

# More Federal Money for Broadband, Greater Role for States

Congress seems likely to pass a national infrastructure bill that potentially could provide broadband connectivity to almost everyone. But watch the details, not just the money pile on the table. And act quickly! Easy money, public and private, won't last forever.

By Steven S. Ross / *Broadband Communities*

**T**he Infrastructure Investment and Jobs Act passed the Senate with strong Republican support on August 10 in a 69–30 vote. Within its envisioned \$1 trillion price tag (\$550 billion in new funding) are programs totaling about \$65 billion for broadband deployments and user subsidies. Of that, about \$50 billion is new money for deployments and planning. About \$14.5 billion (some from existing programs) is specifically for user subsidies. All of this is in addition to \$350 billion in general block grants from the March 11 COVID-19, bill, some of which could also go to broadband (see “Getting Your Share of the Broadband Funding Feast” in the May-June issue).

In general, the broadband money will be spent over five years. The bill has gone to the House, where progressive Democrats tied its fate to another bill containing more than \$3 trillion in new programs to help the poor. That squeaked through the Senate 50–49, and the process likely will produce revisions that will shape the disbursement of funds but not the final program totals.

## FUNDING DETAILS

What have been described as broadband-specific “block grants” to states; Washington, D.C.; Puerto Rico and territories total \$42.5 billion over five years. Strings are attached. Disbursement to the states will be through a new National Telecommunications and Information Administration (NTIA) program. The details are left up to NTIA, but the bill passed the Senate. It allows states to use some of these funds for planning and deploying affordable networks in low-income, multifamily buildings and promoting broadband adoption. Grant recipients (deployers) must offer a “low-cost” service tier.

Family broadband subsidies include mainly \$14.2 billion to expand the Emergency Broadband Benefit Program (renamed the Affordable Connectivity Program). All internet plans by all deployers would include a tier for the \$30 a month subsidy. That cuts the current \$50 per-family subsidy but expands eligibility from 135 percent of the poverty line to 200 percent. My models suggest this will help most new deployers find private funding by assuring a new revenue stream. But deployers might want to unbundle add-on services more aggressively. We'll be watching. NTIA is specifically barred from setting a price ceiling.

The new Digital Equity Act adds \$2.75 billion: \$60 million for state planning grants, \$1.44 billion for state implementation and \$1.25 billion (\$250 million a year for five years) for competitive grants. This meshes with existing USDA funding, with old deadlines for spending it expanded.

Middle-mile connectivity is covered in a new \$1 billion grant program at NTIA for expanding middle-mile access and connections for anchor institutions, such as schools and city facilities. The promise is that it will help make deployments to unserved households easier and cheaper, but it might also reduce revenue potential for the same deployers. The bill's \$2 billion Tribal Connectivity Program extends the one established in the 2021 Consolidated Appropriations Act.

## EXPANDED ELIGIBILITY

The Senate bill considerably expands areas eligible for federal broadband funds. Aside from extra money targeted at tribal lands and a few oddities, such as the Appalachian Regional Commission (where Sen. Mitch McConnell worked early in his career and where he met former **BROADBAND COMMUNITIES** board member Hilda Legg), as many as 20

percent of households may be served and still be eligible. Today's limit is usually 10 percent. That still applies to \$2 billion in new Rural Utilities Service (RUS) money.

For the existing USDA ReConnect program through RUS, an area is defined as "rural" if it is anchored by a metro area with a population no larger than 49,999. The new limit is 200,000.

Funds for new mapping of existing and potential customers are on the table, on top of \$65 million that went to the FCC mainly for developing a true data framework into which to pour new information. Census did throw a minor source of error into the task by deliberately misclassifying small numbers of families at the tract and census block level to add a level of privacy against new artificial intelligence analysis tools.

The money generally will start flowing no later than 180 days after final passage.

### THE BOTTOM LINE

Those who hope for unleashing new potential deployers and those who are existing deployers in danger of being overbuilt by newcomers with federal funds (typically Tier-3 local exchange carriers and competitive local exchange carriers) will find plenty to lobby about as the House works to amend the massive 2,702-page Senate bill. Major carriers are also in the fight. Generally, they are not interested in extending their fixed networks into sparsely populated areas. But they are or should be interested in leasing backhaul for their mobile wireless sites from new deployers.

Progressives complain about the supposedly huge profits major carriers make. Wall Street investors think just the opposite. Over the past decade, no

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matter which period I slice, Comcast, AT&T and Verizon stock prices have lagged the S&P 500 index. But in rural areas, major carriers and others have been known (in the absence of competition) to extract hefty fees from local carriers needing to connect to the national internet.

Plenty of bribes, er, campaign contributions, are also in the mix. This makes predictions difficult, but the underlying economics offer some obvious paths forward. I see more joint regional ventures. More multiple-dwelling-unit (MDU) builds. More grants to municipalities and regional governments, especially as part of multi-partner regional deployments. The bill encourages – but as written does not mandate – 100 Mbps downloads and 20 Mbps uploads, the new limit defining "underserved" areas. It also asks for consideration of reliability, resilience issues and latency. For instance, grant money could be spent so consumer networks and smart electrical grids could "talk" to one another. Nothing in the bill discourages networks that mix fiber and fixed wireless.

The Senate bill calls mainly for outright grants rather than for loans. Grants are faster and easier for governments to administer, and they help untangle the knot of mortgage liens that encumber many deployers.

But grants are also subject to more fraud and poor management oversight. State and local officials thus have been talking about grants covering a smaller proportion of build cost – 25 to 50 percent rather than the average 75 percent target the infrastructure bill seems to aim for. The bill thus opens the door to private funding, which of course will be easier to get if federal funds and user subsidies lower the risk.

The exceptions will be deployments with difficult geography, sparsely populated areas, or areas populated with disadvantaged families. Even after passage (as the bill is written now), NTIA especially will have wide latitude in writing regulations for disbursing funds, for instance, by considering the percentage of families in an MDU with income below 150 percent of the local poverty level.

All this happens as interest rates are poised to begin rising next year and as a shortage of fiber and other network components worsens. Most economists do not see a shortage of money for borrowing, despite the obvious – that state and federal governments are borrowing more. As big as this bill and its companion \$3.5 trillion aid bill (over as much as 10 years) are, they are small compared with the \$20-plus billion economy and total \$70 billion existing public and private debt. But get to work on your deployment plans now! ❖

Come to the **BROADBAND COMMUNITIES** Summit September 27–30 for the latest details. The Bandwidth Hawk will be there, as will two former RUS administrators, Hilda Legg and Chad Rupe. And they are not just speaking and disappearing. They'll be around all week. Half the agenda (see [www.bbcmag.com/events/summit-2021/2021-agenda-at-a-glance](http://www.bbcmag.com/events/summit-2021/2021-agenda-at-a-glance) for details) is devoted to funding and finance.



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