Testimony of Art Brodsky
Before the House of Delegates Committee on Economic Affairs
Hearing on HB 1144
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Good afternoon, Mr. Chairman and members of the Committee. I am Art Brodsky, of Olney, and I work for Public Knowledge, a Washington, D.C.-based public interest group. For the record, I was previously a reporter and editor who started covering the telecommunications industry in 1983 before the Bell System was broken up.

There is little disputing that high-speed Internet service is quickly becoming an essential part of our economy. Local governments, state governments, the federal government and governments around the world recognize that access to high-speed broadband services provides incentives for economic growth, assistance to education and inspiration for innovation.

There is also little dispute that it would be of great help to all sectors of our economy to know where it is being deployed and, as importantly, where it is not. Unfortunately, getting that information is difficult at best. The carriers are not as forthcoming as we would like. Verizon's plans for its FIOS service are treated "like a state secret," as Rob Pegoraro from the Washington Post wrote last fall.

There is a right way to collect this information and a wrong way. We will discuss a bill next week by Del. Taylor, HB 987 that is the right way because it brings the direct reporting of data and the authority of state government into the discussion.

Today, we are discussing the wrong way, HB 1144, a bill which had its origins not in the state of Maryland, but in Kentucky, where it was written by the telecom industry and is now being shopped around the country. I have with me another example -- a nearly identical bill from the state of Illinois. It was, as with similar bills, supported by the powerful forces of the local telephone and cable companies and their compliant allies.

Let me provide a little background, so that we are very clear what this bill is. It is an application for a franchise, much as if you were applying to open a local outlet for McDonald's or Kentucky Fried Chicken. The state is being asked to put up millions of dollars for the privilege of membership in a would-be empire now called Connected Nation that started life as Connect Kentucky.

I spent 10 weeks looking into Connect Kentucky. The story that resulted, and a follow-up, are appended to this testimony. You will get a much closer look at the organization that our telecom industry wants you to join. You should decline the offer.

This group is an organization transformed by a 30-year veteran of BellSouth and his son, a campaign staffer for former Republican Kentucky Governor Ernie Fletcher from strictly a data-gathering and analytical group into a lobbying arm of, and sales force for, the telecom industry -- all funded with state money.

A minute ago, I said there is a right way and a wrong way to figure out what is going on with broadband deployment. This bill is the wrong way to proceed because the bill would allow vital information on broadband deployment, which the public should see, to be filtered by the people who want to withhold that information.

There is no requirement in the bill that any information be furnished by any carrier, much less on any standardized basis that would make the results useful to anyone. There is no provision for any review by an outside, unbiased organization of the data collected or of the effectiveness of the teams or any other part of the sprawling program this bill envisions.

By setting up a separate organization with little no public accountability, and allowing telecom companies to report as they wish and to hold back information as they wish, the results will be negligible. Yet the costs will be enormous to hire staff, to construct and activate these community outreach teams, to do the mapping and all of the things that they promise to do.

These promises have been made before elsewhere, and there is no independent, reliable evidence that they have been fulfilled. In fact, the evidence is just the opposite – that millions of dollars have been spent with little to show for it, other than evidence compiled by those who want more millions of dollars.

This is not a good solution for Maryland, and I urge you to reject it.

Thank you for your consideration.

Connect Kentucky Provides Uncertain Model for Federal Legislation

By Art Brodsky on January 9, 2008 - 10:28am

The only telecommunications legislation that has a chance of passing the Congress controlled by Democrats this year is modeled on a group whose apparent accomplishments are open to question and whose origins are in Republican politics in Kentucky. That group is Connected Nation, which began life as Connect Kentucky.

In just three short years, the organization claims to have brought Kentucky out of the technological dark ages, raising the availability of high-speed Internet by one-third while increasing other prime indicators ranging from home computer ownership to growth in high-tech jobs. Connect claims an advanced mapping system to guide the development of Internet through the state and through the work of local “leadership teams.” The mapping program is supposed to show where there are gaps in the provision of high-speed Internet. The local teams, led by Connect Kentucky staff and composed of representatives of local business, education and technology organizations, are supposed to come up with a snapshot of how advanced the community is now, and set out some goals for improving use of technology.

