



# FEDERAL RETRENCHMENT ON THE DIGITAL DIVIDE: POTENTIAL NATIONAL IMPACT

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National funding to bridge the digital divide reached an all-time high in 2001. Substantially increased investments from 1995 to 2001—from industry and government working together—enabled many communities to embrace digital technologies. The impact was significant: these investments created jobs, expanded educational opportunities and even provided state-of-the-art health care to people far away from the nearest medical services.<sup>1</sup> The productivity and economic growth during this period has been well documented. Additional investments in information technology infrastructure and workforce development are likely to expand national prosperity even further.

The administration's budget proposal for 2003 calls for eliminating two critical digital opportunity programs: the U.S. Department of Education's Community Technology Centers Program (CTC) and the U.S. Department of Commerce's Technology Opportunities Program (TOP).<sup>2</sup> The CTC program provides matching grants that leverage state, local and other resources to create and improve technology access facilities in low-income and rural communities. TOP provides grants to programs that demonstrate innovative uses of technology in underserved communities. The administration's rationale for these cuts is bolstered by a recent Department of Commerce report. Its implied message is that all Americans are gaining access to computers and the Internet at an acceptable pace, and, as a result, the role of government can be curtailed.<sup>3</sup>

## SUMMARY

**This policy brief explores the likely impact of budget cuts to federal investments to bridge the digital divide. Our findings are that:**

- **The digital divide is wider than ever.**
- **Community technology investments are paying off.**
- **Funding for technology activities under state block grant is insufficient and excludes many client groups.**
- **Effective social use of rapidly emerging technologies requires continual demonstration, particularly in underserved communities.**

**In conclusion, given what we know about the tangible benefits of technology in underserved areas, this possible federal budget retrenchment is very likely to dampen economic and community development.**

Based in Washington, the Benton Foundation's mission is to articulate a public interest vision for the digital age and to demonstrate the value of communications for solving social problems. For further information, please visit [www.benton.org](http://www.benton.org) or e-mail us at [benton@benton.org](mailto:benton@benton.org).

The Benton Foundation's independent analysis of the Commerce report reveals that the digital divide is not abating. Reduced national attention to this problem will dampen economic productivity and opportunity in low-income and rural communities.

## I. The Digital Divide is Widening

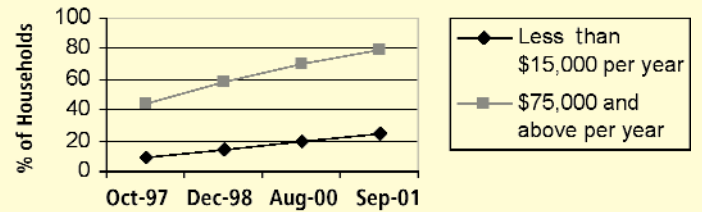
In February 2002 the Department of Commerce released *A Nation Online*, the latest nationwide study of computer and Internet use in America. Administration officials have interpreted the findings of this report with "a glass half-full" approach—that we should focus on the technology gains made by all groups, not the gaps between groups.

This position is at odds with the recent approach of policymakers concerning the rollout of information and communications technologies in general. In fact, the Telecommunications Act of 1996 mandates "specific and predictable support mechanisms" to preserve universal service. Targeted subsidies for low-income telephone subscribers continue, for example, despite the fact that 96 percent of America's households are connected. Additionally, the act mandates that the concept of universal service is evolving and may eventually include emerging telecommunications services when they have "been subscribed to by a substantial majority of residential customers." Policymakers have recognized that intervention becomes more critical—not less—as telecommunications technology reaches a majority of households and take-up by low-income households slows.

**The gaps in technology access among households of different educational, income, racial and geographic backgrounds are widening, not shrinking.**

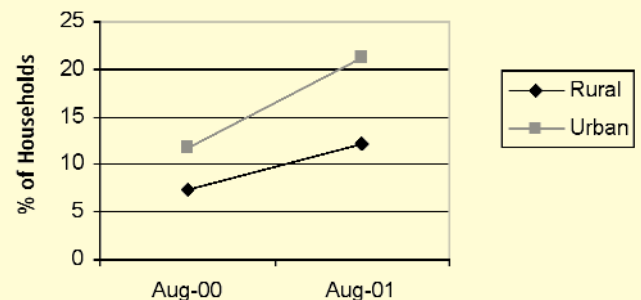
- Only one in four of America's poorest households were online in late 2001—compared to 8 in 10 homes earning over \$75,000 per year. As shown in Figure 1, these gaps have continued to grow over time.
- Hispanics (31.8 percent) and African Americans (39.8 percent) lag behind whites (59.9 percent) in Internet access at home, suggesting serious ethnic and racial divides.

