

Report on Activities of The e-NC Authority

As required by S.L. 2010-31, Section 14.16

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Submitted to:

Governor Beverly Perdue

Joint Legislative Oversight Committee on Information Technology

Joint Legislative Commission on Governmental Operations

Submitted by: The e-NC Authority

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INTRODUCTION

The e-NC Authority, created under S.L. 2003-425, is the broadband authority for the state of North Carolina. It works to ensure that all North Carolina citizens, businesses and communities are aware of, know how to use and have access to broadband Internet services at affordable prices, while also creating local opportunities for technology-based economic development and job creation. The e-NC Authority is also the state broadband mapping entity, designated by Governor Beverly Perdue in July 2009, to receive federal broadband recovery funding to act as the state mapping entity for broadband. The e-NC Authority is a state authority, housed in the non-profit Rural Economic Development Center. e-NC commissioners are appointed by the Governor, House and Senate (9 seats), with an additional 6 ex-officio seats. (See <http://www.e-nc.org/commissioners.asp> for a listing of the commissioners of the e-NC Authority.)

EXPLANATION OF ACTIVITY REPORT

The e-NC Authority respectfully submits this report of activities to the Governor, the Joint Legislative Oversight Committee on Information Technology and the Joint Legislative Commission on Governmental Operations as required under S.L. 2010-31. The reporting requirements for the e-NC Authority were recently revised in summer 2010. Prior to this change, e-NC submitted quarterly activity reports to the Governor and the same entities within the N.C. General Assembly. While this report is to cover July 1, 2009-June 30, 2010, please note that e-NC during the past year has already submitted quarterly reports to the same entities covering activities through April 30, 2010, per e-NC's former reporting requirements outlined in S.L. 2003-425, e-NC's enabling legislation. This enclosed report includes a summary of key activities over the past fiscal year, with updates on any activities taking place during May and June of 2010.

KEY ACTIVITIES: July 1, 2009 – June 30, 2010

Key activities for e-NC over the past year are categorized as follows:

- **State Broadband Mapping and Planning Work (broadband recovery funding to e-NC)**
- **Other Broadband Recovery Funding to NC (BTOP/BIP Programs)**
- **National Broadband Plan and Federal Policy Efforts**
- **Work with the N.C. General Assembly**
- **e-NC Grants, Programs and Ongoing Activities**

Note, many items have been previously reported on in e-NC's quarterly activity reports over the past year, but are repeated below to provide a complete summary for the year. The past year has been unusual in that much time has been dedicated to efforts around bringing broadband recovery funding to North Carolina, to make use of this unprecedented opportunity for broadband investments for the state.

State Broadband Mapping and Planning Work (broadband recovery funding to e-NC)

Much of e-NC's focus this past year has been to implement the NC BRIM Project (NC Broadband – Rigor in Mapping). NC BRIM is the project name for the state broadband mapping and planning grant awarded to e-NC. In early October 2009, the e-NC Authority was awarded a grant from the National Telecommunications and Information Administration (NTIA) of the U.S. Department of Commerce under the State Broadband Data and Development Grant Program. The grant includes a mapping component and a planning component:

- Mapping – award of \$1,589,077 over 2 years, with possible additional funding for 3 more years
- Planning – award of \$434,799 over 5 years

The purpose of the grant program is to enable states to collect comprehensive and accurate state-level broadband mapping data and to develop state-level broadband maps, with these efforts aimed at aiding in the development and maintenance of a national broadband map, as well as to provide planning funds for broadband within all 50 states and 6 territories.

