



PO Box 2599 • Bismarck, ND 58502
Phone: 701.355.4458 • Fax: 701.223.4645
office@itcnd.org • www.itcnd.org

Testimony of Gary Inman
Information Technology Council of North Dakota

Interim Information Technology Committee
June 18, 2014

Chairman Weisz and members of the Interim Information Technology Committee:

My name is Gary Inman, and I am vice president of information technology for Bell State Bank, and I also serve as the president of the Information Technology Council of North Dakota (ITCND). Thank you for the opportunity to provide information on the Dakota Fiber Initiative, which ITCND is championing.

ITCND was created in 2000 by North Dakota business, government and education leaders who recognized the need to strengthen the state's information technology infrastructure and reposition the state as a national leader in IT. Today, ITCND has nearly 90 member organizations, with representatives from industry, government and education.

Background

The objective of the Dakota Fiber Initiative is to *"provide affordable, world-class internet speed and reliability to every individual in the state of North Dakota."* The Dakota Fiber Initiative was rolled out during Senator Hoeven's Technology Conference in late August 2013 when Doug Burgum shared his vision for North Dakota to have the highest speed and greatest bandwidth internet infrastructure in the world by 2015 through partnerships with the public and private sector.

Following the conference, Burgum held a meeting to further identify the supply and demand issues regarding broadband in North Dakota. ITCND was approached as a logical champion for the initiative because of its infrastructure development goal of working for affordable access to state-of-the-art voice, video and data service for all North Dakotans. In addition, ITCND is a statewide entity that represents both the supply and demand side of the broadband issue.

Although North Dakota currently has significant bandwidth coverage across the state, initial discussions point to the issues of inadequate speed, affordability of adequate speed, and assurance that

capacity can meet future demands. Both broadband supply and demand data exists, but there is a need to compile the existing information, identify gaps in coverage, and address affordability issues.

The Dakota Fiber Initiative is a statewide initiative focused on broadband policy and assessment. The policy component will create a favorable environment for expansion of affordable broadband services statewide. The assessment component is being approached in three geographical phases: 1) Pilot 1: Fargo/West Fargo, 2) Pilot 2: other urban areas, and 3) statewide. Each phase will include a feasibility study, supply and demand assessments, and solution facilitation. ITCND will be the coordinating entity for both the supply and demand sides of this initiative.

Accomplishments to Date

Since updating this committee in March, several steps have been initiated with many ongoing. An Advisory Committee continues to guide the initiative. Research of policy incentive options is ongoing with focus on ensuring that broadband infrastructure is considered along with traditional infrastructure (roads, water, power). In addition, Senator Grindberg has requested an analysis of broadband incentives in other states with results expected in the near future.

The broadband supply assessment for Fargo and West Fargo has been completed and is included in the testimony. RFPs have also been issued for a Fargo/West Fargo demand assessment and a statewide impact assessment.

Research of several policy incentives resulted in the following conclusions:

- Make permanent (or extend) the sales and use tax exemption for equipment used in telecommunications infrastructure development
 - Legislation passed in 2013 provides a 2017 sunset, so work will be done to address it at that time.
- Expand the current Renaissance Zone program or develop a “wire” zone using the same structure
 - Upon research, the North Dakota Department of Commerce confirmed that broadband infrastructure qualifies under the current Renaissance Zone program as a “public utility infrastructure” project. Property owners would qualify for income and property tax exemptions.
- Develop a state program for urban areas similar to the federal program used for rural broadband build out
 - The successful federal programs were a combination of low interest loans and grant funds, which could be replicated on the state level. However, low interest loans are not

attractive now, and the capital investment for providers is so significant that a state grant fund would have to be very large to make any impact.

- Pursue legislation to require conduit to be part of infrastructure development when new roads/bridges are built in communities
 - Both cities and providers say this is happening already. In addition, there is resistance to having the state provide a “mandate” to local communities.

At this time, there are no specific policy recommendations. However, the results of Senator Grindberg’s request to explore broadband incentives in other states is yet to be analyzed, and policy options to ensure broadband infrastructure is considered along with traditional infrastructure is still being considered.

Next Steps

Upon completion of the demand assessment for the Fargo and West Fargo area and the statewide impact assessment, the Advisory Committee will recommend next steps based on the results. Discussions will be facilitated with the appropriate stakeholders to address gaps identified with the intent of identifying cost-effective solutions. ITCND will continue to research the policy options previously mentioned to determine which may be the most effective to incentivize fiber rollout in the gaps identified through the broadband supply assessment. We will then begin Phase 2 (based on funding), which will identify additional gaps in other urban areas across the state. This will lead to Phase 3 where statewide analysis will take place.

Summary

Thank you for the opportunity to brief you on the Dakota Fiber Initiative. Any input you might have regarding the initiative would be welcomed as well.

I’d be happy to answer any questions.

DAKOTA FIBER INITIATIVE

*Lit Premises
Fargo and West Fargo, ND*

Prepared for:
ITCND
Bismarck, ND

May 2014

Project #18149903



NATIONAL PERSPECTIVE
REGIONAL EXPERTISE
TRUSTED ADVISOR

INTRODUCTION

Summary

The Information Technology Council of North Dakota commissioned KLJ to determine and document current fiber fed premises within the cities of Fargo and West Fargo, ND. Currently North Dakota has significant bandwidth across the state, although there are concerns with speeds offered, cost of broadband, and infrastructure for future demands. Certain areas of the state, including the Fargo area, have broadband offerings that with costs above the national average. This study is the first attempt to look at fiber fed premises and is expected to be expanded statewide.

Process

Deana Wiese from ITCND made initial contacts to service providers in the Fargo and West Fargo areas. Cable One was the only carrier that did not agree to be part of the study. DCN, Midcontinent Communications, 702 Communications, Century Link, and Enventis agreed to participate in the study. KLJ spoke with the company representative for each participating entity, to explain what we were doing, what we needed, and what the time line for the project was. Letters were sent to the service provider contacts on April 8th, 2014 with a request for all fiber fed premises within the cities of Fargo and West Fargo. It was asked that all information be sent to KLJ by April 21st, 2014. Both the conversations and letters emphasized that only KLJ would have access to the raw data from each carrier and that there would be no distinction between any of the carriers on the map (see attached). A map was generated with a dot representing each fiber fed location, with no distinction between any of the carriers.

Gaps

Most of the lit premises are in the Fargo city limits even when the difference between the areas of the cities is taken into account. It also appears that most fiber fed locations are businesses with little or no fiber to residential locations. Most locations appear in downtown Fargo. The further out you go in each city, the fewer fiber fed locations there are. The gathered data shows 1,721 lit buildings in Fargo out of 49,956 housing units (based on 2010 census data, revised August 6th, 2013) and 2,812 employer establishments (based on 2007 census data) and 276 lit buildings in West Fargo out of 10,760 housing units (based on 2010 census data) and 379 employer establishments (based on 2007 census data). It should be noted that employer establishments do not necessarily represent buildings and that one building may have multiple businesses.

ITCND DAKOTA FIBER INITIATIVE

