



## Insight

# Ensuring Federal Broadband Spending Connects America's Unserved Communities

JEFFREY WESTLING | MARCH 30, 2022

## Executive Summary

- Congress has made billions of dollars available to subsidize broadband deployment through a variety of different programs, each with different requirements and agencies overseeing their execution.
- In addition to differing designs of the programs and the assortment of agencies involved in distributing the funds, a lack of coordination could lead to overlapping support for already-connected communities or a failure to get deployment to areas that need it most.
- Congress and the administration should work to ensure effective coordination among agencies so that the underlying goals of the different programs don't lead to contradictory approaches that could stifle deployment.
- Agencies should also work with state and local lawmakers to incentivize additional private investment so that subsidy funds are directed to more difficult-to-connect communities in which private deployments are not viable without government support.

## Introduction

Congress has [allocated billions of dollars](#) to several different programs for broadband deployment to ensure all Americans have access to high-speed internet connections. These programs, however, take a wide range of approaches to how recipients can distribute funds and support projects. The differences can cause tensions among the agencies distributing the funds, and while [coordination processes](#) have been established, there are tremendous risks with differing approaches and goals among the agencies that could waste valuable taxpayer funds on projects that will not actually improve adoption rates.

This insight expands on previous American Action Forum work on the [Broadband Equity, Access, and Deployment \(BEAD\) Program](#) to highlight the myriad spending programs for broadband deployment, as well as the potential pitfalls regulators should avoid as funds are distributed. Congress and the administration should carefully oversee these programs and impose coordination requirements as necessary, ultimately designed to ensure that unserved communities do not get left behind. This insight also discusses some common-sense policies that could be implemented at both the federal and state levels to incentivize private investment and maximize the value of each public dollar spent.

## Background: Existing Funding Programs

A wide array of funding opportunities exists for local governments to bring broadband to unserved areas. This section breaks down the major federal programs subsidizing broadband deployment.

**BEAD Program:** As a part of the bipartisan infrastructure law, Congress allocated \$42.5 billion to the BEAD Program, which will grant funds to states to invest in broadband projects and provide specific guidelines on how those funds can be used. The BEAD Program targets truly unserved areas first, meaning states can't use BEAD funds to overbuild networks until all unserved are addressed. BEAD also embraces a more realistic view of households' broadband needs, requiring that new networks provide service at speeds of 100 megabits-per-second (Mbps) download and 20 Mbps upload, as opposed to the symmetrical 100/100 Mbps proposals from fiber-to-the-home advocates.

The **Coronavirus State and Local Fiscal Recovery Funds (SLFRF)** program: As part of the American Rescue Plan Act, Congress created the SLFRF program to distribute \$350 billion for states to improve infrastructure and invest in new projects aimed at bringing additional services to the state—particularly as states respond to and recover from the COVID-19 pandemic. While Congress does not require states to use the funds for broadband projects, states are free to do so, subject to specific rules issued by the Department of Treasury. Of note, Treasury's original guidance included protections designed to ensure that funds were used to increase broadband access in unserved areas, but the final rules reversed course on a variety of these protections, such as the requirement that a project would be unlikely to use private funds or the prohibition against supporting projects in areas that lack access to symmetrical 100/100 Mbps speeds.

**Rural Digital Opportunity Fund (RDOF):** The Federal Communications Commission (FCC) adopted a framework for the RDOF program as an extension of the existing **Connect America Fund** in January 2020 and established a \$20.4 billion budget for investing in broadband projects to unserved locations. The program targets wholly unserved census blocks and was built out of the **Universal Service Fund**. Like other programs before it, RDOF targets rural areas, especially those most difficult to reach. To that end, RDOF uses a reverse auction format whereby bidders present the details of their proposed projects and bid for the prices for which they are willing to sell their services. This auction format is designed to ensure applicants develop cost-effective deployments that still meet or exceed FCC guidance.

**Consolidated Appropriations Act of 2021 Funding:** The Consolidated Appropriations Act of 2021 created and further supported a few separate programs for broadband connectivity, including the Tribal Connectivity Program (\$1 billion), the Broadband Infrastructure Program (\$300 million), and the Community Connect Grant Program (\$35 million). These programs largely target rural areas without broadband access and focus on getting unserved communities access rather than overbuilding existing networks. As a part of this bill, Congress required relevant agencies to develop a coordination agreement to ensure agencies are on the same page about the different programs.

**Rural eConnectivity Program:** First created in 2018, Congress has allocated over \$4 billion to the ReConnect Program to support broadband deployment in **unserved rural areas and tribal lands**. This program is focused on areas that lack any broadband connectivity at **100/20 Mbps speeds**, which is notably different from programs targeting truly unserved communities that lack basic 25/3 Mbps speeds. These differences have raised concerns that the program doesn't target all rural areas, but instead favors rural areas with **higher populations** or with existing coverage.