The data collection and mapping process conducted by the e-NC Authority for this project and outlined in the proposal submitted to NTIA, has required e-NC to gather data using multiple methods, all of which have been underway this past year including:

- Collecting data directly from Broadband Service Providers (on-going, every 6 months)
- Collecting broadband consumer data at the local level (spring 2010)
- Collecting provider data through a national data corporation which uses data mining/Web-crawling techniques (winter 2009, may be continued in 2010 or 2011)
- Conducting radio wave propagation prediction modeling (using GIS) to determine wireless coverage in North Carolina (on-going in 2010)

In addition under the planning portion of the grant, e-NC during this past year has conducted additional surveys to look at broadband availability and use including:

- Conducting a survey of citizens to help verify broadband availability in North Carolina and look at use of broadband by citizens (spring 2010 and winter 2011)
- Conducting a survey to assess broadband use among businesses and industries in NC (spring-summer 2010)

NC BRIM has as its organizing model an experimental protocol that involves collecting broadband data using a number of specified methodologies for the purpose of identifying the method or set of methods that will deliver broadband access information that is accurate, timely, verifiable and cost effective. Some of the data collection efforts/methodologies are specifically part of the mapping component of the overall NC BRIM effort. Data collection activities that are technically part of the planning portion of the NC BRIM project have also been underway this past year and are producing broadband access information that is being used to inform and validate results obtained through the mapping effort. This overall BRIM project consists of many different mapping and planning projects listed above. Additional information on these projects is readily available from e-NC, but to keep this report somewhat succinct, just the broad pieces are mentioned here. As the final reports for the various surveys

are completed, those reports will be available from e-NC and relevant information will be posted on our Web site.

During the end of 2009 and beginning of 2010, the e-NC Authority focused its BRIM efforts on getting all the various pieces of the project contracted and underway, to meet the rigorous schedule imposed by NTIA as part of the recovery funds process. Under the terms of the NTIA grant, data on broadband availability must be submitted to the NTIA every six months during the life of the project, with the first complete data set due in April 2010.

On April 30, 2010, the e-NC Authority submitted its first major data submission to the NTIA. e-NC had also previously submitted Web-mined data on broadband availability to the NTIA in November 2009. All data from the April 30 submission came exclusively from data collected directly from the service providers. Due to a flood of last-minute submissions of data to e-NC from providers, NTIA agreed that e-NC may also upload this last-minute data to NTIA by May 14. The total spring data submission included broadband data covering 98.1% of the households and 98.2% of the population of the state, and representing 92.5% of the total land area of the state.

The additional methodologies being employed by e-NC will require additional evaluation. These methodologies were discussed and reviewed at e-NC's data confab – a major project milestone that was held on March 25-26 in Chapel Hill, with the purpose of looking at e-NC's data collection methodologies in-depth. Participants in the confab included e-NC's various contractors on the BRIM project, external evaluators and the director of NTIA's broadband mapping program. Currently, the e-NC Authority continues to evaluate the best methods for data collection to most accurately reflect broadband availability in North Carolina.

As of the end of June 2010, the status of the various pieces of the BRIM project was as follows:

For Data Collection efforts:

- e-NC has reached out to over 110 identified broadband providers to encourage them to participate in the data collection process, offered Non-Disclosure Agreements with the providers and one-on-one technical assistance on how to submit the data requested by NTIA. Data was submitted to NTIA in April/May 2010, with the next round to be submitted to NTIA October 1, 2010.
- Broadband Consumer Survey – Research Methodology & Oversight (conducted by UNC-Chapel Hill, Kenan Institute; survey completed and results compiled, final report under development to be released in September/October 2010)
- Broadband Consumer Survey – Local Level (conducted by Foothills Connect and Rockingham County Business & Technology Telecenter; survey completed February-March 2010; results compiled by Kenan Institute)
- Service Provider Data through Data Mining/Web-Crawling (conducted by private corporation for one data pull in November 2009; level of detail available through web-crawling being assessed; future data mining methods under discussion)
- Wireless Propagation/GIS Modeling (conducted by UNC-Greensboro; project underway; modeling to be displayed as part of the online broadband map being developed by e-NC)

- Database Development & Hosting (broadband database developed and built in winter-spring 2010 by Topsail Technologies; geo-database developed in spring-summer 2010 to comply with new NTIA requirements; secure hosting of broadband database provided by MCNC)

Mapping

- GIS Mapping (working with Michael Baker, Inc. to develop details of e-NC's online Geographic Information System to show broadband availability in NC using the NTIA data collection process; map under development with launch in October 2010)

Planning:

- Citizen Surveys (2010 Citizen Survey conducted by East Carolina University in spring; results analyzed and final report underway for September/October 2010 release)
- Survey to assess broadband use among businesses and industries in NC (conducted by Strategic Networks Group; survey released April 27; final report to be released in September/October 2010)

Research Oversight

- The NC BRIM project receives research support from East Carolina University, through the life of the project. In addition three external evaluators (from UNC-Charlotte, NC A&T and Univ. of Illinois-Champaign) are providing input on the evaluation of data collection methodologies. The NC Center for Geographic Information and Analysis is providing technical assistance on the GIS portion of the BRIM project.

