

# National Efforts to Close the Digital Divide Require Local Empowerment

Findings from a survey of more than 120 state and local leaders confirm a need for investment in broadband infrastructure nationwide and a new approach to funding deployment.

By Ariel Benjamin, Erman Eruz, Danny Fuchs and David Gilford / *HR&A Advisors*

**U**niversal broadband is the 21st century equivalent of electrification, foundational to equity and economic prosperity in urban and rural communities alike. As the Biden-Harris administration and Congress consider the most ambitious infrastructure funding bills since the New Deal, states and localities have a once-in-a-generation opportunity to close the digital divide.

The Broadband Equity Partnership conducted a national survey of state and local leaders, asking them about their priorities for a national broadband stimulus. More than 120 respondents provided insights into their investment and policy preferences, current and desired partners, confidence in deployment mechanisms, and community connection challenges. Respondents hail from 18 states across the country, including localities that vote across the political spectrum. They represent small towns, big cities, state and local economic development and IT agencies, utility companies, nonprofit organizations and educational institutions – many at different stages of implementing broadband plans.

The respondents are diverse but aligned in their investment needs. As the federal government prepares to allocate hundreds of billions of dollars for historic investments in infrastructure as part of post-COVID-19 recovery efforts, the survey confirms a need

for investments in broadband infrastructure nationwide and a new approach to funding for broadband deployment: 88 percent of respondents ranked fiber deployment among their communities' highest priorities for investment. Beyond physical infrastructure, subscription subsidies, digital literacy and inclusion programs are the highest-priority investments. Communities understand that closing the digital divide requires not only closing the infrastructure gap but also the affordability and adoption gaps.

## CHANGING FINANCING APPROACHES

To close the digital divide, the federal approach to distributing funds needs to change. Respondents have the highest confidence in the abilities of local internet service providers (ISPs) and local economic development agencies to use federal funds to close the digital divide.

National ISPs historically have been the primary benefactors of federal funding for broadband. Time and again, however, these companies fail to deliver infrastructure where it is needed. Survey respondents expressed greater confidence in more local, smaller ISPs as potential partners to develop tailored infrastructure solutions through federal funding: less than 25 percent of respondents had confidence in national ISPs' abilities to use any future federal funds to close the digital



Identified **fiber deployment** as a high priority investment in their communities

**2X**

**Trust expressed for local, smaller ISPs** using federal funds to close the digital divide, compared to incumbents

divide, and a majority were confident in local or community-based ISPs' abilities to do so.

As one respondent pointed out, "The best local organizations to do this work are often not successful at obtaining federal funds, which go to the larger national companies. However, given their lack of [local] knowledge, [the larger ISPs] are often unsuccessful at expanding access."

Indeed, communities see broadband as a crosscutting economic development issue rather than siloed as information technology or infrastructure. Overwhelmingly, respondents see local economic development agencies as capable implementation partners: 70 percent of respondents are confident in these entities' abilities to use federal funds effectively in closing the digital divide.

Local governments' other ideal partners depend on the unique challenges they face. For some, cooperation with state agencies on broadband plans is essential for overall support and matching communities with the right federal or state programs and private sector or institutional partners. For others, the most effective partners are state public utility commissions (PUCs). Some local governments already do or wish to operate as municipal ISPs themselves.

States and local governments want to determine their broadband futures, which will require changes in federal funding distribution and program standards. Respondents call for funding dispersal at the state and local levels, with the flexibility to deploy that funding to directly support their own priorities.

Communities are asking for more accountability on how ISPs spend public funding. If the existing service provision definitions are retained, ISPs can fulfill requirements with buildouts that do not address community needs. Communities so far have had little say in the way national ISPs spend federal funds to build out infrastructure. This results in buildouts in places where ISPs want to build while retaining private ownership.

At the same time, more than half of state-level agency respondents indicated that they have "investment-ready" broadband plans but lack funding. The COVID-19 relief-focused \$1.9 trillion American Rescue Plan dedicates \$350 billion in assistance to state, local and tribal governments and territories, and \$10 billion for a new Coronavirus Capital Projects Fund. These funds can be spent flexibly, and investments in expanding broadband infrastructure or service are eligible uses.

Several respondents successfully used funding from 2020's CARES Act to fund broadband initiatives, despite challenging implementation timelines. Future infrastructure legislation in support of the Biden-Harris Build Back Better Recovery Plan is poised to deliver historic, longer-term investments in infrastructure and should continue in the direction set by the earlier measures.

### **EMPOWERING LOCAL COMMUNITIES**

Empowering local communities to close the digital divide requires meaningful policy changes that complement new approaches to federal funding distribution.

Broadband is already an essential utility and should be classified as such. Fifty percent of survey respondents identified either utility classification or municipal ISP authority as a high priority for policy change for their communities.

Many respondents seek broadband utility classification and the removal of policies impeding the public sector's ability to provide infrastructure and service, including becoming municipal ISPs. These policy changes would increase leverage for local governments when partnering with third-party ISPs, set regulations around subscription prices and service requirements (such as

# ECONOMIC DEVELOPMENT

net neutrality), increase access to utility rights of way and provide more options for direct household subsidies.

Respondents noted opportunities for greater impact from existing federal broadband programs, including the FCC's E-Rate Program, which reduces connectivity costs for schools and libraries. Extending eligibility to anchor institutions would enable greater connectivity within their surrounding neighborhoods.

Rural local governments face additional challenges that require significant policy changes. Through the Rural Digital Opportunity Fund (RDOF), the FCC is using a reverse auction mechanism to direct up to \$20.4 billion over 10 years to finance broadband networks in unserved rural areas. Communities note that RDOF recipients often are not adequately evaluated on their financial and technical capabilities and do not have

satisfactory buildout plans. Some echoed the words of a respondent who said, "The RDOF should be completely revamped or eliminated. Optimally, the funds should go to the state/counties for specific targeting."

Rural localities are also held back by broadband service definitions and their misalignment with the connectivity realities of those communities. In federal maps that determine eligibility for grants such as the RDOF, many communities that experience infrastructure and service gaps are mapped as having satisfactory service, rendering their digital divides invisible.

Localities cannot afford to wait.

Although the national stimulus survey provides lessons for federal government programs, we hope that communities are energized by the urgency of the moment. As with the CARES Act funding, communities

that initiate early partnerships and plan for shovel-ready projects will be better positioned to spend federal funds once available. A century ago, electrifying the country was a long-term process requiring coordinated federal and local action; achieving universal broadband access will be similar. For local officials and national policymakers alike, decisions made now will shape more than just the nation's infrastructure for decades to come. ❖

*Ariel Benjamin, Danny Fuchs and David Gilford are co-founders of the Broadband Equity Partnership, a consultancy and program management team powered by HR&A Advisors and CTC Technology & Energy. Erman Eruz is a senior analyst with HR&A Advisors. The Broadband Equity Partnership survey was originally published by the Benton Institute for Broadband and Society.*

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