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## A COVID-19 Revelation: Broadband is an Essential Service

### What has changed?

The COVID-19 crisis has put the spotlight on the absolute and outright need for ubiquitous high-performing broadband. The data – and the people themselves – tell us that today’s rural America is not fully prepared for the *connected state* we are facing. And while NRECA has worked tirelessly over the last several years to help bridge the rural-urban communications gap (through technical, legal, communications, business, and advocacy support), it has taken a global health and economic crisis to finally position broadband as an “essential service.”

The pandemic has forced us to rethink the practice and delivery of healthcare, education, and professional services, among many other things. We move forward in the midst, and wake, of the pandemic both on the local and national levels, but a realistic picture is being painted in rural America. In several of our communities, the impacts will be challenging and enduring.<sup>1</sup> Simply stated, a number people and businesses in rural America will struggle to emerge into a changed world that depends more each day on remote healthcare (telehealth), remote education (distance learning), and remote work (virtual offices).<sup>2</sup>

In the immediate near term, we are likely to see negative financial effects with lasting consequences to a number of electric cooperatives and their communities. As explained in NRECA’s “COVID-19 Financial Impact Fact Sheet,” declining economic conditions fostered by social distancing practices to curb the spread of the virus have caused businesses to shut down and are pushing unemployment upwards, potentially to levels not seen since the Great Depression.<sup>3</sup> NRECA estimates that nearly 2.5 million jobs in electric co-op-served areas are in the most at-risk sectors of the economy, including the extraction, travel, transportation, employment services, and leisure & hospitality industries.<sup>4</sup> We are at a defining moment and rural America must, and will, find a way forward in what is already a more digitized economy. As our CEO Jim Matheson explained in his April 6, 2020, letter to Congressional Leaders, “More than 100 electric cooperatives across the

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<sup>1</sup> See NRECA Fact Sheet: “Financial Impact of COVID-19 on Electric Cooperatives: \$7.4 Billion Hit on Operating Revenue and \$2.6 Billion in Unpaid Bills” (April 21, 2020) (“COVID-19 Financial Impact Fact Sheet”), available at <https://www.electric.coop/wp-content/uploads/2020/04/Financial-Impact-of-Load-Loss-and-Unpaid-Bills-on-Electric-Cooperatives-042120.pdf>.

<sup>2</sup> Broadband also benefits consumer welfare and spending, civic participation, government services, energy independence and efficiency, and public safety.

<sup>3</sup> Additionally, the U.S. Commerce Department reported on April 29, 2020 that the fallout from the COVID-19 crisis caused the U.S. economy to contract at a 4.8% pace from January through March, the deepest decline since the depths of the financial crisis more than a decade ago. Spending by Americans tumbled 7.6%, and business investment shrank 8.6 percent. According to the Commerce Department:

The decline in first quarter GDP was, in part, due to the response to the spread of COVID-19, as governments issued “stay-at-home” orders in March. This led to rapid changes in demand, as businesses and schools switched to remote work or canceled operations, and consumers canceled, restricted, or redirected their spending.

<https://www.bea.gov/news/2020/gross-domestic-product-1st-quarter-2020-advance-estimate>.

<sup>4</sup> See “Estimated 2.5 Million of the Jobs Most at Risk from COVID-19 Economic Impacts are in Co-op Areas,” Business & Technology Advisory, NRECA (April 2020). <https://www.cooperative.com/topics/power-supply-wholesale-markets/Pages/Jobs-Most-At-Risk-from-COVID-19-Economic-Impact.aspx>

country are involved in diverse solutions to help connect rural communities with broadband access, but face challenges as they work to meet the growing demand for robust connectivity.”<sup>5</sup>

## The COVID-19 Revelation

The COVID-19 crisis has fast-tracked our “remote” way of life. Broadband is now an expected infrastructure and access (and the quality of that access) is likely to be an influential driver of economic growth and sustainability. Consumer and business uses of the internet evolved overnight, and on-line (e.g. GoToMeeting™, Zoom, WebEx, Microsoft Teams, Teladoc®, Pulse VPN, Khan Academy, etc.) have instantly become deeply embedded into everyday life, but remain inaccessible for millions of rural Americans. The “need for speed” has shifted from being a luxury to a requirement. And while there has been significant rural broadband infrastructure built over the last several years<sup>6</sup> (and the trends are encouraging), the pandemic has highlighted the deep digital parity between urban and rural, particularly amid school closures, remote work arrangements and the growing need for telehealth applications.

