

Statement by

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*Building Opportunity in Rural America through Affordable,
Reliable and High-Speed Broadband*

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INTRODUCTION AND BACKGROUND

Chairman Scott, Ranking Member Scott, and members of the Subcommittee, thank you for this opportunity to testify today on the essential role of high-speed broadband in fostering rural economic development. I am David Hengel, Executive Director of Greater Bemidji in Bemidji, MN – a public-private partnership created to drive development and promote prosperity in the greater Bemidji region. Greater Bemidji has three staff and an annual operating budget of \$300,000 – a majority of which is provided by 70-plus businesses in our region. I just completed my 30th year in economic development—first at a regional level at the Headwaters Regional Development Commission, and now as the Executive Director of Greater Bemidji.

Bemidji is the regional center for the lakes and pines country of north-central Minnesota. Surrounded by three Native American reservations, our economy is dominated by health care, retail sales and services, and tourism – with a very modest manufacturing base. With an area population of 65,000 residents, it is Minnesota’s fifth fastest-growing community and yet also one of its poorest. Over the past seven years, our population has increased by 2,000 people with over 1,700 new jobs, wage levels are up 26.5 percent, and overall economic activity has increased over 25 percent. Despite the growth, incomes typically range from 65-70 percent of the state and national averages and over 20 percent of Bemidji area residents live in poverty. Despite currently being at a historic low, our unemployment rates still exceed both the state and national averages.

Greater Bemidji’s mission is to help drive the positive economic numbers even higher, and high-speed broadband is intricately woven into our economic initiatives. Greater Bemidji has earned a reputation in Minnesota as an innovator in economic development through the success of our industry-led training center – the Minnesota Innovation Initiative – that provides timely, relevant, cost-effective manufacturing training to job seekers. In only four years, the initiative has trained well over 1,000 job seekers, 80% of whom have been placed in good jobs in our region. Another successful economic development innovation was the creation of Greater Bemidji’s LaunchPad. The LaunchPad is a one-stop-shop for entrepreneurs, providing the co-working space, technical support, financial support, business planning, peer-to-peer mentoring and one-on-one mentoring they need to start their businesses. In its three-year existence, the LaunchPad has spun off 51 new companies.

BROADBAND HAS BEEN A CRITICAL COMPONENT OF OUR ECONOMIC DEVELOPMENT

The world of economic development has changed dramatically in the last five years. Technology, and more specifically broadband, has been an essential part of our strategy and our success. Broadband has the potential to level the playing field between urban and rural as never before in history. One could even say that there are two kinds of rural regions in the US – those that have the

broadband infrastructure to compete in our new information and innovation economy, and those that do not.

In the past, our nation has made bold decisions to ensure our nation's rural areas are competitive – from ensuring everyone has access to telephone services to building the interstate highway system. Based on my experience, broadband is the “interstate highway system” of our generation. Without a strong, fiber backbone, rural communities will no doubt be left behind.

Thankfully, national policy calls for telecom service in rural areas to be reasonably comparable in quality and price to what is available in urban areas. Based upon this policy, the federal government has recognized that broadband is an essential service by providing support for the construction and ongoing operation of rural networks through programs overseen by the Federal Communications Commission (FCC) and the U.S. Department of Agriculture (USDA). If rural America is to have any hope of playing a role in the global economy, it will be essential to ensure that these programs are positioned for the future to provide predictable, reliable support to operators committed to providing high-speed broadband in sparsely populated areas where there is no business case for telecom service otherwise.

Moreover, Minnesota has a state broadband office called the Office of Broadband Development that is the envy of other states. The Minnesota Office of Broadband works in concert with the federal programs to support robust broadband deployment in rural areas and develops reliable broadband availability maps to ensure that the government resources are distributed efficiently and with maximum effectiveness. Even with the available federal and state resources, a rural area still needs a broadband provider that is committed to serving the area with reliable, robust broadband.

Bemidji has been blessed. Our rural telecommunications cooperative, Paul Bunyan Communications, took the bold and visionary approach of laying one of the nation's largest all-fiber broadband networks in the nation. As a result, nearly every home, farm or business in our region has access to gigabit upload and download broadband speeds. The broadband services we have in Bemidji and surrounding rural areas rival any in the nation, and they come at affordable prices. Why? Because Paul Bunyan Communications understands the impact broadband will have on the economic development of its region.

Paul Bunyan Communications is not alone in providing exceptional broadband services in our region. MidCo, a regional broadband provider, serves the upper Midwest and provides high-speed broadband services in parts of the Bemidji area. Having two leading-edge companies serving our rural community is certain not typical.

