Illinois Broadband Deployment Council
Minutes of the December 9, 2005 Meeting
Capitol Development Board Room 349 C, Stratton Building
Videoconference location: 15th Floor, James R. Thompson Center

Roll Call.

Springfield Attendees. Lt. Governor Pat Quinn, Jason Bird, Ray Cagle, Lynn Davis, Michael Dickson, Ed Feser, Dan Hamilton, Brad Housewright, Jody Johnson, Mark Kincade, Herb Kuryliw, Hilda Legg, Donna McCann, Lynn Murphy, Deno Perdiou, Rick Reedy, John Scrivner, Deborah Seale, Terry Sullivan, Lawren Tucker, Norm Walzer, Phil Wood.

Chicago Attendees (videoconference). Aaron Brooks, Carlos Estes, Wendy Farley, Jeff Gerhart, Thomas Hampton, Representative Connie Howard, Howard Kenner, John Muhs, Joel Mulder, Mel Nickerson, Kristin Richards, Greg Robertson, Shannon Rooney, Bill Samuels, Kelly Weiss, Ray Williams, Ted Young.

Lt. Governor's Office Attendees. Carolyn Brown Hodge, Steven Simon

Call to Order and Opening Remarks. Lt. Governor Quinn called the meeting to order at 1:30 PM.

Minutes.
The Lt. Governor brought the group's attention to the November, 2005 minutes. Wendy Farley moved to approve the minutes, and Mel Nickerson seconded.

Council Discussion.

Presentation - Hilda Legg, Connect Kentucky. Hilda Legg gave a presentation to the Council about Connect Kentucky. Connect Kentucky is a non-government agency charged with meeting President Bush's goal of complete broadband access by 2007, with particular focus on the importance of broadband access in rural areas. The State of Kentucky created Connect Kentucky in response to concerns from federal legislators. Hilda noted Congressman Farr (CA), who has testified that Congress does not know specific underserved or unserved areas. According to Farr, this makes it harder to justify creating federal funding for broadband deployment, because there is no way to know if the money is being used correctly.

Connect Kentucky was started to determine the exact levels of broadband access in Kentucky, to make sure than any state or federal dollars could be invested in truly underserved communities.

Connect Kentucky involves partners from across the telecommunications industry. The partnership has been very successful. According to the FCC, Kentucky's broadband growth leads the nation, with 240,000 additional households signing on for broadband

access in the last two years. Since Connect Kentucky was started, Kentucky has gone from 60% of residents with access to 75% with access. Broadband will be available to 90% of residents by the end of 2006. Because of Connect Kentucky's demand-side efforts, there has also been a substantial increase in take rates, which serves to further incentivize providers to improve their networks.

Hilda presented several slides with examples of the detailed broadband access maps created by Connect Kentucky. These GIS maps combine economic data; census data; water, sewer, and road expansions; and any other development with broadband access data provided by the telecommunications industry (LEC, cable, and wireless providers).

The information provided on this multi-layered map has helped broadband providers to create a business case for broadband deployment in areas where they previously could not justify such an investment.

Hilda stressed that any effort similar to Connect Kentucky must entail proceed with the following:
• A high ranking leader championing the efforts of the group.
• All parties must be brought to the table.
• There must be a commitment to the notion that "a rising tide raises all boats," and improved broadband access is ultimately better for everyone involved.
• The market is preferable but does not take precedent over the need to improved access.
• There must be a substantial commitment of resources and funds.
• It should be a public-private partnership, connected to but outside of state government.
• There must be clear goals by 2007.
• Supply and demand side issues must be addressed.

Lt. Governor Quinn asked if the information on these maps was available to all states. Hilda replied that the information came from the providers, not the FCC, and the FCC does not have the amount of detail that Connect Kentucky has received from providers. Connect Kentucky's information is the most detailed in the nation.

Ed Feser asked about the resource commitment necessary to support Connect Kentucky. He also asked about whether there were any missing providers in CKKY's efforts. Hild said that there are no missing providers. CKKY's operating cost is $1.5 million annually. This figure includes office staff, field staff, and other costs. CKKY collaborated with the Kentucky Infrastructure Agency to save costs on the GIS maps.

Lt. Governor left at 2:20 for a meeting with the Governor.