According to a recent Education Week report, school closures due to coronavirus have impacted at least 124,000 U.S. public and private schools and affected at least 55.1 million students.<sup>7</sup> Most schools have shifted to distance learning, but many students on the wrong side of the digital divide (including a large majority in rural America) are still unable to effectively and consistently – if at all – get online to learn at home.

The COVID-19 crisis has also kicked into high gear the first step toward healthcare going almost completely virtual.<sup>8</sup> The pandemic has forced many people to rely completely on telemedicine, for better or worse. This is a trend that will likely continue long after the pandemic subsides. Virtual medicine might seem unwise or unnecessary in non-crisis times, but there are some demographic shifts underway, which suggest that it is all but inevitable. Additionally, a number of states are poised to expand options under new laws recently passed.<sup>9</sup>

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<sup>5</sup> Available at <https://www.cooperative.com/programs-services/communications/Documents/Matheson%20letter%20to%20Hill%20on%20Phase%204%20stimulus%20040620.pdf>.

<sup>6</sup> See, e.g., Business & Technology Report: “Electric Cooperatives Bring High-Speed Communications to Underserved Areas – Insights from NRECA’s 2019-2019 Broadband Case Studies” (February 2020) (“Together, these twenty cooperatives have to date invested approximately \$700 million in broadband communication networks and have deployed about 26,900 miles of fiber”), available at <https://www.cooperative.com/programs-services/bts/Documents/Reports/Report-Broadband-Case-Studies-Summary-Updated-Feb-2020.pdf>.

<sup>7</sup> See “Education Week” website: “Map: Coronavirus and School Closures,” available at <https://www.edweek.org/ew/section/multimedia/map-coronavirus-and-school-closures.html>. Globally, as of mid-April 2020, 191 countries had shut down all their primary and secondary schools, affecting almost 1.6 billion children. According to an April 2020 McKinsey & Company report, “[T]he shift to remote learning has been uneven. Some systems were able to train teachers, roll out remote learning, and put in place student support services in less than a week. Others are still struggling, constrained by lack of access to technology or expertise. The disparity is obviously true between countries; it is also true within them. Given that K–12 education in many countries is predominantly a local responsibility, students can live relatively near each other yet face very different prospects.” (“School-system priorities in the age of coronavirus,” April 2020, available at <https://www.mckinsey.com/industries/public-sector/our-insights/school-system-priorities-in-the-age-of-coronavirus#>).

<sup>8</sup> See, e.g., Cal Matters Article: “Virtual medicine visits become the new norm” (April 27, 2020), available at <https://calmatters.org/health/coronavirus/2020/04/california-telehealth-telemedicine-virtual-medical-coronavirus/>.

<sup>9</sup> See “Telehealth During COVID-19: New Rules And Considerations,” Law360 Expert Analysis (April 1, 2020), available at <https://www.law360.com/articles/1258572/telehealth-during-covid-19-new-rules-and-considerations> (“In response to COVID-19, state medical boards have begun implementing emergency waivers to practitioner licensure requirements. As of March 31, 49 states and the District of Columbia have issued state licensure requirement waivers. (Nevada is the only state that has made no

In terms of the “virtual office” and remote work, under normal circumstances, about 7% of U.S. employees have a flexible workplace, with the option of working part-or full-time from home. That figure is according to the most recent Employee Benefits Survey of nearly 8,000 businesses conducted in March 2019 by the federal Bureau of Labor Statistics.<sup>10</sup> Currently, almost everyone with a job that offers a telework option is now teleworking due to the coronavirus pandemic. But, being able to telework also requires more than an office job – it requires (at the very least) *stable* broadband.

## Where Do We Go from Here?

Many electric cooperatives across the country are not only examining broadband investment and partnerships for their communities, they are building broadband communication networks, a focus seemingly beyond their traditional service offerings. These networks enhance electric grid operations and member services, and just as significantly bring much-needed, high performance broadband access to their communities. For many cooperatives, extending true broadband communications into rural areas is the current-day equivalent of rural electrification in the 1930s. Just three months ago, the stakes were exceptionally high. Today, they are even higher. The COVID-19 pandemic has radically altered everyday life.

However, with opportunity comes challenge and risk. High-speed communication networks are expensive to build and operate, and entry into a new competitive business as different as broadband services often brings unexpected challenges to an electric utility organization. NRECA works relentlessly in providing the right tools and resources, so that each cooperative may independently assess the business potential of any communications investment. We also advocate in Washington for equal access to funding and rural broadband opportunities, and we work closely with policymakers for improved broadband data collection to clarify existing gaps in coverage, and to target federal resources at unserved and underserved communities to reach our shared goal of universal broadband access.