At the end of May 2010, NTIA released a funding opportunity for additional funding for grantees of the federal mapping/planning grants, with proposals due back to NTIA on July 1. This funding is an extension of the current federal grant to e-NC bringing the mapping work from 2 years to 5 years, and adding funding for e-NC to operate as a state authority, for additional technical assistance to be provided at the local level by e-NC and for a Lifeline Online pilot project. The funding would add 3 regional field members to the e-NC staff to provide technical assistance on broadband planning to counties, and one position in e-NC's Raleigh office to provide research support. This supplemental funding requires a 20% match which comes in large part from e-NC staff time, meaning that e-NC operating funding from the NC General Assembly would need to remain at least at a level of mid \$400 thousands for e-NC to continue to meet the match requirement over the next four years.

The Golden LEAF Authority has awarded e-NC with \$400,000 for this project, contingent on approval of the NTIA supplemental funding award, contributing greatly to the project by helping e-NC meet the rest of the 20% match requirement. The e-NC Authority applied to Golden LEAF in July 2010 requesting matching funds of \$400,000 for this supplemental application to NTIA. Golden LEAF notified e-NC in early August that the application for match funding was approved for the full \$400,000, contingent on receipt of the NTIA award. The Golden LEAF funding contributes to the technical assistance portion of the work. A decision from NTIA on this award is expected in September 2010. The requested funding of \$4.5 million would obviously greatly impact the rest of the BRIM project. The e-NC Authority looks forward

to sharing the results of this award with the Governor and the N.C General Assembly once the supplemental funding awards are finalized.

Currently, the e-NC Authority continues to collect data from broadband providers for the bi-annual data submission to NTIA, as well as to employ the various methodologies and research projects under the BRIM project. We look forward to sharing the final reports from these projects with the Governor and N.C. General Assembly. Also, the e-NC Authority will launch its online map of broadband availability in October 2010. Upon launch, e-NC will spend time with partner organizations and local communities on education related to how to use and make the best use of the resources displayed from the map and the other BRIM research products.

During the past year the e-NC Authority worked closely with the NC Office of Economic Recovery and Investment (OERI) to keep them updated on the progress of the mapping/planning grant. In addition, an advisory committee was formed under the Governor and staffed by OERI to track the progress of the NC BRIM project.

Other Broadband Recovery Funding to NC (BTOP/BIP Programs)

In addition to working closely with NC OERI on the e-NC mapping and planning grant, e-NC worked closely with OERI to track all the broadband recovery funding applied for by North Carolina applicants, and funding awarded. There are primarily two broadband programs funded through the American Recovery and Reinvestment Act bringing broadband investment into the state, known in short as BTOP and BIP.

On July 9, 2009, the U.S. Department of Agriculture's Rural Utilities Service (RUS) and the NTIA of the U.S. Department of Commerce released the Notice of Funding Availability (NOFA) for the RUS Broadband Initiatives Program (BIP) and NTIA's Broadband Technology Opportunities Program (BTOP). Up to \$1.6 billion of BTOP's \$4.7 billion in funding was made available under this NOFA. A second round of funding from both agencies was released in early 2010. Our understanding is that there will be no additional rounds of funding. The BTOP program provides funding for broadband infrastructure (primarily middle mile), public computer centers and sustainable broadband adoption programs. The BIP program funds primarily last-mile broadband infrastructure. Proposals for the first round of funding were due to the federal government in August 2009, with proposals for the second round due in spring of 2010.