**Figure 1: Internet Access Divide (by income)**



**Broadband is emerging as a new digital divide with even greater ramifications.** In August 2001 almost twice as many urban households were connected to the Internet via high-speed broadband Internet access (21.2 percent) compared to rural communities (12.2 percent). The divide grew over the previous year, as Figure 2 reveals, with urban households outpacing rural residents in subscribing to these services. As more applications are developed exclusively for broadband, those without such access will have limited options.

**Figure 2: Internet Broadband Divide (by location)**



## II. Community Technology Investments are Paying Off

Because of these divides, continued national leadership in the form of a dedicated stream of federal resources for community technology is imperative. While the administration's justification for the elimination of the Department of Education CTC program is due to its limited effect, there is a growing body of evidence to the contrary.

### **BUDGET OVERVIEW: COMMUNITY TECHNOLOGY CENTERS PROGRAM**

**FY 2001** Funding rises to an all-time high of \$65 million.

**FY 2002** Administration requests elimination as part of technology program consolidation in the No Child Left Behind Act; Congress continues funding CTC program at \$32.5 million.

**FY 2003** Slated for elimination; possible rescission of FY 2002 funds.

**Community technology investments are yielding dividends in communities.** Of people using the Internet outside of the home in 2000—for example, in community centers and libraries—32.2 percent were using it to take courses and 4.3 million people used the Web to search for jobs.<sup>4</sup> The public is using the Internet in beneficial ways. Low-income job seekers, in particular, are striving to improve their skills and fill vacant positions in a time of massive layoffs and economic uncertainty.<sup>5</sup>

## III. Funding for Community Technology Under Block Grants is Insufficient

The executive branch argues that the CTC program is unnecessary because such activities may be carried out by larger state block grants. However, these resources are insufficient to cover the types of activities and recipients eligible for CTC grant funding, since the latter accepts application from a range of commu-

nity-based organizations, including institutions of higher education. In short, block grants, as such as the 21st-Century Learning Center Program, do not allow funds to be used as fully dedicated community technology centers serving a wide range of clients, including preschoolers, senior citizens, immigrants, and the unemployed, with extended hours and a broad range of services.<sup>6</sup> Additionally, the federal funds dedicated to educational technology in general are being further cut—from \$872 million in 2001, to \$700.5 million in FY 02 and potentially substantially less in 2003.

## IV. “Next-Generation” Technologies Require Continual Demonstration

The federal TOP program provides matching grants for projects that use technology in innovative ways to solve social problems and improve access to telecommunications tools and networks in underserved communities. Since 1994 the program has awarded 530 grants totaling \$192.5 million and leveraged an additional \$268 million in state, local or private sector funding.<sup>7</sup>

### **BUDGET OVERVIEW: TECHNOLOGY OPPORTUNITIES PROGRAM**

**FY 2001** Funding for TOP increases to an all-time high of \$42.5 million.

**FY 2002** The administration requests and Congress appropriates only \$15 million for TOP, a 65 percent reduction from FY 2001.

**FY 2003** The administration proposes TOP be eliminated.

**The TOP program is effective in demonstrating technology's potential.** TOP is a demonstration program whose success has been well documented.<sup>8</sup> The TOP program has been an important catalyst for innovation, and its federal funding leverages resources from other public and private partners. A recent report on telecommunications access in rural America shows that TOP has been instrumental in enabling rural com-

munities to enhance local economies, better manage natural resources and improve access to education and health services.<sup>9</sup>

The administration argues that TOP has fulfilled its mission in demonstrating the usefulness of emerging technologies. With technology products changing so rapidly, the work of demonstrating innovative uses of technology for community problem-solving is a moving target. Given the advent of broadband and Internet 2, along with wireless and hand-held devices, next-generation funding remains essential to spur demand and spark innovation. The loss of TOP venture capital will result in less experimentation and innovation in the ways in which the technology can be used to solve community and social problems.