Connect is on the cusp of bigger things. It has renamed itself Connected Nation, and is poised to try to replicate its model across the country. It has become a star on Capitol Hill, the model for programs enshrined in bills that, in different form, have passed the Senate and the House and others that are waiting for action. Some of those bills have millions of dollars in potential grant money attached to them, with the Connected organization now positioned perfectly to receive them.

Even more impressive is the attention the group has received. It is practically unheard of that an organization receives the universal accolades that Connect has in its portfolio. Every news story is favorable. Every politician is fawning. The organization, ostensibly set up to spur broadband deployment, has been hailed in Washington as a model of a public-private partnership. That combination is irresistible to Democrats because it frees them from the stereotype of a government-only program and brings in private-sector participation.

The apparent accomplishments of Connect Kentucky are as impressive as is the irony surrounding them.

The irony is that the Connect Kentucky model, hailed by Democrats such as Sen. Dick Durbin (D-IL), Senate Agriculture Committee Chairman Tom Harkin (D-IA), Senate Commerce Committee Chairman Daniel Inouye (D-HI), Rep. Zach Space (D-OH) and, to a lesser extent, House Telecom Subcommittee Chairman Ed Markey (D-MA) was cooked up by Republican staffers for then-Kentucky Gov. Ernie Fletcher (R) and representatives from BellSouth. That background is necessary to understanding the unique circumstances of Connect Kentucky as others try to replicate its "success."

Part of that understanding is recognizing that there is another story; however, that hasn't received its proper attention. There are other voices that are not being heard – those of people around the state who work in the same industry as Connect and in some of the same technical areas. Connect is a subject widely discussed in telecommunications circles, but many people who are most knowledgeable declined to be quoted by name because of the continuing power and influence of AT&T and the other local telephone and cable companies.

Their judgment, broadly stated, is that Connect Kentucky is nothing more than a sales force and front group for AT&T paid for by the telecommunications industry and by state and federal governments that has achieved far more in publicity than it has in actual accomplishment. Connect helps to promote AT&T services, while lobbying at the state capitol for the deregulation legislation the telephone company wants.

Building Blocks Preceded Connect

Another part of that understanding is that the building blocks for Connect existed long before the organization we know today came to exist and that today's version of Connect had nothing to do with them. Yet even with the head start and the millions of dollars, the results of Connect's programs, despite its fame, are debatable.

The first building blocks were established under former Kentucky Gov. Paul Patton (D). Connect Kentucky began life modestly under Patton in 2002. The first Connect report tracked the deployment of telecom service in different parts of the state, surveyed how business and government used the Web and set out some strategies for improving the situation, including implementing public policies to increase competition. That was Connect Kentucky v 1.0.

Also within the state government, Patton's government got a head start on state mapping of resources through the Kentucky Infrastructure Authority (KIA), which began a project to track water resources. The Geographic Information System (GIS) tools used in that program were the basis for Connect Kentucky's later programs.

Even before KIA began that project, however, Kentucky state regulators started to play a major role in the deployment of broadband in the state. In 1999 and 2000, the Kentucky Public Service Commission (PSC) reviewed whether BellSouth was making more money than it was allowed under price regulation plan. The PSC ruled on Aug. 3, 2000 that rather than give consumers modest refunds, BellSouth should instead invest its excess earnings in broadband deployment. BellSouth had suggested the reinvestment strategy, but the PSC rejected the company's plan that would have brought broadband to only a limited number of customers closest to specific switching facilities the telephone company had picked. Instead, regulators ordered a more ambitious plan to make broadband available to all subscribers in the given areas.

At the end of the first three-year evaluation period for the plan, an audit performed for the PSC found that BellSouth had exceeded its goals, spending $32 million to expand broadband, largely in areas around community colleges as well as in some rural areas. On June 29, 2004, the regulators ordered that the reinvestment program be continued.