Although the state does not have direct decision-making power on funds distributed by RUS and NTIA, the states were asked to provide input to the NTIA on proposals received. The e-NC Authority was pleased that Gov. Beverly Perdue asked e-NC to provide administrative support to the Office of Economic Recovery & Investment (OERI) upon the request of OERI, as OERI implemented a review process for BTOP proposals in rounds one and two. A review committee was selected for each category of applications by Gov. Perdue/OERI. The reviews for round one proposals took place in October 2009, with round two reviews in April 2010. Webinars were held to allow citizens and applicants to participate in the process. Each committee discussed applications in its category and developed a set of recommendations for consideration by Gov. Perdue. Gov. Perdue then submitted her recommendations to NTIA the following week. The Rural Utilities Service (RUS) did not allow state feedback on the BIP proposals.

The e-NC Authority was pleased to be able to assist the Governor and OERI on reviewing BTOP proposals for the state and tracking broadband recovery funding brought into North Carolina. The first BTOP awards to North Carolina were made in spring 2010, with many awards for BTOP/BIP being made in July-August 2010 (after the reporting period for this activity report). It is possible that there will be a few more awards made in the next month before all broadband recovery funds must be obligated at the end of September 2010. In September 2010 as the final awards are made, e-NC will work with OERI to house a complete list of broadband investment funding coming into the state, including projects and areas to be served. This tracking is critical for e-NC's work in helping the state determine service needs and priorities in terms of broadband access.

National Broadband Plan and Federal Policy Efforts

The e-NC Authority, as one of the first broadband authorities in the country, is often looked to as a model for various broadband efforts including broadband mapping and local level e-communities work, as two examples. With e-NC designated as the broadband mapping entity for the state under the NTIA mapping program, and with the so many states focused on broadband because of the recovery monies this year, e-NC has been involved over the past year working to share best practices and policy suggestions in our state and often requested to do so at the national level meetings. The activity has focused on ideas around how to best move states forward in terms of broadband efforts.

In March 2010, the National Broadband Plan (<http://www.broadband.gov/>) was released by the Federal Communications Commission (FCC). The Authority was involved during the development of this plan with many requests from the FCC Plan development team about activities of the NC Authority to bring about broadband deployment in NC. While this plan was not an activity of e-NC, e-NC has advocated for a national broadband plan for several years to help guide federal policies and benefit the states in terms of broadband expansion. This item is included in this report as an example of how states must partner with the federal leaders on broadband issues in that much of broadband policy is determined at the federal level, and they look for guidance from states to make the best decisions possible in guiding broadband growth and evolution.

Work with the N.C. General Assembly

During the legislative session, but also throughout the year, the e-NC Authority worked closely with the N.C. General Assembly to focus awareness on broadband issues impacting the state. The e-NC Authority focused special attention on tracking the following committees:

- House Select Committee on High Speed Internet in Rural and Urban Areas
- House Committee on Ways and Means/Broadband Connectivity
- Senate Select Committee on Energy, Science and Technology

Many other committees may receive broadband bills or policy issues to discuss, but the House Committees listed above are the only two specifically charged with looking at broadband, and the Senate Committee listed above has shown an interest in broadband in connection with smart metering (in relation to the electric grid). It is the hope of the e-NC Authority that a Senate Committee will be appointed with a specific mandate to look at broadband. The e-NC Authority regularly makes reports and presentations to various committees of the legislature,

especially most recently around the federal broadband mapping and planning grant, and around broadband recovery funds in general.

During the short session of 2010, the e-NC Authority's legislative agenda focused on four key items:

1) Removal of e-NC's Sunset Date

The current sunset date for the e-NC Authority is December 31, 2011. If e-NC were to sunset in 2011, the state would no longer have a designated state broadband authority. In addition to its state mandates, without continuation by the NCGA, e-NC could not carry out the broadband work under e-NC's NTIA grant, \$6.6 million in total expected federal funding, (which runs through October 1, 2014), and continue to bring the substantial federal funding from this grant into North Carolina. While language removing e-NC's sunset passed both the House and Senate during the short session, it passed in separate bills and was never approved in the same bill. The e-NC Authority will remain highly focused in the upcoming year on working to have the sunset date removed so e-NC will not cease to exist.