The payoff due to the uptake of next-generation technologies will elude us without innovation and demonstration projects. According to two Brookings Institution senior researchers, the expected cost savings to society at large from high-speed Internet deployment will approach \$500 billion once these technologies are universally available.<sup>10</sup>

Just to offer one example of how TOP demonstrates the power of technology to solve real-world problems,

one grantee, the California Department of Justice, developed a wide area network to allow several law enforcement agencies to share digitized photo images. The FBI used CALPHOTO's crime policy network to identify a suspected terrorist within hours of the September 11 attack.

**Conclusion: Retrenchment on bridging the digital divide will hamper economic development and dampen digital opportunity for disconnected Americans.**

The economic downturn has shrunk the pool of state, local, foundation and corporate resources available for innovation and investment in digital opportunity activities. Retrenchment of the public investments that catalyze smart, strategic public-private partnerships would curtail the progress made in bridging the divide. Therefore, continued federal leadership and support for technology access, training and innovation is critical if low-income and rural communities are to use information technology to break the cycle of economic and education disadvantage.

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<sup>1</sup> Litan, Robert E., and Alice M. Rivlin. *Beyond the Dot.Coms: The Economic Promise of the Internet*. Washington, DC: Brookings Institution, 2001.

<sup>2</sup> Executive Office of the President of the United States, Office of Management and Budget. *The Budget of the United States—Fiscal Year 2003*. Washington, DC: GPO, February 2002. Available at <http://w3.access.gpo.gov/usbudget/>. Previous budgets are also available at this site.

<sup>3</sup> U.S. Department of Commerce. *A Nation Online*. Washington DC: US Department of Commerce, 2002. Available at: <http://www.ntia.doc.gov/ntiahome/dn/anationonline2.pdf>.

<sup>4</sup> U.S. Department of Commerce. *Falling through the Net: Toward Digital Inclusion*. Washington, DC: U.S. Department of Commerce, 2000. Available at: <http://www.ntia.doc.gov/ntiahome/digitaldivide/>.

<sup>5</sup> Chow, Clifton, Jan Ellis, June Mark, and Bart Wise. *Impact of CTCNet Affiliates: Findings from a National Survey of Users of Community Technology Centers*. Newton, MA: Educational Development Center, Inc., 1998. Also available at <http://www.ctcnet.org/impact98.htm>. Results show that 65 percent of respondents took classes at a technology center to improve their job skills. Of the job-seekers surveyed, 43 percent said they had either gotten a job or were a lot closer to it as a result of using the technology center. See also Macias, Elsa, Sara Jones, Mary Buck, Carlos Solis, and Richard Cutler. *Network Technologies in Hispanic-Serving Organizations: A Case Study Approach*. Claremont, CA: Tomás Rivera Policy Institute, 2001. Available at <http://www.trpi.org/top2.html>.

<sup>6</sup> More information about the 21st Century Community Learning Centers (CCLCs) may be found at <http://www.ed.gov/21stoccl/>.

<sup>7</sup> See TOP's Web site at [http://www.ntia.doc.gov/otiahome/top/grants/briefhistory\\_gf.htm](http://www.ntia.doc.gov/otiahome/top/grants/briefhistory_gf.htm).

<sup>8</sup> Westat, a research and consulting firm based in Rockville, Maryland, undertook several independent evaluations of TOP grantees. The vast majority of projects Westat reviewed—1994, 1995 and 1996 grantees—said they had either met or exceeded their implementation strategies, including providing technology access for underserved residents and addressing information and communications needs not met by commercial service providers. See Westat. *Technology Opportunities Program: 1996 Projects*. Washington, DC: U.S. Department of Commerce, 2000. Various research and evaluation studies are listed on the TOP Web site at <http://www.ntia.doc.gov/otiahome/top/research/research.htm#EXEVAL>.

<sup>9</sup> US Dept. of Commerce. *Networking the Land: Rural America in the Information Age*. Washington DC: US Department of Commerce, 2001.

<sup>10</sup> Crandall, Robert W., and Charles L. Jackson. *The \$500 Billion Opportunity: The Potential Economic Benefit of Widespread Diffusion of Broadband Internet Access*. Washington, DC: Criterion Economics, L.L.C., 2001. Available at <http://www.criterioneconomics.com>.