Drawing on my experience in rural economic development, I've observed that broadband's economic impact in rural areas is especially significant in the following three areas:

Corporate Recruitment and Business Expansion

Recruiting companies and corporate expansions to an area is an ongoing mission for any economic development office. For the first twenty years of my career, when a company was considering our region, they would focus on three things: access to cheap capital, cheap labor and cheap land. Today, when I'm recruiting companies to Bemidji, I'm asked different questions: 1) Can I find the talent I need?; 2) Is Bemidji a great community to live in?; and 3) Does the region provide the broadband infrastructure to support my company?

Delta Dental is our most recent success story. Delta Dental is currently developing a new, \$15 million operations center in Bemidji that will employ 165 residents at wages significantly higher than the average wage in the region. Delta Dental chose Bemidji in large part due to the fiber broadband infrastructure offered by Paul Bunyan Communications. When announcing their decision to expand in Bemidji, Delta Dental's head of technology said, "the broadband services we can get in Bemidji are far superior to what we can get in our corporate headquarters in downtown Minneapolis." Delta Dental is not alone, as our area's broadband infrastructure has been central to several corporate recruitment and expansions in our region.

Winning the Race for Talent

Increasingly, economic development is a race for talent, not a race for companies. In a tightening labor market, companies are expanding in places that have the quality of life and amenities that provide them the ability to recruit the best employees. As we baby boomers look toward retirement, companies are investing in communities that appeal to the younger generations for whom high speed broadband is a "must have" – they simply will not move to or stay in a community that does not allow them to be connected to the rest of the world.

Bemidji's recent growth is certainly due in part to our natural amenities, Bemidji State University, our vibrant downtown, and our expanding arts and cultural scene. But there can be no doubt that we would not have grown at the rate we have without our broadband infrastructure.

Start-up Communities

Finally, economic developers are increasingly focused on creating what we call "start-up communities." Great start-up communities focus on ensuring their area has the foundational resources to help entrepreneurs start and prosper. Typically, anywhere from 50-70 percent of new jobs are created by local entrepreneurs.

Greater Bemidji dove into start-up community work three years ago with the opening of our LaunchPad, a one-stop-shop for entrepreneurs that includes access to technical and business assistance, financial support, training and peer-to-peer networking. To date, 51 new companies have been supported by the LaunchPad. My personal favorite service at the LaunchPad is what we call “Office Hours”, where retired CEOs from throughout the region provide free, one-on-one mentoring to aspiring entrepreneurs. The LaunchPad also provides co-working space, where at any one time 50 young businesses are operating their companies.

The single most important service the LaunchPad offers its entrepreneurs is access to gigabit broadband service. Every entrepreneur using the LaunchPad today – as well as the 51 companies that spun off from the LaunchPad – required access to robust broadband services. Unfortunately, during the start-up stage, that broadband can be financially out of reach. The LaunchPad connects our rural entrepreneurs to the world, but we can only do this because of the fiber infrastructure in our region provided by Paul Bunyan Communications.

NTCA–The Rural Broadband Association – the national trade association for small, rural broadband providers like Paul Bunyan Communications – has its own program designed to highlight innovation called *Smart Rural Communities* that recognizes broadband providers and communities that deploy and use robust fiber networks to jumpstart economic growth and improve access to first-rate education, healthcare, and government services. Paul Bunyan Communications received NTCA’s *Smart Rural Community Showcase* award in 2015 for its work in Bemidji.

RURAL ECONOMIC DEVELOPMENT SUCCESSES

In rural areas, as discussed earlier, broadband connectivity presents a unique challenge due to geographical barriers – barriers that broadband can help break down and overcome. Indeed, in rural and urban areas alike, broadband availability and adoption strongly correlates with increased economic opportunity and prosperity. A 2016 government study found that just 41 percent of adults with household incomes less than \$20,000 had home broadband access, while 90 percent of adults with household income higher than \$100,000 had access.¹ Other studies reveal that the availability of broadband services, regardless of adoption, added as much as 1.4 percent to the U.S. employment growth rate.²

Investing in rural broadband has far-reaching effects for both urban and rural America, creating efficiencies in healthcare, education, agriculture, energy, and commerce, and enhancing the quality of life for citizens across the country. A report released in 2016 by the Hudson Institute in conjunction with the Foundation for Rural Service underscores the nationwide benefits that arise

¹ [Digital Inequality and Low-Income Households](#), HUD Office of Policy Development and Research (2016).

