

## **Testimony Presented by Dominik Mjartan to the Senate Committee on Commerce, Science, and Transportation**

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Thank you for allowing me the opportunity to testify about the dire need for improved digital infrastructure in our rural areas. My name is Dominik Mjartan, and I serve as Vice President of Southern Financial Partners, a comprehensive community development organization affiliated with Southern Bancorp (“Southern”), the largest rural development bank in America. We operate in several targeted communities, but our flagship operations are in Phillips County, Arkansas.

With a poverty rate of 30 percent, Phillips County is the poorest county in Arkansas and exemplifies the problems faced by rural areas throughout the state. It has suffered significant economic and population declines over the past several decades, as the agricultural economy has undergone fundamental changes. Phillips County has experienced a host of other problems ranging from crumbling infrastructure to poor educational outcomes that make successfully competing in the 21<sup>st</sup> century knowledge-based economy difficult. Access to high-speed internet offers a bridge between past challenges and future success.

However, most rural areas are completely cut off from the digital world due to lack of broadband. The result is a digital divide that further worsens poverty and related issues. The most relevant and successful federal program that addresses the need for increased broadband access in rural areas is the USDA’s Community Connect Broadband program. The Community Connect program has successfully brought broadband service to communities in other parts of the country, but so far not a single Arkansas community has received a grant under Community Connect. While the overall structure of the program has the potential to benefit the struggling Arkansas communities Southern serves, these communities face several difficulties accessing the program:

- A key eligibility criterion for the grant is that no household in the community has access to a broadband service. This requirement excludes many communities that have only minimal broadband coverage, or whose coverage only includes higher-income neighborhoods. This also means that broadband providers can install a single switch in a community to pre-empt an attempt by a competitor to bring coverage to an area with help from the USDA program, leaving the community without real broadband coverage and unable to access the USDA’s program.
- Community Connect awards points based on the economic need of the targeted rural area in a way that does not fully acknowledge the extreme income disparities that exist in many rural communities. The program awards points based on per capita income, instead of other measures, such as poverty rate or median income, which better reflect the economic hardship of the community. A community like Lake View in Phillips County scores only 15 out of 30 possible points in the “economic need” category, despite having a poverty rate of 45 percent, an unemployment rate of 30 percent, and a median income of \$15,500. It is worth noting that the USDA has responded to this challenge and accordingly modified the rules for the upcoming 2008 grant cycle.

- For-profit service providers are required to apply for Community Connect grants, but the grants don't adequately cover the costs of bringing broadband to many rural communities – particularly the smallest and most at-risk communities, which are unable to provide a substantial source of revenue to make the project sustainable beyond the term of the grant. As a result, service providers lack the confidence to make long-term commitments. Extending the grant period beyond 2 years would improve the cash flow of these projects.

These proposed changes would go a long way toward leveling the playing field for Arkansas communities. Overall, more funding is needed, through this program or other federal programs, to fulfill the urgent need to bring broadband services to rural areas.