The PSC was also keeping an eye on BellSouth in other cases, and some of its decisions more than likely helped to construct the increasingly favorable competitive environment that its auditors found. On Nov. 30, 2000, the PSC ruled that "in regard to provision of DSL service in Kentucky, BellSouth has provided preferential and discriminatory service to itself to the detriment of other customers, specifically the small ISPs." On July 12, 2002, the PSC said BellSouth couldn't cut off DSL service to a customer who switched his voice service to a competitive carrier: "Its practice of tying its DSL service to its own voice service to increase its already considerable market power in the voice market has a chilling effect on competition and limits the prerogative of Kentucky customers to choose their own telecommunications carriers."

As a result of earlier state government initiatives, and a vigilant PSC, Kentucky was beginning to create a competitive telecom environment and to deploy broadband before today's version of Connect Kentucky was created. At the same time, BellSouth began to grow weary of the stern regulatory oversight and began a campaign in the state legislature for widespread deregulation. It had an ally in the new governor and his advisors.

BellSouth and Political Connections Key to Emergence

Connect v 2.0, the version we have today, emerged in 2004 under the new governor, Ernie Fletcher (R). From the start, there were two elements that drove it – the presence of BellSouth and of Fletcher staff and supporters. The man described as the one who came up with today's program is Joe Mefford, who spent more than 30 years in the old AT&T and BellSouth before retiring and moving to the Kentucky League of Cities. He was the head of BellSouth's Kentucky political action committee. Joe Mefford conducted the initial meetings on the new Connect Kentucky plan, according to one close observer of the process. This source, like many in Kentucky, asked not to be identified because of the continuing power of BellSouth.

Today, Joe Mefford is the state broadband director for Connect Kentucky. Fletcher announced his new "Prescription for Innovation" on Oct. 8, 2004, at the 75th annual Kentucky League of Cities convention. (The relationship with the League continues today, through a $130,000 contract awarded by Connect in 2006 for project management.) Commerce Cabinet Secretary Jim Host was one of those in charge of the new program.

While the Fletcher connection came first from Joe Mefford, who served on Fletcher's transition team after his election it then expanded to Joe Mefford's son, Brian, who came to Connect's parent organization as CEO in June 2004 after working in Fletcher's gubernatorial campaign and then for six months for Host in Fletcher's Commerce Cabinet – the equivalent of the state Commerce Department. Through the transformation, Brian Mefford became head of Connect Kentucky. He has since graduated to president and chief executive officer of Connected Nation, with a salary of $150,000 in 2006, according to Connect's tax form.

Andrew McNeill, another Fletcher staffer would also join the organization. McNeill was a senior policy adviser in Fletcher's election campaign and chief of staff in the state Commerce Department. Today, McNeill is vice president for program development at Connect Kentucky, having joined in September 2006. His salary, pro-rated for the time he spent at Connect that year, would be about $110,000 in 2006, according to Connect Kentucky's tax return.

The Meffords created the two-part structure of Connect familiar today that has become the envy of the rest of the telecommunications world. Those two parts are mapping the telecommunications infrastructure and creating teams to go out to counties and towns and sell the idea of bringing broadband to those areas with the overall goal of increasing Kentucky's broadband capabilities.

From the beginning, however, questions were raised about the propriety of a state organization heavily influenced by BellSouth, as well as questions about the expertise of the new and ambitious agency. One Kentucky source said the BellSouth connection was "of real concern to many broadband providers in Kentucky" because of the influence of BellSouth and BellSouth's suppliers. Another source put it more bluntly: "It was like putting the fox in charge of the henhouse to take a BellSouth executive and his son in charge of expanding broadband when they are supposed to be neutral."

A Kentucky official who will be quoted is William J. "Billy" Ray, the Chief Executive Officer of the Glasgow, Ky., Electric Plant Board. Ray is a true telecom pioneer who 20 years ago set up a municipally owned broadband network as a competitor to a commercial cable company. The town now provides broadband access as well. Ray's view, as expressed on his blog: "Connect Kentucky is simply a front for protecting the interests of incumbent telephone and cable companies." In setting up the new Connect Kentucky, Ray and others said, Mefford and others ignored municipal utilities, competitive telephone companies and Internet Service Providers.