2) Support for e-NC moving forward a Lifeline Online Pilot Program for North Carolina

In the e-NC Authority's 2009 Internet action plan (A 10-year Action Plan Using Broadband Internet to Increase North Carolina's Competitiveness and Sustainability in the Global Economy), one of the primary goals listed is focus on "Inclusion" and the provision of affordable access to broadband infrastructure for citizens meeting certain income eligibility requirements. This program would be modeled after the Lifeline and Link-Up programs. (Lifeline and Link-Up are programs under a joint federal and state initiative to provide reduced rates to low income households for telephone installation and monthly subscription rates.) The National Broadband Plan released in March 2010 by the Federal Communications Commission (FCC) calls for a Lifeline Online program to be piloted in select states.

Although no resolutions supporting a Lifeline Online pilot program passed the legislature in the short session, the e-NC Authority in its July 2010 application to the NTIA for supplemental funding, proposed a Lifeline Online pilot program which will be piloted in three counties if funded by NTIA. The NTIA has indicated a strong interest in this program. In addition, the House Select Committee on High Speed Internet in Rural and Urban Areas, in their interim report (May 2010), included a statement of support for the Lifeline Online proposed initiative of the e-NC Authority.

3) Additional Recurring funding for e-NC Operations and Research

For FY 10-11: In the short session e-NC requested an additional \$505,000 recurring so that the e-NC Authority may maintain its baseline operating budget of just under \$1 million and continue to provide the operational, advocacy and research functions mandated by the N.C. General Assembly. The e-NC did maintain most of its recurring appropriation for operations with \$442,035, which includes a reduction of 5%. (e-NC has subsequently been notified of another 1% cut since the finalizing of the state budget.)

The e-NC Authority understands that the state is facing an extremely challenging economic crisis and is extremely appreciative of the state's funding support. Fortunately, because of the opportunity provided by the NTIA for supplemental funding for the BRIM project, which includes support for the work of e-NC as a state broadband authority, e-NC expects to be able to

continue to function fully if the supplemental funding is awarded. As noted earlier, this federal funding requires a 20% match which comes in large part from e-NC staff time, meaning that e-NC operating funding from the NC General Assembly would need to remain at least at a level of mid \$400 thousands for e-NC to continue to meet the match requirement over the next four years. In future years after the depletion of the NTIA funding, e-NC will need additional state support to meet its legislative mandates.

4) Connectivity Incentives Funds

For FY 10-11: e-NC requested \$12.5 million (non-recurring) for grant funding for connectivity incentives grants to deploy last mile broadband to unserved and underserved areas. While this funding was not appropriated to e-NC, e-NC remains pleased with the impact of the past connectivity grants funded with state funding, allowing private sector broadband providers to bring the levels of connectivity up in the least-connected counties. The grant program remains critical in that it provides last-mile service to citizens. Last-mile is broadband service to individual households from the middle-mile networks. Fortunately, some of the broadband recovery funding coming to North Carolina (primarily the funding from the Rural Utilities Service/BIP program) is specifically for last-mile projects in specific areas of the state. Broadband connectivity is a critical utility to every citizen and business worldwide – as vital to local economic development and job creation as water, sewer, roads and electricity and is critical to the economic competitiveness of the state. Nevertheless, many citizens still do not have high-speed Internet service available at their households. And in many cases, a business case does not exist for the service providers to build out this last-mile access. This grant program allows e-NC the capacity to incent providers to build out infrastructure to these unserved and underserved areas. The e-NC Authority exercises a proven and accountable grant model (over 500 completed grants) of awarding funds through a competitive bidding process that has secured matching funds from bidders. Management of these grants is audited annually, and no audit exceptions have been noted by auditors.

