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Weak broadband access slows rural Tennessee's economy

In Cosby, a town in East Tennessee near the North Carolina border, reliable internet is not easy to come by. Deborah Bahr, whose dial-up service no longer works, drives 30 minutes to access WiFi at a nearby Bojangles, or she'll go to a friend's house a few miles away, where AT&T's service is available.

Until 2009, Bahr ran a coffee shop that had WiFi. Students attending the nearby community college often parked at the shop at night to gain access and Bahr said she looked the other way.

"We said, we are not putting up the gates because these kids need to get assignments," she said. "This is only the access we have."

Cosby straddles the line of Cocke and Sevier counties. The state classifies Cocke County as economically distressed, with nearly 30 percent of residents living in poverty, and Bahr said residents don't hesitate to drive 45 minutes for minimum wage, seasonal jobs at Pigeon Forge and Gatlinburg's tourism attractions.

If residents had better internet access, they could develop their own job opportunities, Bahr said.

"I want people around here ... to see themselves as entrepreneurs and real stakeholders," she said. "It could help them start their own businesses."



Amanda Hamilton is enrolled in adult education classes at Workforce Essentials in Houston County. Her teacher, Howard Spurgeon, says his students can get frustrated with the slow connection speeds of the internet in the area. (Photo: Ayrika Whitney / The Leaf-Chronicle)

Digital divide

In Tennessee's cities, only 2 percent of residents lack access to basic internet, but in the state's rural regions, that number climbs to 34 percent, according to [a report released in July](#) by the Tennessee Economic & Community Development Department. That disparity weighs on the state's overall connectivity ranking, now at 29th in the nation, and its ability to improve rural economies.

"We have an incredible digital divide between our rural communities and our urban communities," Economic and Community Development Commissioner Randy Boyd said. "If we ever want our rural communities to be able to compete and have a chance for success in the future, we have to eliminate that divide. That's why rural broadband is so critical to our state's future and the future of our rural communities."

According to the state's study, more than a third of Tennessee households reported additional income from using the internet and 24 percent of households run a business

from their home. If rural homes don't have reliable internet connections, joining that marketplace becomes more difficult.

Slow internet also interferes with companies' interest in expansion. Sixteen percent of Tennessee local governments said businesses rejected their areas frequently because of a lack of broadband. One-third of businesses surveyed by the state said broadband access was essential when determining where to locate.

No easy solutions

While the report highlights the state's broadband needs and the negative impact lack of access has on local economies, it's less clear how to address the problem. The report points to grants, tax incentives, less regulation and the creation of a state broadband office as possible solutions, but Gov. [Bill Haslam](#) said his team working on the issue does not have a preconceived idea of which path to pursue.

Haslam said the team, made up of members of his administration, will make recommendations, which could include legislative proposals. Both the broadband needs of rural Tennesseans and the role of the free market will weigh heavily in their decision, he said.

"Our bias is always, anywhere we can, let's let the private enterprise do that," Haslam said. "We just can't leave some community where it never makes economic sense to bring that to them, we can't leave them out there on their own."

In Tennessee, regulatory changes will not come easily. One of the key regulatory obstacles highlighted by the report, allowing municipal broadband providers to expand, has been rejected by state lawmakers for years. And the state recently won an [appeal that struck down the Federal Communications Commission's 2015](#) decision to allow Chattanooga's Electric Power Board to provide gigabit speed internet beyond current borders.

Haslam opposed the FCC's decision, seeing it as interfering with state matters. He has not taken a position on state legislation related to the same issue, but acknowledges the frustrations of those living outside of municipal providers' service areas who lack options.

"One of the things we have to do is think about consequences," Haslam said. "Do we want private enterprise to compete with the government? I don't think that's government's role. Our goal is to provide services people can't get on their own. But that's the sticky part. This is a service that people in some places in the state can't get on their own."

Legislation stalls

J.Ed. Marston, a spokesman for Chattanooga's EPB, says competition does not exist in many of the rural areas that could benefit from a public provider.

"Many communities operate with a virtual monopoly where there is one provider that completely dominates the market. In communities where municipal fiber has been deployed, we've seen an increase in competition," he said. "Giving customers the freedom to choose among multiple providers is the best thing for the customer and the market and for the economy."

The municipal internet legislation, led by Rep. Kevin Brooks, a Cleveland Republican, has stalled for at least five years, stymied by aggressive lobbying from providers. In 2016, AT&T was among the top corporate contributors to Tennessee lawmakers, giving \$569,000, and employed 15 lobbyists. Comcast gave \$275,000 and CenturyLink gave \$107,000, according to the National Institute on Money in State Politics.

"AT&T believes municipal broadband networks should be limited to locations where no private sector broadband service is available and is not likely to be available in a reasonable timeframe," AT&T spokesman Joe Burgan said in an emailed statement. "Governments should concentrate on investing taxpayer dollars in areas such as education or public safety, not in competing with or over-building the private sector, which has a proven history of funding, building, operating and upgrading broadband networks."

Comcast declined to comment.

Still, Marston said he is hopeful that the legislature will take action next year.

"We made tremendous progress during the last legislative session," Marston said. "People are definitely moving away from the perspective that broadband access is something that is nice to have to the recognition it's a need to have. They are beginning to recognize that Tennessee, which had significant leadership early on as a state in terms of fiber optic penetration, is slipping behind."



Xavier Arrant, a student enrolled in Workforce Essential's adult education program, gets assistance with an assignment from his teacher Howard Spurgeon. Spurgeon's students cannot efficiently access all the resources available to them due to slow internet connections in Houston County. (Photo: Ayrika Whitney / The Leaf-Chronicle)

Costs to expand

To spur internet companies to invest in rural areas, Mississippi implemented a broadband tax credit policy that reduces income or franchise taxes owed, based on the cost of equipment used to expand in rural areas. The concept was among those highlighted in the TNECD's recent report as another potential option for Tennessee.

Grants, such as those used in Colorado that are awarded to companies and cooperatives expanding infrastructure in unserved areas, may also be considered, Boyd said.

In both states, the impact of such measures is difficult to gauge. Mississippi's tax credit program, which has been in effect for several years, issued \$8 million and \$9 million in credits in the past two years, with 46 corporate taxpayers taking credits in 2015. But revenue officials said they could not speak to the program's effectiveness. Colorado's program, passed in 2014, is still in its infancy. Grants that were once dedicated to phone service expansion can now be diverted to broadband expansion if telephone competition meets certain thresholds. Less than \$3 million is available this year.

“Every provider would be happy with additional grants to expand,” Boyd said. “That’s an economic question, can our state afford it?”

For many in rural Tennessee, action is long overdue.

In Houston County, just 30 miles from the gigabit speeds available in Clarksville, 99 percent of residents lack access to basic broadband speeds, defined as 25 megabits per second. Howard Spurgeon, a county commissioner and a part-time adult education teacher, said he is frustrated by internet speeds at home and in the classroom. Many of his students, in a county with 7.5 percent unemployment, can’t afford internet at home, so the slow speeds in class are their best option.

“When you are having to step back and teach computer skills and the computer is not doing what you want it to, it does have an impact,” Spurgeon said. “The faster the internet connection we have, the more you can get students involved and interested in it, then it’s going to improve their capabilities of becoming a productive person of society.”

The limited connections weigh on health care as well. Spurgeon described a Nashville doctor who closed his office in Houston County this year because of limited internet access. Telemedicine capabilities are needed “to provide patient care in a high-quality manner,” he said. “We are kind of hamstrung being here.”

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