No one listened then, and no one is listening now.

As it began work, Connect Kentucky created several revenue streams for itself. One came from the state in the form of contracts. The Federal government also chipped in money, in part through the Appalachian Regional Commission. Connect set up a partnership arrangement for private companies with an entry fee of $20,000, and has close to 20 commercial members. The roster includes AT&T, the Kentucky cable association, Microsoft, Apple and Cisco, among others well-known names. Also on the roster are Windstream, which owns landlines formerly owned by the Alltel telephone company, WildBlue, a satellite broadband provider and Southeast Telephone, a Kentucky-based competitive carrier. Other educational and governmental organizations are also listed as partners.

The entry fee closed out membership for many smaller companies, but even those who are involved aren't sure whether they are getting much for their money. Ed Knutson, VP of sales and marketing for WildBlue, said he signed up for the promotional value of having Connect Kentucky make the service better known in mountainous areas. Even so, all of his orders came through his strong local dealer network, not through Connect, Knutson said.

Basic Programs Questioned

One reason that Connect Kentucky has attained such fame is its program to map broadband deployment across the state. Their first big contract from the state, the first of many, was a $400,000, three-year award to do broadband mapping. The award came from the Kentucky Infrastructure Authority. Sources said, however, that Connect wasn't up to the job, and the KIA did the mapping for them, using as technical basis the GIS program put in place during the Patton administration.

Lat year, Connect broke its ties with the state, believing it could handle the mapping. The source familiar with the program said there was no explanation why the state had to give Connect the $400,000 if the agency was going to do the work. The most basic question is why Connect was needed in the first place. "They [the state] could have called up the phone company" to get that information, one local observer said.

"They haven't impressed anybody in the state" with the data collection, the source said. Another Kentucky source said that the information on deployment wasn't at all useful to non-Connect members. Connect's claim that more than 90 percent of the state has access to broadband has been met with a great deal of skepticism. "It's a joke," one knowledgeable source said, echoing what others also believe.

Sources with knowledge of the program said there were a myriad of problems. Connect Kentucky's results were overstated by a methodology that determined everyone within a 2.5-mile radius from a telephone company facility capable of supplying Digital Subscriber Line (DSL) service was indeed capable of getting the service. However, that assumption was not always true, the source said.

There are other weaknesses. Carriers aren't required to submit any information, and information considered proprietary can be withheld. When he introduced his legislation, Durbin saw these elements as a positive attribute. However, while those conditions might be acceptable to the providers of the information, they don't do much to make a complete map. There is no standard format for submitting data, so data from the cable industry was different from that from telephone companies. The best information came from the municipal utilities, which showed accurately where the service was. It's left up to consumers and the local "teams" to validate the map, which means the results will vary greatly as some teams are larger and more active than others.

The mapping covers broadband offered by any provider, so that if a municipality provides the service, it shows on the map. If a satellite company like Wildblue comes in to fill in a gap on a mountain, it shows on the map. If a competitive carrier of ISP offers broadband service, it shows up on the map. None of the sources of the service show up on the map.

In those cases, as in others, Connect has had nothing to do with bringing the service to the area, but can claim it as part of their success.

"In theory, if it had been done legitimately and truly done by all industry, not just the LEC [telephone company] and the government, the mapping initiative would be a great thing," one Kentucky source said, adding that the problem is that "a few select tech companies in the industry are driving the mapping instead of the mapping driving deployment" of broadband. Although some independent ISPs were promised data demographic information, "we haven't gotten jack," one businessman said, adding: "The mapping on the [Connect] web site is useless. It's a pretty picture."

Businessmen in the wireless industry are particularly critical of the quality of Connect's mapping, saying the maps don't represent the true reach of wireless signals. The disclaimer on the map for wireless service reads: "This map is not a guarantee of coverage, contains areas with no service and generally predicts where outdoor coverage is available. Equipment, topography and environment affect service."