Also during the past year, the e-NC Authority continued to push for support for its legislative advocacy items. A full copy of e-NC's 2010 Legislative and Advocacy Agenda is available here: http://www.e-nc.org/pdf/2010Legislative_Agenda_COLOR.pdf . The mandate of the e-NC Authority is to seek solutions for last-mile deployment to ensure the availability of broadband service to all citizens' households in North Carolina. As such the e-NC Authority asks that the N.C. General Assembly not place restrictions on possible solutions to this last-mile challenge, but provide support to identify solutions that can be provided through public-private partnerships if at all possible, and if that is not possible to be supportive of nonprofit and local government deployment when needed. Every \$1 dollar of broadband deployment returns at least \$10 dollars in revenues to local economies (NTIA NOFA 2009).

e-NC Grants, Programs and Ongoing Activities

During the past year, the e-NC Authority continued to manage various grants and other programs as follows:

The e-NC Authority continued to work on two FCC grant programs awarded to organizations in North Carolina for critical health information technology infrastructure projects.

1) North Carolina Telehealth Network (NCTN) – Public Health Phase

<http://nctelehealthnetwork.com>

The e-NC Authority continued to work as the program manager with the Public Health Authority of Cabarrus County (PHACC) on a major e-health initiative for the state. This project, the North Carolina TeleHealth Network (NCTN), is designed to assist local public health agencies and free clinics to obtain broadband services suitable for their current and upcoming needs. The network is planned to support over a potential of 115 sites across the states. Sites in every North Carolina county were invited to participate.

The RFP for this phase of the NCTN which will support public health sites, free clinic sites, and some rural health clinics was released in September 2009. The RFP sought bids for providers to implement and operate this broadband network, to lead to a contract for the \$6M in federal funds (already awarded to PHACC) to provide broadband services to these 115+ sites across North Carolina. The broadband network is to be funded using this initial FCC support with the rest of the funding coming from subscriber fees. MCNC, partnering with ITS, is now contracted to provide the network services to all the sites. Currently, contracts with the individual sites for network services are being negotiated and put into place.

The NC Division of Health in the Department of Health and Human Services provided match funds to be used for program management to Cabarrus County. Program management functions in the development phase of the NCTN have been carried out by the e-NC Authority. Kirby Information Management Consulting, LLC is a subcontractor to the e-NC Authority to support the NCTN development.

2) NCTN - Hospital Phase

Also during the past year the e-NC Authority continued to work with and track the NCTN hospital project. The NCTN Public Health Network is the first phase of a broader program to bring similar broadband facilities to bear on the challenge of using information to support health and care in NC. The next phase, NCTN – Hospital Phase, will support NC's hospitals. It is intended to be tied to the NCTN-Public Health Phase to form a dedicated network for all of these health-related entities.

The pilot for the hospital phase comes from a project in Western NC for which e-NC has helped provide technical assistance. This FCC-funded health broadband pilot program provides funding for broadband networks in eligible nonprofit community hospitals in the western portion of the state. Funds were originally applied for by Western Carolina University. The grant program has been managed by the Southwestern Commission, a regional council of government serving seven counties in the far western tip of North Carolina. The Southwestern Commission has now turned over management of these funds to PHACC to mesh into the statewide NC Telehealth program.

During the past year, the work for the hospital project was bid and currently the bids for providing network services to non-profit hospitals are being evaluated. The e-NC Authority and Kirby Information Management Consulting, LLC, continue to work with this phase II project. The UNC-Chapel Hill School of Public Health is also a project partner.

3) NCTN - Phase III

Initial design work is still underway on Phase III of the NCTN. This third phase would work with local health care providers who need telecommunications network access to connect to in order to provide telecommunications transport for their federally mandated electronic medical records. Providers have until 2014 to complete this transition to electronic medical records or they will see discounted reimbursements from provision of care to Medicaid and Medicare patients. More information on this project will be provided as it progresses. During the past year, the e-NC Authority provided updates on telehealth network efforts in the state to the Joint Select Committee on Information Technology and other groups as requested.

