

Taking the Economic Pulse of Community Broadband

Economic development professionals who completed the Revving the Community Broadband Economic Engine survey weighed in on the current availability, affordability and speed of broadband – and how communities are working to increase all three.

By Craig Settles / *CJ Speaks*

International Economic Development Council (IEDC) members and other economic development professionals recently completed the Revving the Community Broadband Economic Engine survey, providing a valuable snapshot of community broadband's role as a local economic engine.

The survey, conducted by IEDC and me, included more than 50 questions regarding broadband, broadband policy, and economic development. Survey respondents provided a look into the complex world of community broadband deployment and several factors influencing the use of this infrastructure.

IEDC and I started surveying government economic development officials about the effect of broadband in 2006. Each year, our survey has illuminated both the challenges and benefits of broadband.

One caveat: Analyzing results takes time. "It takes a little longer than we would like to be able to measure impact because economies in general are not static," says Gene Scott, general manager of Wilson (North Carolina) Greenlight Community Broadband network. "You have to dig deep to figure out how much positive economic impact resulted from the network and how much was driven by general economic conditions."

This year's survey dovetails nicely with the U.S. Senate's recently passed Measuring the Economic Impact of Broadband Act of 2018. It was co-sponsored by Amy Klobuchar (D-Minn.)

and Shelley Moore Capito (R-W.Va.), who co-chair the Senate Broadband Caucus. Klobuchar said, "The purpose of this legislation is to use accurate and reliable data to prove how critical broadband deployment is to our economy."

AFFORDABILITY IS A MAJOR OBSTACLE

This year's survey examines three critical issues: 1) availability, 2) affordability and 3) the FCC definition of broadband speed: 25 megabits per second download speed/3 Mbps upload speed. Forty-one percent of respondents say about half their residences have broadband available, and 13 percent of respondents say 20 percent or less of the residents in their jurisdictions can get broadband.

When asked what major obstacle prevents residents from gaining access, 52 percent of survey takers responded that broadband in their area "costs too much." Twenty-eight percent of economic development pros feel their constituents are charged too much and see too little value, and another 27 percent feel that broadband in their area is so expensive that "many can't afford to buy."

For the first time, this year's survey respondents offer feedback on the roles of wireless and co-ops in community broadband.

Eleven percent of economic development pros feel that fixed wireless internet service providers (WISPs) carry the bulk of the broadband load in their respective communities.

Thirty-seven percent of survey respondents report that local co-ops have plans to build wireless broadband structure, and 35 percent say that co-ops in their jurisdictions are planning to deploy fiber infrastructure.

DRIVING ECONOMIC DEVELOPMENT WITH BROADBAND

Every year, survey respondents rank “searching for a job” as the least valuable impact of broadband access on people’s personal economic development. This year, according to the pros, the top two benefits are “improving individuals’ job skills” (29 percent) and “reaching higher education levels” (26 percent). These are two different goals requiring two different sets of tactics to deploy broadband.

For years, the broadband industry focused on download speeds when in reality many applications require upload speeds that are as fast or faster. According to the FCC standard, 25 Mbps/3 Mbps is defined as broadband speed.

Across the board, the survey respondents say 100 to 120 Mbps symmetrical is the needed speed for generating economic outcomes. The much sought-after gigabit is more of a factor in attracting new business to town and making current businesses more competitive. It is less important for attracting new homeowners or enabling libraries to maximize their services.

Economic development pros are bullish on telehealth as an economic engine. They see economic benefits using community broadband to create telehealth hubs. (Health care facilities would be the hubs.) Anchor institutions such as libraries and senior centers would spread telehealth on broadband “spokes” throughout a community. The survey indicates these hubs could create health care outcomes that directly or indirectly impact local economies.

Respondents also weighed in on economic issues related to using community broadband for K–12 education. Forty-three percent reported that less than half the kids in their area don’t have internet access at home, and 12 percent responded that 20 percent or fewer of the kids in their jurisdiction don’t have home access.

Because using community broadband effectively in education requires more than just laying fiber in the ground and placing wireless access routers in schools, respondents’ communities are implementing additional tactics to impact success: 39 percent are addressing parents’ and teachers’ digital literacy, 33 percent are attacking the homework gap directly and 36 percent are pursuing broadband and education grants.