The last word on the mapping goes to the more general disclaimer on the Connect Web site: "The information provided herein by Connect Kentucky and is partners is believed to be accurate but is not warranted and is for informational purposes only. While all efforts are made to ensure the correctness and accuracy of this information, and to make corrections and change errors brought to our attention, no representation, express or implied, is made as to the accuracy of the data presented. Connect Kentucky and its partners assume no liability for the accuracy of the data."

The second major piece of Connect's program is its formation of "leadership teams" to go to each of Kentucky's 120 counties to preach the word of the necessity of broadband. Sources who have been in those meetings aren't impressed with Connect's expertise. One Kentucky source said a Connect community session he attended "reminded me of an Amway meeting," comparing it to the direct-sales company. Connect gathers together people from health care, education, industry and local government to persuade them that broadband is needed in their community. The preferred provider is not an independent ISP or a local CLEC. Instead, the service being pitched is BellSouth's DSL. Think of the presentation as a state-sponsored sales call for AT&T (the former BellSouth) low-speed DSL.

Most of the communities already know they want broadband, but have to wait for someone to provide it because the area is too sparsely populated or simply not economical for BellSouth to provide it. And if BellSouth does provide broadband, it does to at slow speeds with minimal infrastructure, one Kentucky source said. One DSL Access Multiplexer (DSLAM) is put into an area and once it's filled, BellSouth won't expand it, this source said. However, the company can claim it has served the area. If there is an area too remote for AT&T, then Connect will push for its designated partner, Wildblue, to fill in the coverage area.

Although purportedly striving to bring broadband, as opposed to BellSouth broadband, to unserved areas, Connect hasn't provided much help to other companies, and in some cases has been downright hostile by bringing in would-be competitors when a local ISP has already started talking with local officials. It has assisted in setting up some meetings and providing minimal guidance to Federal grants, one source said. But many other promises went unfulfilled, from help in negotiating discounted rates on cell towers to assistance in obtaining permission for siting competitive wireless sites on tall structures, to funding for smaller companies. The results of the "leadership team" meetings are more often than not simply a "pretty, glossy document," with no follow up, one meeting participant said.

Evaluation Shows Uneven Results

Connect Kentucky has spent $7 million in state funds. It got $2.6 million last year alone from the state legislature, and received a $900,000 grant in 2005 from the Federal Appalachian Regional Commission. What did the state get for its money?

A key factor in the Connect story is its habit of making large claims of success. In his testimony to the Senate Commerce Committee on April 24, 2007, Brian Mefford said that the work of Connect Kentucky and its partners had led to many successes ranging from Kentucky becoming a "national leader in technology acceleration" to being put on track "to be the first state with 100 percent broadband coverage. Also on the list are increases in computer ownership and computer literacy, rising broadband use in homes, the work of the community teams and creation of new tech jobs.

But other indicators aren't as bullish. Bruce Leichtman, president of Leichtman Research Group which publishes state-by-state analysis of broadband, said his data shows that as of the beginning of 2007 Kentucky was 46th of the 51 states and Washington, D.C. in residential broadband penetration with a 32.7% penetration of broadband subscriptions to U.S. Postal Service addresses.

On a broader scale, the Information Technology and Innovation Foundation (ITIF) published in Feb. 2007 a state-by-state New Economy Index. Kentucky ranked consistently in the lowest categories. For 2007, the state overall, based on 26 indicators, ranked 45th, which is actually six places lower than it was in 1999 and three places lower than in 2002. Specifically looking at a "Digital Economy" ranking, which includes percentages of population online and deployment of broadband, the ITIF report ranked Kentucky 45th as well.

For more specific measures, Kentucky ranked 40th in broadband deployment, dropping three places from 2002, according to ITIF. The state in 2007 also ranked 44th in high-tech jobs, 46th in scientists and engineers as a percentage of the workforce. Ironically, some of the state's higher rankings came without Connect's involvement. The state ranked 11th in e-government and 31st in technology in schools. The state's $70 million Kentucky Education Network (KEN) and education department are responsible for the project that will provide high-speed Internet links to colleges, universities and K-12 school districts.

