

ATIC Partnerships & Business Model Groups  
May 3, 2017, Teleconference Report

**Attendees:** Oris Friesen, Henry Goldberg, Mark Goldstein, Mala Muralidharan, Michael Cohen, Jay Schlum, Steve Peters, Andy Phelan.

This is a report on the conference call held Wednesday, May 3, 2017, at 10 a.m. to follow up on the Partnerships/Business Model Groups (Strategy Committee) topics.

1. We discussed the possibilities of partnering with the Arizona Broadband for Education Initiative including progress of the Governor's budgeted funding and Commissioner Andy Tobin's Arizona Corporation Commission (ACC) Arizona Universal Service Fund (AUSF) proposal for state matching funds towards E-rate modernization funding of rural broadband infrastructure for K-12 schools and libraries.

Mala noted that the deadline is May 11<sup>th</sup> for this year's E-rate modernization program applications from schools and libraries. However, because of the short time frame only a few applications from schools in seven counties and none from libraries have been submitted. So far, applications totaling \$1.9 million in broadband infrastructure construction costs have been received, with the state share of this funding being \$137,000. There are a number of other RFPs that received bids, where E-rate applications were not filed. The E-rate modernization funding and AUSF state matching funds are available for two years, so the remaining approximately \$80 million in federal E-rate funding and nearly \$8 million in AUSF state matching funds will still be available in the next application year. It is expected that rural schools and libraries will participate in a second wave for the next E-rate cycle.

Mark will monitor what is happening regarding the \$5 million in additional state E-rate matching funds proposed in the Governor's budget. Mark had asked Dianne McCallister of Public Policy Partners, lobbyist for the Arizona Technology Council, if the Governor's \$5 million E-rate state matching funds line item is in the current House budget. She replied that she wasn't certain, but believed that it is not currently included.

**Breaking News:** The State Legislature approved their budget on May 5 which now awaits the Governor's signature. The FY 2018 House and Senate Engrossed Budget Plan can be found on the JLBC page at <http://www.azleg.gov/jlbc/what'snew.htm> and the PDF downloaded at <http://www.azleg.gov/jlbc/house-senateplanasengrossed050517.pdf>. It establishes a permanent State Broadband Expansion Fund "to provide state matching funds for certified broadband connectivity construction projects in schools, school districts, and libraries" and funds it with \$3M reallocated from ADE's Automation Projects Fund. This augments the \$8M from the ACC under the evolved AUSF during the duration of the FCC E-rate infrastructure build window.

Mala met recently with ACC Commissioner Tobin and Milan Eaton. Other participants in the meeting included Morgan Reed, the Arizona Chief Information Officer from the Department of Administration, Keith Watkins from the Arizona

ATIC Partnerships & Business Model Groups  
May 3, 2017, Teleconference Report

Commerce Authority and Matt Gress, Andy Tobin's Assistant for Public Policy. The main topic of discussion was the AZGEO broadband map. They want someone to take ownership of the map, build tools to access it and fill gaps in it.

Mark reported on AZGEO and the map activity which is ongoing through the summer. He has asked the Arizona State Land Department (ASLD) people for a small demo and strategic discussion on May 17<sup>th</sup> and this meeting has been confirmed intended for a limited State agency and ATIC Board invitee list. Further, ASLD has committed to demo the map and its capabilities as the information presentation at the ATIC Board meeting on July 12<sup>th</sup>. Mark also stated there will be further discussions with the Arizona Commerce Authority and others about how the map can be leveraged for economic development and stakeholder use going forward.

2. We discussed the progress of Jim Simms' proposal for a middle-mile fiber network for Arizona similar to a network being built by the State of Kentucky.

Henry Goldberg stated that he supports the concept of creating a middle-mile fiber network that reaches all Arizona rural communities, would be designed with loop architectures for resiliency, and would enable competition in rural communities where multiple service providers wish to offer services. However, after a phone conversation he had with Jim Simms on April 21<sup>st</sup> about his project proposal, he is not comfortable with ATIC endorsing Simms' project.

Jim told Henry he met with Matt Gress, Arizona Corporate Commission commissioner Andy Tobin's Assistant for Public Policy, to discuss his proposal. Henry requested Jim provide him a written explanation of his project proposal but he would not provide this.

Jim briefly verbally stated that Fujitsu is managing a public-private partnership in Kentucky and the Arizona project would be funded by municipal bonds that would be paid for by a re-allocation of existing funds spent for broadband by communities and the state government. Henry stated he did not believe this is financially feasible and from articles he read the State of Kentucky and federal government provided substantial additional funding for the Kentucky middle-mile fiber network to be built. In addition, the middle-mile fiber network proposal would require service providers to share information on their existing fiber deployment in Arizona to determine where additional middle-mile fiber would need to be built. There are major competitive and security issues in sharing this fiber deployment information, and Henry does not believe Jim has a legally acceptable way of handling this issue.

Moreover, the Arizona situation is now substantially different than the Kentucky situation when they started building their network in 2015. There are now federal government funds going into the FCC E-rate modernization broadband infrastructure program and the FCC Connect America program, as well as the new AT&T contract to build the nationwide FirstNet network for first responders. It is unclear how the Simms proposal would relate to these new initiatives that would significantly affect the state's middle-mile fiber network infrastructure.