Nothing happens in a vacuum. National trends can impact a community locally. “There’s an anti-big ISP sentiment,” says Pete Pizzutillo, vice president of ETI Software. “Local leaders want [ISPs] to offer fairer, equitable and more affordable services. Baby boomers are moving

out of communities that they may have lived in for 30 years to smaller towns with affordable living expenses. Millennials are increasingly frustrated looking for work and are turning to entrepreneurialism. What trends are shaping your broadband needs?”

SHOW ME THE MONEY FOR BROADBAND

Economic development professionals are very much aware of the need for money to build broadband infrastructure. This year, they offered perspective on a couple of new options for raising broadband funds: creating “opportunity zones” and creating programs to pay for people who can’t afford broadband services.

Opportunity zones can spur economic growth because they rely on what could be a good incentive for

DELAWARE MAKING ALL THE RIGHT MOVES

Roughly half of Delaware is hobbled, to an extent, by federal agencies’ definition of rural when it comes to granting broadband funds. Unfortunately, Delaware’s rural areas are too close to big cities to qualify for broadband funds earmarked for rural areas.

Two years ago, Delaware began responding to this challenge with actions similar to those our survey respondents recommend.

“This state of Delaware started with around \$5 million a couple of years ago and leveraged that to generate \$30 million in overall investment in infrastructure,” says James Collins, Delaware’s chief information officer. “We used economic development funds to run a fiber from our largest city, Wilmington, down to Georgetown in Sussex County. We were able to use some broadband fiber and other state funds to run from east to west, from Seaford to Lewes.”

A local electric co-op got wind of the project and was interested in leveraging the newly available fiber to connect its substations, which made it less expensive to build out broadband to members’ homes. Several law enforcement organizations paid for fiber to the state’s towers, as did area hospitals looking for higher bandwidth and lower cost than they were paying elsewhere.

“These leapfrogging efforts resulted in an expansion of about 300 miles of fiber,” says Collins. “This positioned us to do wireless pilots, which we did last year, and determined that wireless can give us the speed we need. This year, the state entered into an agreement with a WISP called BlooSurf. The state owns spectrum it got at auction from the FCC, which it plans to use to help BlooSurf deploy broadband, even up to a gigabit for businesses that need it.”

According to the agreement, the state will own the network for five years and BlooSurf will operate and sell the service. After five years, the state will turn over ownership to the WISP. Forty-seven percent of survey respondents feel that the best business model is for the public entity to own the infrastructure and for ISPs to sell broadband services.

ECONOMIC DEVELOPMENT

high-wealth people. For “individuals with capital gains that are obviously taxable ... those gains are going to end up in the government’s hands anyway,” says Ray Kresha, COO of Golden Shovel, an economic development marketing agency.

According to the rules that govern opportunity zones, Kresha says, “rather than taking those capital gains, [high-wealth people can] invest in a project that benefits the local economy of a distressed, high-poverty community. The money must stay in that project for 10 years, and the federal government cannot tax those funds in that time period.” If structured properly, investing in a broadband nonprofit that is located in the target community provides products or services that improve the local economy and may lead to job creation.

Survey respondents cited opportunity zones as their favorite option for funding broadband

networks. Thirty-seven percent say that, with planning, they could use this tactic. Another 20 percent of respondents feel that opportunity zones could boost their chances of success.

Another possible option for funding, sharing broadband across economic strata, likely will need some time to gain traction but is worth consideration.

One organization leading the charge on the cooperative option is Althea, which lets routers pay each other for bandwidth, thus allowing people to set up decentralized ISPs in their communities. Althea claims that in one of its networks, instead of one ISP at the top collecting monthly payments, many different people can earn money by expanding and strengthening the network.

This cooperative option with its smaller cost of ownership to members could allow for policies such as sliding scale payments in which members pay according to their financial situations. A barter system could be another

possibility for sharing broadband across economic strata.

“In a cooperative ISP, subscribers are owners who have a say in how the network grows and operates,” says Deborah Simpier, co-founder and COO of Althea, an emerging service provider. “Because profit is shared by the members, focus shifts to how this infrastructure can be used most effectively to benefit the community and the cooperative members. This can be a more sustainable solution, especially in the often overlooked low-income or rural areas.”

ETI Software Solutions, which specializes in operational software, sponsored the report. ❖

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