

Stimulus Funds Targeted

The stimulus package was a grand compromise – a mix of tax breaks, entitlements and infrastructure improvements. Now there's a demand to claw back the funds that haven't been spent. Almost all those funds are for infrastructure, including broadband.

By Steven S. Ross ■ *Broadband Properties*

Congratulations, you've won a stimulus grant! But is your project in danger of being canceled before you see any of the money?

The last of almost \$7 billion in stimulus funds for broadband (plus an extra \$2 billion in loans) was awarded in September. Will it actually be used as intended, to provide jobs and improve the nation's infrastructure?

During the midterm election campaigns, many Republicans called for "clawing back" unspent stimulus funds to save money. The figure bandied about at Tea Party rallies was \$300 billion. Even while the stimulus package was being debated, broadband was singled out by The New York Times as an example of potential waste – a "cyberbridge to nowhere," in the words of the Times and, before that, in the words of Time Warner Cable's PR department.

Realistically, it's hard to argue that the broadband money won't be well-spent. Competition for the funds was fierce, with applications totaling more than four times the money actually available. There was no shortage of good projects.

In any case, it turns out there were never enough infrastructure grants in the first place to save anything like \$300 billion. Only \$209 billion of the \$813 billion stimulus package was actually for infrastructure – or \$226 billion, if one includes the \$17.6 billion for health information technology. Almost all of it – \$193 billion, according to the Congressional Budget Office – was obligated by September 30, including all the broadband funds. However, just \$87 billion, or 42 percent, of the funds have been paid



out, leaving \$122 million to be clawed back. Only about a quarter of the funds allocated to broadband have actually been paid to grantees, who can now pay their contractors. For network building itself, Broadband Properties calculates that less than 20 percent has been paid out.

THE LIKELY WORST-CASE SCENARIO

Although Congress sometimes takes back money that has been obligated but not paid out, such situations are rare. More likely, grantees that can take advantage of falling technology costs to build their projects more cheaply than originally envisioned will be denied the right to keep the funds and build a bigger or better network. And if money is returned, the grant-making agencies are even more likely to be denied the ability to recycle funds to other projects.

That is perhaps as it should be. Times are tough. As a bandwidth hawk, however, I would argue that spending funds on better and larger networks does double duty. It stimulates the demand

for current employment directly and also creates the infrastructure to provide even more jobs.

Many, even most of those who called for clawing back funds would agree. But for others, the original compromise between infrastructure and entitlements on the one hand and tax breaks on the other was just an artifice. About 80 percent of the \$303 billion in tax breaks and other financial arrangements (including Build America Bonds) was spent by October 2010. Too late to get that back!

None of the \$17.6 billion for health information technology has been obligated, and almost \$6 billion of the \$39 billion allocated to the Department of Energy for smart grid and other projects remains unspent and unobligated.

Compared with those numbers broadband got the short end of the stick in the first place. The Hawk says enough is enough. Let the network builders keep the pittance they received for what will prove to be the most important task of all – improving the nation's telecommunications infrastructure. **BBP**

About the Author

Contact the Hawk at steve@broadbandproperties.com. And don't miss his *Take it to the Bank* blog post on the Comcast-Level3 chargeback issue, at www.bbpmag.com.