Mel Nickerson asked if the maps show actual coverage and Hilda explained that they do. Mel noted the ongoing Council discussion regarding providers concerns that they would be required to disclose their fiber routes. Hilda said that fiber routes are not disclosed on

CKKY maps. She added that these maps are necessary for providers to create good strategic plans for deployment.

Mel asked about CKKY funding and grants – how they are given out and to whom. He asked if grants are made available to municipalities, hospitals, and other public entities. Hilda responded that grant dollars go to CKKY, and CKKY decides how to disburse the funds.

Carolyn Brown Hodge asked how long the mapping took. Hilda said that collecting data is the hard part, and the mapping is quick. The decision to make the maps was made in October 2004 and maps were available within 18 months.

Deborah Seale asked if the maps were at zip code level. Steven Simon explained the difference between data collected by the FCC and the data indicated on the CKKY maps. Hilda responded that the FCC is considering changing the data collected to more accurately reflect broadband penetration rates.

Deno Perdiou asked about the lowest speed, the affordability, and the census tracts reflected on the maps. Hilda said the speed progresses with uptake but wasn't sure about the transfer speed reflected on the map. She added that affordability was considered, but not reflected in the maps, and that the census tracts allow them to determine the number of households that have access.

Deno then asked if CKKY has any demand-side programs. Hilda responded that they have an e-government initiative, that CKKY works to get technology into schools, and that primary demand-side efforts are education and awareness building.

Terry Sullivan asked how CKKY came about – was it aided by high profile legislators. Hilda said that CKKY was not created pursuant to legislation but that later government efforts, such as the Governor's Prescription for Innovation and No Child Left Offline programs are significant additions to CKKY's efforts.

After this response, Hilda ended her presentation.

IDOT
Carolyn Brown Hodge asked Mark Kincade to discuss recent conversations with Susan Baker, who has consulted on fiber networks with the Federal Highway Authority. Mark replied that Susan Baker views fiber optic deployment as a revenue source for states, and that she explained some of IDOT's options for utilizing their ROW for fiber optic deployment. Susan has encouraged IDOT to develop a strategic plan for a complete fiber network for Intelligent Transportation Systems (ITS), as well as leasing for private broadband deployment.

Deno Perdiou responded that he had a number of questions: Is IDOT allowed to deploy and lease fiber? Is such deployment intended for areas without customers, or areas that are already served.

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Mike Dickson replied that strategy is important in potential deployments, and that while there is competition within the Chicago metro area, it would be useful to target fiber deployment to areas where there is not even a single server providing consistent broadband access.

Deno Perdiou responded that SBC wants mass market service to be its priority, not having to compete with the State of Illinois. Ray Williams responded that he did not hear anyone say that Illinois is trying to compete with SBC. Mark Kincade asked for Ted Young's input from the Toll Highway Authority's (ISTHA) perspective.

Ted said that extra fibers can be installed at a very small cost when a deployment is already planned, and that ISTHA's fiber optic deployment was paid off in six years due to revenue from the network.

Herb Kuryliw said that fiber optics are critical infrastructure. He offered the example of a proposed fiber installation on I-39, which he said is needed for state network redundancy, reliability, and security. He said that if excess on 39 was made open for leasing, the installation would also be helpful for economic development.

Deno said that private companies have already invested capital and that these proposed deployments will be harmful to the private sector.

Terry Sullivan said that while this may be true in Chicago, there are areas in Illinois where there is no business model for deployment. Deno Perdiou responded that in those areas, we should work to build a coalition of small independent providers together for deployment. Brad Housewright replied that IDOT should be able to deploy fiber, and that they are not looking to bring it to the business and compete with providers. Jody Johnson agreed and said that with affordable access to a fiber optic backbone, businesses could create a model for deployment.

Phil Wood said there are two issues: First, an open state backbone network eliminates the investment risk that Verizon has to deal with, allowing the state and small businesses to "creamskim." Second, if there are not telecommunications facilities in an area, our efforts should be to create a public private partnership.

Steven Simon interjected that the Council is confusing two issues. What is being proposed is not the state being involved in service, but rather providing *dark fiber* to bring down the cost of investment for any telecommunications provider to provide service. This would include small carriers as well as large carriers, and is the opposite of creamskimming.

Wendy Farley added that she is sympathetic to both sides of the argument, and that in order to better address everyone's concerns, we should clarify our mission as bringing access to areas with no service whatsoever.

