



Broadband Funding: Yes, in Your Backyard

Rural communities intent on providing broadband networks can't wait for help. They have to look inward. Downhome investors are making IT advancement real.

by Craig Settles

As technology grant applicants and broadband champions watch developments unfold on various fronts, there's a danger that frustration will drive people to "excuse-driven" broadband strategy:

"We can't until..."

"We won't unless..."

"If they don't...."

Look, folks, if people want broadband, they have to look in the mirror for the solutions to obtain it.

Many communities know this already, but everyone needs to embrace this same reality. There isn't enough grant money to dent the broadband need, even if Universal Service Fund money shifts to broadband. And despite the Federal Communications Commission's and other agencies' best efforts, a range of formidable obstacles stands in the way of rural broadband, obstacles that the Feds are hard pressed to overcome.

I believe that for a majority of communities, if broadband is going to happen, most of the burden will have to rest on those local communities. (See my Top 10 Prescriptions for Getting Broadband Done.) The main challenge is money. It takes a lot of it to build real broadband. However, if you're willing to be open-minded, consider one approach that's proved successful. (Keep your mirror handy.)

Last year I came across National Community Development Services, Inc. (NCDS), which specializes in boosting the economic health

of communities through a process they term "economic development fundraising." Their president, Tom DiFiore, and I co-hosted a Webinar on broadband strategy because I believe a process that can raise \$1.6 billion over 30 years for projects that spur economic development deserves a fair review by those of us in broadband.

Taking A Different tack to financial sustainability

The concept is simple, really. Rather than look for customers to buy services, build a financial sustainability strategy based on recruiting investors from within the community or communities building the network. "Investors" isn't a euphemism for "subscribers"; instead, it refers to people who invest more than the price of services in exchange for a piece of the action. In other words, communities need to treat broadband networks as business ventures.

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Tom DiFiore
National Community Development Services

“Key funders have a greater sense of ownership in the initiative they are funding,” explains DiFiore. “An investor expects a return on his or her investment, but for economic development fundraising, the investor’s primary return is benefits the community receives. Broadband creates economic growth, prosperity, and vibrancy for a city, county, or region. The largest stakeholders in that community’s wellbeing, therefore, are logical potential investors in that mission, even if they are not customers on the network.” The first question that probably comes to mind is, who invests in something that doesn’t go straight to their bottom line or investment portfolio? I’ve checked into a couple of these projects to find the answer, and then considered how this process applies to broadband.

Lake Area Improvement Corporation is an economic development corporation in Madison, South Dakota, that raised \$2.1 million from local investors. A community of 6,000, Madison did a feasibility study to determine how it could move forward with much needed business growth. The study focused the community on four areas to attack, but the people of Madison didn’t have a mechanism for addressing these goals until they discovered economic development fundraising.

For its campaign, Madison looked at four areas of need, identified tasks necessary to meet those needs, calculated the costs of implementing the tasks and went out to raise those amounts of money. The four focus areas are 1) business retention and workforce development, 2) entrepreneurial development through economic gardening, 3) new businesses attraction, including competitors and 4) campaigns to market the community.

Dwaine Chapel, executive director of the corporation, says that in the current economy it’s difficult to get grants for infrastructure or assistance from city government to do these things. True, and why should local businesses invest in a program that will likely produce new competitors?

“We have models Tom DiFiore gave us that show when a particular company invests ‘x,’ what the impact is on their bottom line,”

explains Chapel. “A business might take a hit in the short term, but overall everyone does better. They get an increase in the workforce, better-educated workers, customers with more money to spend.” A typical scenario might be to create a co-op or other nonprofit entity, such as many communities did when applying for broadband stimulus grants, and develop a budget for how much it would cost to build and operate a broadband network. Assemble leaders of 10 or 12 of the community’s larger commercial and educational organizations to propose that each of them and local government invest a fairly proportioned amount into the co-op. The co-op then retains contractors and hires personnel to build and operate the network. The investors received high-end broadband services as part of their return-on-investment package, while profits from revenues go back into network services that benefit the community, or into other economic development activities.

DiFiore remarks, “A small county may launch a \$2 million initiative with a lead investor at two or three hundred thousand dollars and the next ten giving around \$900,000 collectively. City and/or county government can usually come up with 30-40% of what’s needed for these kinds of initiatives, lessening the funding burden for local businesses.”

Madison, SD, has partnered with a group of communities along Interstate I-29 to pursue last-mile networks regionally. “We plan to use the same economic development fundraising approach, just on a bigger scale,” states Chapel. Besides securing local investors, they’re also working with state sources of funding, reached out to pursue National Science Foundation grants and are partnering with South Dakota Network, the group that won a \$20.5 million stimulus grant to build a middlemile network.

An excuse-driven broadband strategy, or an economic development fundraising strategy? Which approach will your community use? If you still have that mirror, the answer’s in your hands.

[Craig Settles is a broadband consultant based in Oakland, California. His book "Fighting the Next Good Fight: Bringing True Broadband to Your Community" comes out this month from Hudson House.](#)