² Galperin and Viicens, [Connected for Development? Theory and evidence about the impact of Internet technologies on poverty alleviation](#), Development Policy Review (2017).

from rural broadband; this study found that investment by rural broadband companies contributed \$24.2 billion to the economies of the states in which they operated in 2015.³ Of this amount, \$8.3 billion accrued to the benefit of rural areas, while nearly \$16 billion accrued to the benefit of urban areas. In addition, better broadband access in rural America is helping to drive growth in online transactions – a recent survey found, for example, that rural consumers account for more than 10.8 billion internet-driven transactions annually, representing approximately 15% of the national total.⁴

The benefits of rural broadband, however, go beyond sheer numbers – it is helpful as well to understand the productive uses of broadband and what they mean to those communities that get and stay connected. Rural America needs broadband not only to help farmers efficiently produce the crops that are sold around the world, but to help rural small businesses participate in the global economy and help all rural citizens experience the potentially life-changing healthcare, educational, and employment benefits of broadband.

A major benefit of rural broadband, for example, comes in the form of distance learning. With a shortage of teachers in many areas of rural America, many schools must rely on high-speed connectivity to deliver interactive-video instruction for foreign language, science, and music classes. For example, one rural South Dakotan teaches Level 1 and 2 Spanish to over 100 students in over a dozen high schools from a small office located on her farm. Her broadband connection enables her to instruct hundreds of students who otherwise would not have the opportunity to learn Spanish. In Minnesota, Fergus Falls Public Schools use a high-capacity connection between the various school buildings located throughout the city. This broadband connection enables staff to access and share files seamlessly across the network, and supports iQ Academy Minnesota, an accredited public-school program offering Minnesota students in grades K-12 an innovative, high-quality alternative to the traditional learning experience.

Access to healthcare is a critical issue for rural areas, where the lack of physicians, specialists, and diagnostic tools normally found in urban medical centers creates challenges for both patients and medical staff. Telemedicine applications help bridge the divide in rural America, enabling real-time patient consultations and remote monitoring, as well as specialized services such as tele-psychiatry. A small broadband provider in Georgia partnered with the county public school system to deploy telehealth equipment to connect the school nurses' offices with physicians at a regional hospital. Through this partnership, the hospital, the school system, and the rural broadband provider facilitate better healthcare for students who might not otherwise see a physician in an area where parents can ill afford to miss a half or full day of work for a doctor visit.

High-speed broadband helps first responders foster safer communities. The Perham Fire Department in Minnesota serves 164 square miles and five townships. Relying on broadband and

³ [The Economic Impact of Rural Broadband](#), The Hudson Institute, Washington, D.C. (2016).

⁴ [A Cyber Economy: The Transactional Value of the Internet in Rural America](#), White Paper, iGR (2018).

LTE, each volunteer firefighter's smartphone includes a mobile app that allows the firefighter to view reported fires, use GPS to find the fire's location, and confirm the availability of each team member. The app also identifies the location of nearby fire hydrants. And in Melrose, MN all police department vehicles are equipped with Wi-Fi and GPS, providing officers immediate access to data and improving overall community safety. The broadband network provided by a small, rural carrier also assists local ambulance services with a traffic-signal-prioritization system to manipulate traffic signals for emergency vehicles in transit.

Finally – in part by improving access to quality healthcare, education, and public safety – fast, high-capacity broadband in rural areas also creates jobs. In Sioux Center, Iowa, a major window manufacturer built a 260,000 square-foot plant to employ 200 people. The company considered more locations throughout the Midwest, but selected Sioux Center in part because the rural broadband provider enabled this plant to connect with its other locations throughout the U.S. Similarly, in Cloverdale, Indiana, a rural broadband provider met with developers and helped bring an industrial park to its service area. Powered by this provider's broadband, the facility created more than 800 jobs in the area. These stories are repeated throughout those rural areas with access to robust broadband.

CONCLUSION

The title of this hearing is “Building Opportunity in Rural America through Affordable, Reliable, High Speed Broadband.” I am not an expert in broadband policy or deployment, but I can testify to the impact high-speed broadband can have on our nation's economy, particularly in rural America.

For our nation's rural communities to be competitive, they must have the foundational infrastructure to support a transforming economy that is increasingly driven by technology. Historically, great roads and highways, water and sewer systems, and industrial parks were the foundational infrastructure for communities. Today, these are as necessary as ever before, but they are not sufficient. High-speed broadband is now required for rural America to compete.

As I said earlier, I have been blessed. Because of bold decisions made by broadband leaders in our community and surrounding rural areas several years ago, my community of Bemidji, Minnesota has the gold standard of high-speed broadband service. Since then, the impact has been clear and observable. Because Bemidji has gigabit broadband service, companies are choosing our area over other potential locations. Young, talented people are moving to our region in part due to the available high-speed broadband. Finally, we are churning our new business start-ups at an unprecedented rate due to the broadband-focused Greater Bemidji LaunchPad. I would encourage the Congress to do all it can to help other parts of rural America reap the benefits we have in Bemidji. Thank you.



RED LAKE

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LEECH LAKE

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MOORHEAD

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