Herb Kuryliw asked if there is any data that suggests ISTHA's fiber optic leasing program has caused loss of revenue for large carriers in Northern Illinois. Ted Young responded that dark fiber is long haul, and can be leveraged to bring service to smaller communities. Jeff Gerhart said that from a small ISP's standpoint, backhaul dark fiber would be a boon to the state. Such access would create a renaissance of community-based ISP's like there was during the 1990's after the 1996 Telecommunications Act. He then noted Ameritech's illegal effort to stall DSL deployment and added that these were the FCC's words, not his own.

SB 659
Steven asked Lawren Tucker of Senate Democratic Staff to discuss SB 659. Lawren said the bill passed out of the Senate last year and might fit with the Broadband Deployment Council's efforts. The bill would create three rural technology development areas run by DCEO, as well as a tax exemption. The bill is now in House Rules Committee and the House is reluctant to pass an income tax exemption. He said that it may pass with a push from some of the people on the Council.

Jill Rendleman said that we need comprehensive legislation to create public-private partnerships and that SB 659 should be combined into a larger Council bill. She added that "area" is not good language to use in the bill, and asked who was in support of the bill. Lawren Tucker said that the Illinois Telecommunications Association, Verizon, Sprint, and others supported the bill.

Ray Williams and Kristin Richards reiterated Jill Rendleman's concern with some of the language. Lawren Tucker said that the expense of the bill was a major concern.

Ed Feser said that tax exemptions are common, but is skeptical about the impact of them on deployment. He said we should look into how a similar exemption has worked in Colorado. Lawren said that he was not familiar with any Colorado date, but there are several tax incentives on the books in Illinois. Some work and some do not. Deno Perdiou said that efforts to stimulate demand, together with a tax exemption, might be helpful in spurring increased deployment. He said that SBC has met its requirement to bring DSL to 80% of its area. Now we have to identify the more difficult areas. Phil Wood agreed that identifying areas of most need is important, and that tax credits may or may not work.

SB 467
Steven asked Phil Wood about the status of the Illinois Telecommunications Association's bill limiting the cost of access to railroad rights of way. Phil said that the bill has been pulled from consideration.

Illinois Finance Authority Broadband Funding Language
Steven Simon asked Jill Rendleman to discuss the language that the IFA drafted to make broadband funding available. Jill gave a synopsis of the IFA's role and the different programs that they make available to Illinois businesses. She said that this bill is intended

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to create credit enhancements that would allow for broadband loans and bonds. She added that this language needs to be part of a larger, comprehensive bill.

Jody Johnson pointed to the definition of "broadband" in the language, which is 200 kbps. He wondered whether it should be greater. Jill said that the language allows the IFA to determine whether the standard should faster on an annual basis. Jeff Gerhart said that 200 kbps is a good standard to begin with because while it is slow, it does allow for basic broadband applications. Deborah Seale said that 200 kbps is not enough for telehealth. Terry Sullivan and John Muhs both added that different speeds are appropriate for different applications, and that 200 kbps is probably a good bottom line.

Deno Perdiou said that it is critical to make sure that these loans go to underserved areas. Ed Feser said that an ideal bill would include creating a comprehensive map of broadband access, including IFA loans, and adding a tax exemption.

Responding to Deno, Jill Rendleman said many of the provisions in the bill were intended to not be so specific that they couldn't be changed to the needs of each individual situation.

Deno Perdiou asked Jill to clarify if this funding was for private entities or public. Jill responded that it was open, but that typically guarantees and direct loans go to the private sector, and municipalities don't typically borrow from the IFA. She said that one goal of the language is to facilitate public-private partnerships.

Jill reiterated that this bill needs to be brought into a larger bill that addresses the other issues we discussed.

ICN
Mike Dickson transitioned into discussion of the Illinois Century Network. He said that we need to rethink the ICN's role, particularly with regard to e-Rate funding, which may be changing at the Federal level.

Closing
Carolyn Brown Hodge quickly mentioned that Illinois was not chosen for the Rural Telecommunications Telecongress Conference in 2006. Steven thanked everyone for their patience during this long meeting of the Council and asked if anyone had anything else to add. He moved to close the meeting, motion was seconded, and the meeting was concluded.