Connect Plays Active Legislative Role for Telephone Industry

In theory, Connected Nation's legislative agenda is centered on closing the digital divide. In practice, its legislative efforts have centered on helping AT&T and other telecom providers. And Connected Nation finds time to help itself.

As a result of the PSC decisions toughening the broadband build-out and clamping down on anti-competitive activity, BellSouth began a campaign to get itself deregulated. It largely succeeded, with support from the Fletcher Administration and Connect Kentucky. The first bill, HB 627, was passed in 2004. That one took away the state's ability to set prices for or otherwise regulate broadband services.

The telecom industry got their biggest victory in 2006, however, with the passage of HB 337, a bill that largely took away the authority of the PSC to regulate telephone companies' rates, to review their financial information, to perform management audits or prescribe other rules. Former state Rep. Joseph Barrows (D), who served a majority whip, said it was "the worst piece of consumer legislation I had seen in 27 years." Barrows said the bill took away the authority of not only state regulators but also the state attorney general to investigate the telephone companies. The bill gave telephone companies the ability to set their own rates, an approach "that seemed to me to be overkill," Barrows said.

Newspapers, AARP, rural telephone companies and the state attorney general opposed the bill. The Louisville Courier-Journal said in a March 22, 2006 editorial: "There's no reason the Kentucky Senate should rush to judgment on House Bill 337, which would deregulate some telephone services in Kentucky at the expense of those who live outside the major metropolitan areas. It may seem strange that such a measure would find so much support in a rural-dominated body like the General Assembly, but lobbyists for the big telecommunication companies (BellSouth, AT&T and Alltel) seem to have had more sway with lawmakers than the folks back home in rural and small-town Kentucky."

Southeast Telephone (Setel), a competitive carrier in eastern Kentucky, opposed the bill because the legislation could hurt rural consumers. Setel asked on its web page: "Why doesn't HB 337 include a provision for an objective determination of the level of competition in a particular market before allowing deregulation there? A critical flaw in HB 337 lies in the failure to determine where real competition exists and where it does not exist." AARP Kentucky said the legislation was "a bad bill for Kentucky consumers,"

The Kentucky Resources Council sent a letter Feb. 6, 2006 to the House committee handling the bill, arguing that low-income and rural consumers would be hurt: "The deregulation of essential services and elimination of the application of a number of consumer protection provisions assumes that rate and service regulation is no longer needed because there exists a competitive marketplace that will provide equivalent protections against discrimination in rates and service, yet outside of a few urban areas, there is no effective and certainly no robust competitive marketplace from either wireless or voice over internet service."

The bill passed and was signed by Fletcher April 22, 2006, and Connect Kentucky wanted to let everyone know which side it was on, issuing a press release May 17, 2006: "As a non-profit, independent organization dedicated to technology-based economic development, ConnectKentucky worked during the 2006 legislative session to promote a package of broadband bills that were passed by the General Assembly and signed into law by Governor Ernie Fletcher." The release continued: "The bill allows telephone providers to compete on an even playing field with unregulated phone, cable and Internet providers. The end result is that telecom companies, freed from the burden of regulation, now have an environment that is more conducive to investment in rural broadband deployment."

Even today, Connect continues to front for AT&T and others in the legislature. Connect is coordinating efforts to pass a bill send as much as 35 percent of the telephone taxes consumer and business pay to the telephone companies instead of to the state. The money would be used to cover the costs of providing broadband to unserved areas. The amount of money telephone companies and others would be reimbursed would depend on the speed of service they provided. According to a draft bill being circulated in Frankfort in advance of the legislative session, there would be no cap on the amount of money that could be collected; the definitions of what expenses are covered are somewhat lax as is the definition of an unserved area.

With the state facing a $549 million budget shortfall, it's likely that the administration of new Gov. Steve Beshear (D) will not look favorably on the bill, despite the legislation's current support from the telephone and cable industries.

Connect's legislative goals are far larger than a bill in Kentucky that could gain its sponsors a few million dollars. The legislation floating around Congress could be worth much more to the Connected Nation effort. The current farm bill (HR 2491) has now passed the Senate and the House. The Senate version contains Durbin's "Connect the Nation Act" (S. 1190) almost verbatim as Durbin introduced it. The bill authorizes $40 million per year for four years for grants to nonprofit organizations "identify and track the availability and adoption of broadband services within each state." One of the purposes of the grants is to "establish and empower local grassroots technology teams," along with doing GIS mapping and other familiar projects.

