ANNUAL PERFORMANCE PROGRESS REPORT FOR SUSTAINABLE BROADBAND ADOPTION

General Information		
1. Federal Agency and Organizational Element to Which Report is Submitted Department of Commerce, National Telecommunications and Information Administration	**2. Award Identification Number** 27-43-B10515	**3. DUNS Number** 828185087

4. Recipient Organization

C. K. Blandin Foundation 100 N Pokegama Ave, Grand Rapids, MN 557442739

5. Current Reporting Period End Date (MM/DD/YYYY) 12-31-2010	**6. Is this the last Annual Report of the Award Period?** ◯ **Yes** ◉ **No**

7. Certification: I certify to the best of my knowledge and belief that this report is correct and complete for performance of activities for the purposes set forth in the award documents.

7a. Typed or Printed Name and Title of Certifying Official Mary Magnuson	**7c. Telephone (area code, number and extension)**
	7d. Email Address memagnuson@blandinfoundation.org
7b. Signature of Certifying Official Submitted Electronically	**7e. Date Report Submitted (MM/DD/YYYY):** 01-28-2011

PROJECT INDICATORS

1. Does your Sustainable Broadband Adoption (SBA) project foster a particular broadband technology or technologies? If so, please describe this technology (or technologies) (600 words or less).

The Minnesota Intelligent Rural Communities (MIRC) project does not foster a particular broadband technology or technologies. Rather, it is designed to promote broad public access and use of high-speed networks generally as indispensable infrastructure for economic vitality and quality of life.

2a. Please list all of the broadband equipment and/or supplies you have purchased during the most recent calendar year using BTOP grant funds or other (matching) funds, including any customer premises equipment or end-user devices. If additional space is needed, please attach a list of equipment and/or supplies. Please also describe how the equipment and supplies have been deployed (100 words or less).

Manufacturer	Item	Unit Cost per Item	Number of Units	Narrative description of how the equipment and supplies were deployed
na	na	0	0	na
Totals		0	0	

Add Equipment	Remove Equipment

2b. To the extent you distribute equipment/supplies to beneficiaries of your project, please describe the equipment/supplies you distribute, the quantities distributed, and the specific populations to whom the equipment/supplies are distributed **(600 words or less).**

The MIRC project has not yet purchased or distributed any equipment. However, as of December 31, 2010 the MIRC project has distributed a total of 384 personal computers (PCs) to low-income individuals and families.
The average household size of recipient families was 2.66 persons
the average family had 1.31 school-age children
average household income of recipient families was $10.652
26.8% of recipient head of households were employed with 73.2% unemployed
42% reported that the PC they received would be used for job-related activities (including looking for work)
61% reported that the PC would be used for education-related activities
62% of families were white, 22% black, 6% Latino, 1% Asian, 1% Native American and 8% other

3. For SBA access and training provided with BTOP grant funds, please provide the information below. Unless otherwise indicated in the instructions, figures should be reported <u>cumulatively</u> from award inception to the end of the most recent calendar year. For each type of training (other than open access), please count only the participants who <u>completed</u> the course.

Types of Access or Training	Number of People Targeted	Number of People Participating	Total Training Hours Offered
Open Lab Access	0	0	0
Multimedia	0	0	0
Office Skills	0	0	0
ESL	0	0	0
GED	0	0	0
College Preparatory Training	0	0	0
Basic Internet and Computer Use	0	0	0
Certified Training Programs	0	0	0
Other (please specify): business Internet training	4,000	285	66
Total	4,000	285	66

4. Please describe key economic and social successes of your project during the past year, and why you believe the project is successful thus far (600 words or less).

As we enter the new year the MIRC project is well launched and poised to begin to create an increased "culture of use" in the 11 participating regions, towns and reservations and thereby to increase economic vitality in rural Minnesota communities. Across Minnesota, community leaders are recognizing the importance of world-class broadband for community vitality. Since the project's launch in March 2010, the full project team has been assembled, including local steering committees in each of the 11 Demonstration Communities (DCs), along with formal liaisons and coordinators within and between the project's state-wide partners. Seventeen

webinars have been delivered to project partners to support project implementation and promote best practice sharing and collaboration. Contracts have been signed with all partners and monitoring and evaluation systems are in place. An online collaboration tool has been built and is in active use by project partners to promote communication, coordination, and shared learning. Baseline utilization data has been collected for rural Minnesota and for the participating communities specifically. Intelligent Community indicators have been adopted for application by the participating communities and will be used to inform goal setting, benchmarking and project implementation. Each of the DCs has solicited and reviewed proposals for community projects keyed to addressing identified community technology goals, and over 60 community projects are in the process of being funded. In addition, one grant has been made to support a community broadband feasibility study. The projects will address opportunities and challenges in the following areas: digital inclusion, broadband development, knowledge worker development and support and innovation. State partners have designed, and begun to deliver both Internet- and classroom-based customized business Internet use training. Minnesota Learning Commons and the MN Department of Employment and Economic Development (DEED) have completed coordinated design and development of a knowledge worker course and a basic digital literacy curriculum. Both courses will be piloted virtually and in classrooms in early 2011, and subsequently rolled out statewide and integrated into the Learning Commons online resource. PCs for People has distributed 384 PCs to low-income individuals and families and has scheduled computer distribution and collection trips to each of the participating DCs. Through its involvement with the project, PCs for People has significantly expanded its profile and partnerships, including with incumbent providers who are collaborating to offer subscription discounts to low-income families. Project partners have begun to use communication collateral developed by the project team (including videos, PowerPoint presentations, talking points, and focused conversation guides) with a wide variety of audiences to increase public understanding and awareness of the role of broadband in ensuring economic vitality and quality of life with diverse audiences across rural Minnesota. The adoption rate for broadband in the participating communities has increased from an average of 60.0% at the project's inception to 61.8% at the end of the reporting period.