## **Importance of Coordination Among Agencies**

Congress made these significant investments in broadband because too many Americans **lack access to** service despite the **massive private investment in deployment**, as some areas don't have a business case for private deployment. Yet, with so much money going out the door through a variety of differing programs, regulators risk wasting valuable taxpayer dollars overbuilding existing networks or otherwise failing to target funds to

truly underserved or unserved communities if they do not actively coordinate with their counterparts at other agencies and within the states. While coordination processes exist among many of the agencies, repetition and other wasteful spending is likely if the agencies can't or don't adequately share information about their respective program's goals and funding plans.

For example, both the BEAD Program and the SLFRF might result in regulators targeting funding to a location that already has some broadband coverage because it would be a relatively easy expansion. In such a case, taxpayer dollars would be wasted overbuilding networks or on needless redundancies. For another example, as not all programs specifically target the same types of areas, a location that would best fit into the parameters of a program such as RDOF might not get funding because RDOF support went to areas that could also have been served by BEAD or SLFRF. Such examples illustrate why coordination among agencies is critical to ensuring the most efficient and effective use of funds to ensure no community gets left behind.

In addition to the challenge of ensuring the different programs do not overspend on any given area, a larger concern exists: The goals of the program guidelines seemingly contradict one another, particularly when it comes to the SLFRF program. SLFRF guidance from Treasury removes many of the protections in programs such as BEAD that are designed to ensure unserved areas are targeted first and foremost. For example, the new guidance from Treasury lists a lack of symmetrical 100 Mbps speeds as an example of a need for additional broadband investment, despite other programs using more realistic measures for unserved such as 25/3 Mbps download/upload speeds.

Other challenges range from the timing of agencies' ability to distribute funding, to labor and component availability. SLFRF funds, for example, will go out the door much earlier than BEAD funds, as BEAD must wait for the [FCC to update broadband maps](#). Moreover, broadband deployment requires components such as fiber and chips that have been affected by [supply chain limitations](#). Like many industries, the broadband industry also faces a [significant labor shortage](#), so projects may struggle to find the necessary workforce to install the conduit or string the wires. As SLFRF funding goes to overbuilding networks in areas with existing providers or to building into areas that could receive deployment through private investment, resources will become scarce before the BEAD projects can begin. As a result, it will be even harder for unserved communities to get broadband connectivity. For all of these reasons, agency coordination, especially on funding priorities, is critical to alleviating waste and inefficiencies.

Congress and the administration have a significant responsibility in both ensuring that the existing coordination processes between the relevant agencies operate as intended and aligning the goals of these programs. While these goals do not need to be perfectly aligned in every case, as the programs can target different aspects of the digital divide, regulators should understand the risks that come with contradictory goals such as those described in Treasury's final guidance for the SLFRF and BEAD/RDOF programs.

### **Incentivizing Further Private Investment**

While Congress has allocated billions of dollars to broadband deployment, private-sector investment [far outweighs](#) public funding. Rather than throwing more money into areas covered by the private sector, the agencies should incentivize further deployment in areas in which broadband expansion would be financially unviable for providers. By doing so, the funds from public investment can more narrowly focus on areas with little to no business case for deployment.

First, agencies should work with local governments to streamline the deployment review processes. When a

broadband provider deploys infrastructure, they need access to public rights-of-way, such as streets and poles, and often must get [approvals from the local government](#) to install the infrastructure. In rural areas, pole attachment and replacement costs also can likewise prevent deployment. While the FCC is currently exploring ways to alleviate some of these costs, poles owned by electric co-ops and municipal utilities go beyond the FCC's jurisdiction and often cost private providers [significantly more to gain access to](#). The agencies should work with local governments to lower the costs to obtain necessary approvals to access poles so that taxpayer funds are used for deployment rather than subsidizing pole owners.

Second, the agencies should prioritize expanding access through private networks. The legislation establishing BEAD and the SLFRF makes clear that government-owned networks are an option, but these networks often leverage captive utility ratepayers to [subsidize broadband prices](#) and drive out private investment. The funds from these broadband programs should supplement private investment, not drive it out. A market-based approach to broadband deployment has led to lower prices and significant advancements in U.S. networks; the agencies should work to facilitate further investment.

Finally, neither access nor affordability necessarily equates to adoption. While both play a role, many Americans still choose to go without a broadband connection. Congress should continue to promote widespread access; however, regulators must also understand the diminishing returns that come with spending taxpayer dollars connecting those last few remaining unconnected Americans.

## **Conclusion**

As Congress spends billions to ensure broadband access for all Americans, it is critical that the agencies charged with distributing these funds coordinate with one another and with state governments to ensure resources are targeted to communities that need them most. Congress and the administration must work to ensure such coordination among agencies, while regulators must work with the private sector and the states to ensure relatively uniform standards that will guide the process of expanding broadband access to unserved communities while avoiding the duplication of efforts.