What type of nonprofits? The bill says to be eligible, a group must have "an established record of competence and working with public and private sectors to accomplish widescale deployment and adoption of broadband services and information technology." Inouye's bill (S. 1492) has much the same language and same amount of money authorized to be spent.

And it has a very similar definition of which groups would be eligible, namely that the nonprofit "has an established competency and proven record of working with public and private sectors to accomplish widescale deployment and adoption of broadband services and information technology."

In an early draft of Connect Kentucky's legislation to have taxpayers reimburse telcos for broadband deployment, a qualified nonprofit organization would determine whether an expense was eligible for reimbursement. Here's Connect's definition of a non-profit organization: "An organization with an established competency in working with public and private sectors to accomplish wide-scale deployment and adoption of telecommunications and information technology."

In other words, Connect has written itself into federal legislation in a way that could make it the prime recipient of Federal grant funds.

While Congress ponders its legislative options, Connected Nation is busy establishing itself in the states. On Dec. 17, Ohio Gov. Ted Strickland (D) announced the formation of Connect Ohio. The state will spend $2.9 million on the group's efforts this year and next, and another $3.9 million in 2010 and 2011. The group will do the usual Connect things – mapping, leadership groups, identify gaps in broadband.

On August 15 last year, Verizon West Virginia announced a partnership with Connected Nation. The Connect group will "map the state's broadband availability and help develop a comprehensive approach to expanding high-speed Internet services in unserved rural areas of the state," Verizon said. At the same time, Verizon noted it was expanding its broadband capacity in the state. A Connect Tennessee group has also started operations.

With a short election-year session looming, it looks as if legislation to collect information on where people have broadband Internet and where they don't looks to be the best chance for something to pass this year. When Durbin introduced the Connect Kentucky model, and others copied it, the situation became more muddled than necessary.

Durbin introduced his Connect Kentucky bill in April last year with little fanfare. Now, with a short election-year session ahead, it may be the piece of telecommunications legislation with the best chance to pass, whether it's contained in a farm bill or some other legislative vehicle. At the time, Durbin noted that his approach brought together large providers, rural development advocates and local government. The question policymakers now have to face is whether that is truly a recipe for success.

Public Knowledge

Connect Kentucky Update: Broadband Tax Plan Ditched

By Art Brodsky on February 4, 2008 - 4:23pm

Connect Kentucky has suffered a rare legislative setback, deciding not to go ahead with a bill that would have redirected tax receipts from the state treasury to telephone companies as a way of paying for the buildout of broadband.

As described earlier, Connect is coordinating efforts to pass a bill send as much as 35 percent of the telephone taxes consumer and business pay to the telephone companies instead of to the state. The money would be used to cover the costs of providing broadband to unserved areas. The amount of money telephone companies and others would be reimbursed would depend on the speed of service they provided. According to a draft bill being circulated in Frankfort in advance of the legislative session, there would be no cap on the amount of money that could be collected; the definitions of what expenses are covered are somewhat lax as is the definition of an unserved area.

However, the administration of new Gov. Steve Beshear (D) objected to the legislation, as the state is facing a budget shortfall. Rather than take a chance in the legislature, Connect decided not to proceed.

In a Jan. 30 email to those involved in discussions over the proposed bill, Connect Vp Andrew McNeill said: “Given the clear budgetary challenges facing the Commonwealth – ConnectKentucky has determined that the time is not right to pursue tax incentive legislation this session. We certainly believe that the policy that was nearing completion was something that could – in time – serve as a means of continuing to promote broadband investment in Kentucky’s most rural areas. However, with the budget shortfall, the time to put this discussion into the legislative arena is not this session.”

McNeill said Connect had not yet approached anyone to sponsor the bill. A number of parties opposed the bill, including the state’s municipal utilities and independent Internet Service Providers.