5. Please estimate the level of broadband adoption in the community(ies) and/or area(s) your project serves, explain your methodology for estimating the level of broadband adoption, and explain changes in the broadband adoption level, if any, since the project began.

5a. Adoption Level (%):	Narrative description of level, methodology, and change from the level at project inception (600 words or less).
62	Telephone surveys of approximately 4,300 randomly selected households throughout rural Minnesota, as well as specifically in the 11 demonstration areas of the MIRC project, were used to estimate the level of broadband adoption at the project's inception. Subsequently we have been working with a third party vendor (ID Insight) to track Internet transactions in the same selected regions to estimate new subscriptions and to calculate current adoption rates. Baseline survey results (June 1, 2010) were used to estimate the broad rates for all of the MIRC areas, which in the aggregate was 60.0%. Utilizing the broadband subscription transaction data from ID Insight we have extrapolated these numbers through December 31, 2010 to estimate a current broadband adoption rate of 61.8%.

6. Please describe the two most common barriers to broadband adoption that you have experienced this year in connection with your project. What steps did you take to address them (600 words or less)?

The two most common barriers to broadband adoption experienced to date have been:

Socio-economic and demographic barriers - here we see time and again that elderly and low-income residents have substantially lower broadband adoption rates than the general population. This is an especially big problem in rural Minnesota, as we have a disproportionate number of elderly and low-income residents.

While availability of broadband service is fairly good throughout Minnesota, we still have significant access problems for residents who live outside the municipal boundaries of our small cities and towns. In other words, those who live out in the "countryside" face a barrier to access that other Minnesotans do not.

7. To the extent that you have made any subcontracts or sub grants, please provide the number of subcontracts or sub grants that have been made to socially and economically disadvantaged small business (SDB) concerns as defined by section 8(a) of the Small Business Act, 15 U.S.C. 647, as modified by NTIA's adoption of an alternative small business size standard for use in BTOP. Please also provide the names of these SDB entities. (150 words or less)
None.

8. Please describe any best practices / lessons learned that can be shared with other similar BTOP projects (900 words or less).
Lessons Learned:

While most incumbent providers and some citizens may disapprove of government entry into the telecommunications business, we have observed time and again that those communities with a third facilities-based telecommunications provider (public or private) enjoy better and cheaper service than those communities served only by a duopoly of providers. Few communities have been able to attract a third private sector provider without significant community involvement. It is our observation that local governments are generally the leaders in promoting enhanced broadband in their communities, usually in response to identified community needs voiced by business owners and citizens. Well-served communities rarely engage in significant discussions of municipal telecommunications investments. Broad-based citizen initiatives that bring together community champions from multiple sectors (health care, education, government, business) can be effective in identifying, describing, quantifying and aggregating demand.

Across wide swaths of rural Minnesota, the telecommunications network is quite old and inadequate for the task of providing ubiquitous high-speed Internet. In order to deliver high capacity broadband across the state this network must be upgraded. Some parts of rural Minnesota, due to demographics and terrain, cannot support market-driven telecommunications investment; the costs are too high with too few customers to generate returns on investment necessary to attract market capital. It appears that absent incentives for existing and prospective telecommunications providers to leverage private and public sector investments it will be difficult for Minnesota to reach its own ubiquity goals (10 to 20 Mb per second to every household in Minnesota by the year 2015) or FCC goals.

Aggregation of public sector broadband needs can help drive down costs.

Citizens need access to computers and the Internet and the skills necessary to use these technology tools in order to participate in civil and economic life. The greatest barriers to increasing broadband adoption are socio-economic and demographic: elderly and low-income residents have substantially lower broadband adoption rates than the general population. It is our experience that programs designed to increase computer access for low-income populations show potential to address these disparities, along with initiatives to demonstrate the benefits that broadband can bring to individuals, organizations and businesses and communities as a whole.

Our experience in Minnesota supports research results showing that economic growth follows telecommunications investment. Companies seeking new locations quickly bypass communities without world-class broadband. Many of Minnesota's highest earners, including retired or semi-retired professionals, would prefer to live next to a lake or river or on a hobby farm. Unconnected communities stand little chance of attracting or retaining these potential taxpayers, not to mention college graduates.

"If you build it they will come" does not apply to broadband. Concerted, sustained cross-sectoral engagement at the community level is required to create the "culture of use" necessary to address the digital divide.

Best Practices:

Communities know best and each community is unique. Involving citizens directly in articulating their community's broadband adoption and utilization goals can help catalyze the sustained engagement required for increased adoption.

Local leadership matters. Helping local broadband champions acquire and utilize the skills necessary for effective issue framing, building and sustaining relationships (using social capital), and mobilization can be an effective approach to building a community's capacity to achieve its self-defined broadband goals.

Broadband is not an end in itself. The need to increase broadband access and utilization can be effectively promoted as a means to the broader ends of increased economic vitality and improved quality of life. Our project has been successful in framing increased sustainable broadband use as part of an integrated economic development framework, "intelligent communities," that includes broadband infrastructure, knowledge workers, innovation, marketing, and digital inclusion.