ATIC Partnerships & Business Model Groups  
May 3, 2017, Teleconference Report

In summary, Henry does not believe ATIC has enough information to endorse Jim Simms' project, and he does not believe it is workable in its current form. Governor Ducey disbanded the Digital Arizona Council and the Arizona Strategic Enterprise Technology (ASET) broadband program, and would not likely support such a major fiber network infrastructure program for the state without an extremely clear justification in terms of its costs, funding, benefits and handling of regulatory issues. Jim now works for Juniper Networks (which he did not disclose at the ATIC April Board meeting), and so there also may be ethical issues in ATIC endorsing a public-private partnership that is led by specific companies (Juniper and Fujitsu) with commercial interests that so dramatically impact the general long-term development of the state. Henry stated he is not interested in personally being involved with the project in its current form, and suggests ATIC not endorse the project in this form.

Mark agreed that the plan is nebulous but Mark supports any good faith effort toward developing a private public partnership as Jim proposes. Moreover, the AT&T and CenturyLink representatives on the ATIC Board seemed receptive to the concept and potentially in participating at the last Board Meeting. If it moves forward it would naturally have an Arizona spin rather than following the Kentucky model identically.

Mark feels that Juniper's role is normal for a public private partnership. The key thing is transparency. ATIC should encourage discussing and monitoring short of endorsement. Mark reiterated that no one is proposing endorsement by ATIC at this stage.

Michael Cohen sees no problem in following up with this but said we do not want to endorse Juniper by itself. Steve lamented that there is no state leadership but he sees this is an opportunity to open discussion on this topic.

Mark seems willing to lead and encourage the dialog. Mark is willing to be on point and Steve's comment is also relevant at a different level, which is to leverage the ACC Andy Tobin effort.

3. We also discussed the Digital Southwest Broadband Summit 4/17-18/2017 in Mesa and associated breakout meetings along with the half-day NTIA Arizona Broadband Workshop.

Henry, Mark, Mala, Bill Bolin, Mike Whipple and Michael Cohen attended. Mark commented that he moderated a panel on broadband funding models. Bobby Davis, Economic Development Specialist for the Town of Payson, was quite involved in some of the discussion, anecdotes and stories about the different funding models. Mark and Henry also attended the half day NTIA workshop, which was high quality regarding content and participants.

Mala felt that this was a good networking opportunity and noted that there are many potential models to choose from. Numerous tribal representatives and others from around the state were in attendance. Michael Cohen was especially impressed with the number of Navajo tribal representatives that were present.

ATIC Partnerships & Business Model Groups  
May 3, 2017, Teleconference Report

Henry commented on his impressions. He found the presentations informative but felt the focus was primarily on communities building their own fiber last-mile networks and missed other key issues. He would prefer to have more discussion on: middle-mile fiber networks development that enable competitive service providers to provide broadband service to rural communities; network management issues for communities building their own last-mile fiber networks; and relationship to new federal government broadband funding initiatives (E-rate modernization program for broadband infrastructure, FCC Connect America program, and AT&T FirstNet contract).

Mark pushed back on this and felt that network management was discussed at some length. Henry expressed concern on how the rural communities should deal with the complicated and confusing situation of multiple disjoint federal government initiatives for broadband infrastructure: the FCC E-rate modernization program, the FCC Connect America grants, and the AT&T FirstNet network. He suggested that ATIC could play a role in sorting this out for rural communities and potentially interacting with the federal government on designing more effective solutions for rural communities in the future. Michael Cohen said even if the communities don't save money the cost sharing with private companies is cost effective. Mark said the Kit Carson project was a middle mile as well as fiber to the premise model and is a great story that is getting better. Electric co-ops were also discussed but they are not as dominant in Arizona as in some other states. Mark noted that we need to monitor if there are any new broadband infrastructure funds from the federal government to follow up on the Obama administration stimulus funds, but is skeptical about awakening federal consciousness vis-à-vis rural communities.

4. Report on the status of the ATIC website.

Mark now has access to WordPress and is poking around a little but has not yet done any editing of the website. If we have any WordPress savvy people they are invited to join Mark on a little tiger team. Steve said that he is currently developing a WordPress website and asked if we have any content to put on the site. Mark said we have four areas of content that will be placed on the ATIC website:

- Board members with their photos and background statements,
- ATIC Board Meeting Minutes going back a year or more,
- Event notices and information and
- Historical documents.

Mala said she is using WordPress and could possibly help after May 11<sup>th</sup>.

5. Next steps — strategies and opportunities.

Steve said we need people to step up and invest time in making things happen. Regarding officer elections all ATIC officers were retained for one more year with the exception of Secretary. There is no Secretary as of now and volunteers are welcome.

Regarding the Arizona Digital Government Summit 5/31-6/1/2017 in Phoenix,

ATIC Partnerships & Business Model Groups  
May 3, 2017, Teleconference Report

(<http://www.govtech.com/events/Arizona-Digital-Government-Summit.html>)

Ron Schott and John Kelly volunteered to manage the exhibit table for ATIC. Mark will arrange for the table top display to go to Ron and John. Even though we are only allowed two comped attendees, Oris expressed some disappointment that only two Board members stepped forward to volunteer to attend on ATIC's behalf.