INFORMATION TECHNOLOGY COUNCIL OF NORTH DAKOTA

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Testimony of Deana Wiese
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Interim Information Technology Committee
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Chairman Weisz and members of the Interim Information Technology Committee:

My name is Deana Wiese, and I am the executive director for 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.

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 effort 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 June, several steps have been initiated with many ongoing. An Advisory Committee continues to guide the initiative.

The **Fargo/West Fargo demand assessment** is complete. Preliminary results indicate that:

- Every business considers internet very important or critical to its business, with nearly 80 percent stating it's critical.
- Reliability and uptime are the most important factors when selecting an internet service provider, followed by speed and cost.
- One third of businesses indicated its internet speed is too slow and one third said its service was too expensive.
- Almost half of businesses pay more than $1,000 per month for service; another 39 percent pay between $100 and $500. More than half of businesses have a connection between 10 and 100 Mbps. For comparison, Google Fiber communities pay $70 per month for gigabit residential service. Google Fiber does not offer a business package.
- Forty-six percent of businesses are interested in speeds of one gigabit or more with 52 percent indicating they are willing to pay 10-50 percent more to obtain optimal speed.

The **statewide impact assessment** is near completion with initial results showing significant research indicating the economic impact of broadband availability. However, there is little statistical data quantifying the economic contributions of high-speed internet service, specifically a gigabit, as it a very new concept with limited use nationwide. Research shows that broadband availability provides five types of economic support: 1) economic growth through increased GDP, 2) productivity gains, 3) job creation, 4) consumer surplus, and 5) firm efficiency.

The assessment indicates that, even as North Dakota's economic boom continues, the state's high-tech economy remains underdeveloped. Only two of the 11 key high-tech industries in the state show a higher-than average concentration. These are the areas of engineering services and software publishers, which account for more than 5,000 jobs with each job paying more than $90,000. Overall,

the state lags in concentration of high-tech service industries nationwide by 34 percent with the two most critical lagging sectors being custom programming and computer systems design services, which are both seeing strong growth nationwide. Research and development and online publishing industries lag significantly as well. This illustrates the significant opportunity for growth in the other nine industries, offering excellent jobs and providing economic diversification, which is critical to the long-term prosperity of the state.

The broadband infrastructure that supports gigabit data provides the means to grow and strengthen these high-value industries, which benefit nearly every sector, including finance, manufacturing, agriculture, health care and energy, in the form of productivity gains and access to new markets. The assessment indicates that an accessible, affordable, high-speed data network is another tool in state's economic toolbox that will provide long-term payback for the state.

Policy Options

Numerous policy options have been suggested and evaluated as a means to stimulate increased availability and affordability of gigabit service across North Dakota in order to take advantage of the opportunity to grow the high-tech economy. Discussions have been held with numerous stakeholders, including service providers, businesses, state leaders, city officials, and economic developers. Based on these discussions, two policy options are currently being considered. There is strong support for seeking permanency of the telecommunications infrastructure sales and use tax exemption, which expires in June 2017, based on its past success in terms of return on investment to the state. Second is a broadband income tax credit, which would provide an incentive to businesses to purchase a gigabit of broadband service. This would ultimately accelerate gigabit availability and affordability for North Dakota businesses, which will increase business productivity and efficiency while stimulating increased infrastructure development by service providers.

Next Steps

The statewide impact assessment will be completed soon and considered by the Advisory Committee in its recommendations for next steps. The policy items above will be finalized, and discussions will begin with other stakeholder groups. In addition, marketing options to be explored include a statewide "If I Had A Gig" marketing campaign to stimulate demand and an education program with municipal governments to begin discussions on the impact of local policies on broadband infrastructure development.

Thank you for the opportunity to brief you on the Dakota Fiber Initiative. I'd be happy to answer any questions.