Grant Programs

Among its ongoing activities this past year, the e-NC Authority continued to monitor grants under its four biggest grant programs:

- e-NC Connectivity Incentive Grants (state funding)
- e-NC Business & Technology Telecenter Grants (state funding)
- e-NC Capital Expenditure Grants for Qualified PEG Channels (state funding)
- e-NC e-Learning Grants (Golden LEAF funding)

Thanks to a state appropriation, in spring of 2009 two connectivity incentive grants were awarded by e-NC to raise the broadband connectivity levels in the six least-connected counties in the state. The grants were completed at the end of December 2009. These grants to Verizon and Embarq (now CenturyLink) allowed for deployment of last-mile broadband to six North Carolina counties (Caswell, Cherokee, Duplin, Graham, Pamlico, and Tyrrell). CenturyLink received \$693,000 to reach unserved areas in the four eastern counties, and Verizon received \$252,185 to deploy service to unserved areas in the two western counties. The awards were made based on a competitive bidding process. The grants were matched by more than a 1:1 shared dollar commitment by the service providers. The e-NC Authority continues to believe that the format for these broadband incentive grants provides a sound model for partnering with service providers to deploy last-mile service to unserved areas.

The e-NC Authority continued this past year to monitor active grants with six of the seven e-NC Business & Technology Telecenters (BTTs). The e-NC Authority completed the collection of the job creation statistics for the seven e-NC telecenters for 2009, reflecting a total of 1906 jobs created through these centers over the past 8 years, and with this boom in jobs generating approximately \$212 million in taxable salary revenue prior to any multiplier effect being added.

As mandated in Session Law 2006-151, the e-NC Authority also continued to monitor the program that provides Capital Expenditure Grants for Qualified PEG Channels. PEG channels are public, educational or governmental access channels provided to a county or city as part of a cable franchise agreement (G.S. 66-350). In 2007, \$1 million was designated by the NCGA to the e-NC Authority to provide capital equipment grants to local governments for eligible PEG channels, per G.S. 66-359. There are no administrative or management funds provided by the NCGA for the e-NC Authority to carry out this program. In four rounds of funding, with the last being awarded in August 2009, all funding for this program has been awarded. Upon making the August awards, the e-NC Commission indicated that if funding becomes available from

grantees failing to use their full awards (with active grants), e-NC may look at providing additional funding to the applicants in the August round who were unable to be funded due to the depletion of available funds. Any funding that becomes available due to unspent funds in active grants would likely be a very small amount. With the exhaustion of the 2007 funding, the PEG channel fund created in G.S. 66-359 will sit empty once these active grants are closed out, unless further action is taken by the NCGA.

Also, this past year, the e-NC Authority managed the e-learning grants provided to 15 school districts in northeastern NC with funding from Golden LEAF and grant management provided by e-NC. The goal of the e-learning grants is to provide 100 Mbs of connectivity to each school within the 15 LEAs (Local Education Associations, or school systems) participating in the program. In October 2009, the e-NC Authority submitted a budget revision request to Golden LEAF suggesting additional ways to increase the efficiency of the funding while still serving the 15 schools districts and maintaining the original goals of the program. The e-NC Authority was notified in December by Golden LEAF that these requests were approved. In general the funding, in addition to covering connectivity costs, will now also provide equipment needed at the participating schools to make the most of the available broadband.

Connectivity and Technical Assistance

Also during the past year the e-NC Authority continued to work on its core mission of increasing access to high-speed Internet in rural and urban distressed areas. Key connectivity activities of the past year include:

- Continued work on the NC BRIM federal mapping and planning grant

In addition to the mapping activities discussed previously in this report, e-NC is also undertaking numerous planning activities to look at how to increase broadband availability and adoption in the state. Two key planning programs include the Last-Mile Roundup program and Lifeline Online. The Last Mile Roundup work includes working with unserved and underserved communities around the state to find solutions for gaining access to broadband for citizens. The e-NC staff members work regularly to provide technical assistance to communities that are putting together broadband plans.

Lifeline Online is an effort to create a broadband program modeled after Lifeline Link-up. As mentioned earlier in the report, Lifeline Link-up is a federal program, carried out in partnership with telecommunications providers, to provide assistance to low-income citizens to gain access to telephone service. The e-NC Authority has been talking with partners to look at the feasibility of providing a similar program to help low-income citizens pay for broadband access at their homes and has included a pilot project for Lifeline Online in its current grant application to NTIA.

