments the first round grant award.

CommunityVine, Inc. - \$4,218,299 – provides wireless broadband access, individual computers, computer education, and ongoing support to approximately 9,100 underserved senior citizens in 120 public housing facilities over three years. Initial pilot project for this multi-state grant is a one year partnership with the Phoenix Housing Authority to be implemented in 12 public housing facilities serving senior citizens.

Triplet Mountain/San Carlos Apache Telecom - \$22,844,460 – Creates broadband infrastructure through eighteen rural communities in southeastern Arizona including the so-called Copper Corridor. This same grant was recommended by ABAC in Round I of the NTIA broadband grants.

PacTex Communications, Inc. - \$55,532,412 – Builds across southern Arizona, a 367 mile east to west, seamless middle mile broadband combination wireless and dual fiber network. Pactex is a pipeline company that already owns the right of way for this project. This pipeline is generally located in the southern portion of Arizona. This grant was recommended by ABAC in Round I of the NTIA broadband grants.

Outstanding Recommendation for BTOP Grant Funding

Marana Health Center, Inc. – \$481,334 - Creates a 40 workstation public computer center housed in a low income health center and available to the public including local schools, workforce development and general computer access. Will provide health literacy. Has partnered with other organizations. ABAC recommended this grant last time. They improved it from its original version.

Mission Economic Development Association, Inc. - \$3,724,128 – An 11 state multi-state grant this organization received a first round grant that enhanced three Phoenix inner city community centers with 75 new computers operated by Chicanos por la Causa. This follow-on grant provides bilingual services to Latino entrepreneurs and 300 workstations with an estimated 2,100 jobs created.

Communication Service for the Deaf, Inc. - \$14,988,657 - Project Endeavor goals: promote broadband adoption and educate 200,000 deaf/hard hearing consumers about benefits of having broadband through an awareness and outreach campaign; sign up 16,000 broadband users, offer discounted mini-notebooks and broadband connections to income-eligible consumers; employ 60 tiered support staff in specialized CSD contact center. Multi-state grant

Recommend for BTOP Grant Funding

I Link Communications – Morristown, AZ - \$1,500,000 – Provides wireless network infrastructure throughout the greater Morristown area. Will provide a fiber connection to the K-12 school located in Morristown.



April 30, 2010

Ms. Katosha Nakai
Office of the Governor
State of Arizona
1700 W. Washington
9th Floor
Phoenix, AZ 85007

Dear Ms. Nakai:

I am writing to you today on behalf of the members of the Arizona New Mexico Cable Communications Association. As the Governor considers second round broadband stimulus grant and loan recommendations recently forwarded to her by the Arizona Broadband Advisory Committee ("ABAC"), Arizona's cable industry believes it important she also consider critical competitive information before forwarding certain applications to NTIA with a 'do fund' recommendation.

Unfortunately, three of the ABAC-recommended applications are very concerning because they will utilize federal monies to construct telecommunications networks to compete directly with our members and other private telecommunications providers in areas where high speed Internet service that meets federal broadband standards is already available. Further, these proposed projects may also make assumptions about current broadband providers ability and willingness to participate in last mile delivery that have not been discussed with existing providers in Arizona.

Upon reviewing ABAC's criteria for awarding grants, it appears that the recommended applications largely lacked consideration of federal criteria of "providing broadband access to consumers in unserved areas and improving broadband access in underserved areas." Instead, ABAC's criteria focused on the resubmission of first-round applications requesting the largest dollar amounts possible (as stated by GITA staff) to reflect primary goals of delivering competing middle and last mile services while ignoring publicly-funded competitive infringement of existing broadband providers. Nowhere in the federal criteria is this type of approach identified or encouraged. Indeed, it appears as if ABAC staff ignored federal criteria in selecting applications for gubernatorial recommendation. Specifically the goal of the federal program is to provide broadband access to consumers in unserved areas and improving broadband access in underserved areas. Clearly this is met to prevent the expenditure of federal monies to deploy high-speed data connectivity in areas already having access to high-speed connectivity provided by private companies.

As to the applications currently before the Governor, and upon which she must make recommendations by May 5, 2010, three inaccurately state or imply that the geographic areas they are proposing to serve are either unserved or underserved by broadband. This is not true. About three years ago the Arizona-New Mexico Cable Communications Association undertook a study to ascertain how many households in Arizona had access to broadband provided by cable operators. At that time, we determined, through legally required, auditable data provided on a monthly basis to municipalities, that cable operators can provide broadband service to more than 96% of all homes in Arizona. Further, the vast majority of these households have the choice of more than one broadband provider. I have attached a map that we jointly prepared in late 2006, showing, in blue, all communities/areas in Arizona that have cable broadband available to residential dwellings.

Our chief concern with the following applications is that they are all proposing to build broadband transport networks and/or provide broadband services to communities/areas, where Arizona's cable industry and others are already offering broadband services that meet the definition of broadband used in the Broadband USA application review process. *We strongly oppose the government subsidization of competitors in markets where we have invested our own private capital. We are even more concerned with proposals that additionally propose to offer customers reduced rates in these areas. Such discounts would not be sustainable in any business plan where private capital is invested to build and operate these networks for long-term profit.* Ongoing subsidization would be required. Ironically, the unsustainable nature of some of the proposals will degrade future broadband access and provider choice.

Arizona's cable broadband providers understand the need to fund projects to extend broadband service to unserved homes and businesses that cannot be served in a cost effective manner by current broadband providers in the market, but projects that propose to provide taxpayer subsidized competition in markets where one or more broadband providers are currently providing broadband services that meet the federal definition is completely inconsistent with the goals of the program and a waste of precious program dollars.

Specifically, the Arizona-New Mexico Cable Communications Association has strong concerns regarding the following projects due to the fact that they appear to propose to "overbuild" (either via fiber and/or wireless technology) and compete directly with our member providers and other broadband providers:

1. **Project Title:** SACCNNet – Arizona Critical Middle Mile
Applicant: GovNET, LLC
Contact: Patrick Barringer

2. **Project Title:** Southeast Arizona Broadband Infrastructure
Applicant: San Carlos Apache Telecommunications Utility, Inc.
Contact: Triplet Communications, Inc.

3. Project Title: Arizona Middle Mile Combo – Pactex Communications

Applicant: PACTEX, LLC

Contact: Michael White

The Arizona-New Mexico Cable Communications Association may also have concerns about other applications, subject to reviewing additional information provided by applicants, and we reserve the opportunity to comment further on current and future applications. Please contact me if you have any questions or would like any additional information.

Sincerely,



Susan Bitter-Smith

Arizona-New Mexico Cable Communications Association