

States seek to close digital divide, expand broadband services

by Carolyn Orr

Decades ago, rural parts of the Midwest were worried about being left in the dark. While the nation's cities were lighting up, electricity was slow to come to areas where population densities were lower and costs were higher.

Now, some of the same obstacles that once plagued rural electrification efforts are standing in the way of access to high-speed Internet services. And once again, residents in the region's more sparsely populated areas are concerned they may be left behind.

"Internet access is not a frill but a basic utility, required for attracting new residents, maintaining industry and educating our young people," says Bill Graham, mayor of Scottsburg, Ind., a town of 6,000 people located in the southern part of the state.

As high costs, low returns on investment and a lack of infrastructure hinder broadband deployment in some rural areas, state policymakers and local officials are searching for ways to expand access. Graham, for instance, has gained national recognition for leading Scottsburg to develop its own wireless broadband network.

"The rural electric cooperatives electrified the countryside years ago, and spreading broadband across the region is just as important today," Graham believes.

"The possibilities are endless. It allows companies from rural communities to submit and qualify for federal grants. Young people, interested in returning to rural roots, will not do so without high-speed access. It is more than an economic issue; it is also a quality-of-life issue."

Plugging in

In Scottsburg, city officials had worked diligently to foster economic development and had seen 2,500 jobs created in the decade prior to the economic downturn of 2001. But since then, it has been a battle just to keep jobs from leaving the community. Some companies told Graham and other local officials that without better Internet access, they couldn't compete and would have to relocate.

The mayor searched for answers, but major telecommunications companies and consultants told him it would cost millions to hard-wire Scottsburg. The town then began working with a wireless company and local utility, and spent \$400,000 itself to deliver a wireless broadband network not only to local businesses, but to the entire county as well as parts of four others.

Residents can now access high-speed Internet services for \$35 a month. Graham had projected having 100 customers in the first year, but 500

signed up within the first twelve months. Businesses that were seeking relocation sites or expanding elsewhere have stayed and added jobs. In addition, local schools have saved significant money on telecommunications costs.

Graham says Scottsburg's story illustrates the importance of having advanced telecommunications capabilities in smaller, rural communities.

States are recognizing this need as well. Through an initiative known as Access Appalachia, for instance, Ohio officials have been assessing the supply of and demand for broadband services and outlining plans for deployment in this rural part of the state.

In addition, the Ohio Department of Development's Small Communities Broadband Planning Program provides grants to approximately 15 rural communities. These state dollars are used to identify the demand for broadband and to develop plans to access needed levels of service at an affordable price for the locality.

Another program provides training for leaders from underserved rural and small communities on how to effectively negotiate service packages between the community and appropriate broadband providers.

Boosting access in Michigan

Michigan has been recognized several times as a national leader among states in trying to expand broadband applications and services.

One example of these efforts is the Michigan Broadband Development Authority. Created through legislation passed in 2002, the MBDA has been charged with attracting investment in underserved communities and expanding the availability of affordable broadband service. It does so by offering organizations in the public and private sectors low-cost financing for the acquisition of hardware, software and services that will improve or increase their use of broadband technologies.

"In just two years, the authority assisted nine providers, impacting 150 cities in 45 counties," says Paulette Porter, MBDA director of market-

Increases reported in number of high-speed lines connecting to Internet*

| State | June 2000 | June 2001 | June 2002 | June 2003 | June 2004 |
|---------------|-----------|-----------|------------|------------|------------|
| Illinois | 166,933 | 350,241 | 553,442 | 871,469 | 1,305,091 |
| Indiana | 49,702 | 80,364 | 159,392 | 237,030 | 519,514 |
| Iowa | 49,159 | 72,583 | 102,932 | 162,257 | 229,811 |
| Kansas | 42,679 | 101,734 | 149,733 | 248,796 | 323,217 |
| Michigan | 135,318 | 395,583 | 538,416 | 736,755 | 955,242 |
| Minnesota | 65,272 | 148,012 | 273,907 | 400,370 | 567,365 |
| Nebraska | 44,188 | 55,188 | 92,849 | 141,172 | 199,282 |
| North Dakota | 2,437 | 6,277 | 14,164 | 25,474 | 39,274 |
| Ohio | 156,980 | 358,965 | 580,078 | 821,935 | 1,157,787 |
| South Dakota | 3,516 | 5,448 | 12,555 | 22,016 | 34,026 |
| Wisconsin | 34,262 | 127,755 | 257,099 | 401,995 | 565,160 |
| United States | 4,367,434 | 9,616,341 | 16,202,540 | 23,459,671 | 32,458,458 |

* High-speed lines are connections that deliver Internet services at speeds exceeding 200 kilobits per second in at least one direction.

Source: Federal Communications Commission

ing and business development. "This was all accomplished in the shadow of a massive state budget deficit of \$3 billion and reductions in state funds."

Last year, the authority provided a low-interest loan to M-33 — a Michigan-based Internet service provider — to extend and improve wireless broadband services in one of the state's most rural and underserved areas. When completed, the 10,000-square-mile network will be the largest in the country. Approximately 158,500 households and 9,700 businesses will have access to it.

Porter says investments like these will prove to be critically important for many Michigan communities.

"Railroads were not thought to be important to a town until they were gone; then the town died," she says. "High-speed Internet access will be required for vibrant, thriving towns and communities in the future."

The state also is trying to make access more affordable to moderate- and low-income residents through the new Digital Divide Investment Program. The pilot initiative targets two counties in Michigan and will be funded through a combination of MBDA loans and Community Development Block Grant funds.

Broadband providers willing to invest in areas that have 51 percent or more of low- and moderate-income families will compete for program grants. Their grant applications will be judged on affordability (price of service), their plan for marketing services to households in the community, total investment and the financial viability of their proposed project area. ✨

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