- Responding to service inquiries from citizens and small businesses

Service inquiries are an ongoing activity of the e-NC Authority. We are regularly contacted with questions about the availability of high-speed Internet, and for technical advice by private citizens, small businesses, elected officials, staff members of the NCGA, the N.C. Department of Commerce, the NC Office of Budget and Management and staff members of the N.C. Utilities Commission (as well as individual members of the NC General Assembly). The e-NC Authority

provides them with connectivity data and when needed, contacts the relevant service providers to relay public needs and work with the providers to attempt to gain broadband access for citizens and small businesses.

- Providing technical assistance to counties

During the past year, the e-NC Authority continued to visit North Carolina counties to look at broadband issues in these counties and regions and offer suggestions for long-term connectivity plans. When connectivity plans are developed, both by private, nonprofit or government providers, the e-NC Authority can provide technical assistance on requests for applications for federal funds, Requests for Proposals for broadband telecom services, detailed technical information on design, financial analysis of business plans, pricing from providers and equipment vendors, etc., as requested to do so. The e-NC Authority has found that many counties lack the resources necessary for comprehensive broadband planning. We are pleased to be able to give assistance at the county level and local level. With anticipated funding from the NTIA for a more comprehensive technical assistance program, e-NC will be able to have 3 regional field staff in local communities to provide greater outreach and technical assistance than we can with our current staff.

- Providing support to requests from other states

As mentioned earlier, staff members and commissioners of the e-NC Authority also continued over the past year to provide strategic guidance and advice to other states' connectivity expansion initiatives, as requested. The e-NC Authority tracked federal broadband issues such as the items called for in the new National Broadband Plan (released by the FCC in March), and most recently, tracking of broadband infrastructure funding through the American Recovery and Reinvestment Act. The e-NC Authority also continues to collaborate with the other entities designated as the NTIA state mapping entities.

FOCUS FOR 2010-2011

In 2010-2011, the e-NC Authority looks forward to continuing its proven track record of serving as a staunch advocate for North Carolina in moving broadband forward for our state. e-NC is optimistic about the opportunities provided under the NC BRIM project, including possible expanded federal funding which will allow e-NC to provide more technical assistance in broadband planning at the local level and roll-out the Lifeline Online pilot project. e-NC is also very excited about the fall launch of its online Geographic Information System so that the broadband availability data collected on an on-going basis can be made available for state leaders, local leaders, economic developers and citizens in a viewable format. We believe this resource is critical for state and local leaders to make informed decisions on broadband policy and planning efforts for North Carolina, as well as planning efforts for all government applications.

Broadband connectivity is a critical utility to every citizen of North Carolina. It is arguably as important to the economic health of the state as are the more traditional public utilities such as telephone service, electricity and water and sewer lines. Nevertheless, citizens in more than 500,000 homes in North Carolina have no high-speed Internet service available to them. In the upcoming year, the e-NC Authority will remain focused on its mapping responsibilities, while

still working to find solutions to broadband availability and adoption for unserved and underserved areas. While the American Recovery and Reinvestment Act will provide some needed assistance in the area of broadband deployment, it will not re-shape the landscape of North Carolina's infrastructure in terms of solutions for last-mile service.

As we look to help North Carolina become a fully connected state and move further towards the goals outlined in the FCC's National Broadband Plan, it is critical that the state leadership embrace these goals and efforts to increase broadband deployment and adoption. While state and local governments, foundations and the private sector all face challenging economic times, the focus on broadband must remain in order for North Carolina to be able to remain competitive in the global economy.

The Authority would respectfully recommend that a committee of the Senate provide the assignment to their Senate Select Committee on Energy, Science and Technology, the responsibility of looking at broadband activities. This would more readily allow broadband activities discussions to move from the House Ways and Means/Broadband Connectivity Committee to the Senate Committee as important broadband discussions lead to legislative action.

We thank the Governor and the NC General Assembly for their ongoing support of the e-NC Authority and broadband efforts in the state. The continued support from Governor Beverly Perdue and her office, the NCGA and its fiscal research staff, and elected officials and community leaders is vital to fulfilling the mission and legislative mandate of the e-NC Authority - to see that North Carolinians have access to high-speed broadband to create jobs, thereby creating individual and community wealth and know how to use the Internet in their work, have access to e-learning and better access to health care.

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Additional materials and information are readily available from e-NC staff and on our Web site at www.e-nc.org.