NRECA is also continuously updating its broadband-related resources, including case studies, economic reports, and compelling stories and articles. Moreover, NRECA staff connects the membership with broadband partners and facilitates numerous webinars and training sessions. Our resources include, but are not limited to:

- Federal advocacy and member liaison in Congress and at federal agencies (USDA, FCC).
- Business and Technology Strategies resources and reports, including case studies, guides, economic data, and more.
- Presentations and breakout sessions at NRECA conferences.
- Webinars focused on continued learning about timely topics.
- Legal resources.
- Communications and feedback as requested.
- News articles, stories and publications.

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changes to state licensing requirements.) Although the specifics vary by state, these waivers generally allow out-of-state practitioners to provide medical care in response to COVID-19.”)

<sup>10</sup> U.S. Bureau of Labor Statistics, Employee Benefits Survey (March 2019), available at [https://www.bls.gov/ncs/ebs/benefits/2019/benefits\\_other.htm](https://www.bls.gov/ncs/ebs/benefits/2019/benefits_other.htm).

Additionally, NRECA has helped to secure billions of dollars from the federal government for broadband deployment, for which electric cooperatives are eligible to apply. **But, there is considerably more work to do.**

Make no mistake: Broadband is an essential infrastructure for commercial and residential success in all communities, urban and rural. It is not only a platform to receive communications services (voice, video and data), but to also connect us to government, health, educational, and financial services and to provide professional services. It is the one platform that spans almost all sectors of the economy, and will allow us to re-start our economy.

## What about the Business Case for Broadband?

The business of broadband is complicated, and NRECA does not advocate or encourage electric cooperatives to enter into the retail broadband business, by any means. The purpose of this Advisory is to shed light that, in this time of a pandemic, systems that many rely on daily, like health care and education, are facing new challenges. Americans who can telework are being forced to telework, bringing the inequality of access into high focus. Eventually, there may be silver linings, but for now the pandemic continues to leave many rural communities increasingly exposed to a variety of sudden challenges. Successfully addressing the digital divide will require a variety of tactics, some old, but many new. Major investments in both the documentation of on-the-ground realities, as well as directly in infrastructure and mechanisms to ensure affordability or broadband for adversely affected Americans, will likely need to be considered.

In terms of the broadband business case, like any significant investment, the need for due diligence is important. Major technology upgrades such as an expansion of broadband coverage come with significant, and sometimes unprecedented, challenges and costs. The business cases and cost recovery mechanisms are different for so-called “last-mile” deployments, in which a cooperative extends broadband communications to homes and businesses in the community, compared to operationally driven broadband expansion for internal communication purposes.

As explained in detail in NRECA’s Broadband Due Diligence Guide,<sup>11</sup> major technology upgrades can come with significant challenges depending on whether the deployment is used for internal communications purposes or for deploying broadband to member premises. Issues to consider and address when assessing investments in broadband include:

- The level of capital commitment and associated budget impact of the project on the cooperative.
- The technology rollout, as well as subsequent operational and maintenance requirements on co-op structure, people and processes.
- Member needs and expectations and the implications to servicing those current and new expectations.
- Business model and impacts these new and unfamiliar models may have on the co-op.
- Legal and regulatory issues; while some are similar to those associated with providing electric energy, many are different.

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<sup>11</sup> Available at <https://www.cooperative.com/programs-services/bts/documents/reports/broadband-due-diligence.pdf>.

In its simplest terms, investment due diligence boils down to answering several key questions:

- (1) Why is it in our interest to make the investment?
- (2) What exactly do we want to do?
- (3) How should we go about doing it?
- (4) What legal and regulatory constraints exist?

Within these broad categories, more specific questions related to the nature of the broadband project itself need to be asked:

- (1) Why does a broadband investment make sense for the cooperative and its members?
- (2) What technology choices and investment level are appropriate?
- (3) How should the investment opportunity be pursued?
- (4) What legal and regulatory considerations must be factored in?

## What are the Available NRECA Resources?

NRECA's broadband resources are generally available here:

<https://www.cooperative.com/topics/telecommunications-broadband/Pages/Broadband-Overview-and-Key-Contacts.aspx>

We also encourage you to reach out to any of the contacts below for questions, and to sign-up for our newsletter, [Business and Technology Update](#), to learn of new NRECA resources on this and other topics.

## Contacts for Questions

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