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# Government Funding For Broadband Deployments Hits Historic Levels

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The COVID-19 pandemic made Americans reliant on broadband connectivity for work, education, commerce, health care and more, which in turn, brought to light the lack of adequate broadband in many areas. Areas lacking broadband are typically those where the incumbent providers have made the financial decision not to invest in advanced networks. Many times, these areas are low density with difficult terrain making deployment costs extremely high with marginal or negative returns on investment. Unfortunately, areas with inadequate broadband can sometimes be found in low income urban or suburban areas of the United States; with the lack of investment due to the potential for lack of adoption and low Average Revenue Per User (ARPU). Whatever the cause of the lack of broadband; it is known as the Digital Divide.

Although funding has been available for rural broadband networks for years through FCC Universal Service Fund programs and several USDA Rural Utilities Service programs, the budget for those programs is limited. The pandemic drove policymakers to make additional funding available for broadband deployments with the goal of closing the Digital Divide. As the result of several key pieces of legislation adopted during the COVID-19 pandemic, billions of additional dollars are now available to network operators for broadband investment through programs administered by government agencies. And more may be coming if infrastructure legislation that passed the Senate is signed into law.

In this white paper, we look at these new funding programs – including their budgets, rules, selection criteria and deadlines, where available.



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### THE CARES ACT:

One of the first pieces of recent legislation that made funding available for broadband deployments was the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Signed into law in March 2020, the CARES Act made \$2 trillion in funding available for a wide range of programs, including broadband and others.

The CARES Act included \$150 billion in direct assistance for state, local and tribal governments that could be used for a range of purposes, including broadband network investment. The act left decisions about how to use the funding to the states, provided that the states followed guidelines established in the act. Local governments with a population of at least 500,000 were eligible for direct payments, which were then deducted from the total funding available to the state.

The breakdown of how the funding was allocated is as follows:

- \$139 billion was allocated to the 50 states based on their populations and with no state receiving less than \$1.25 billion
- \$8 billion was set aside for governments in tribal areas
- \$3 billion was allotted to governments in territories, including the District of Columbia and Puerto Rico

Funding available to each state and other information can be found at this [link](#).

The deadline for spending funds allocated to state, local and tribal governments provided through the CARES Act was initially December 30, 2020, but was extended through December 31, 2021, by the Consolidated Appropriations Act of 2021.

The National Conference of State Legislatures created a database detailing how states are utilizing their CARES Act funding. Using that database, available at this [link](#), interested parties can search projects by state and by any of several categories, including broadband.

The CARES Act also included \$100 million in additional rural broadband funding for the USDA ReConnect program (see coverage in the ReConnect section of this paper) and \$200 million for a COVID-19 telehealth program. Telehealth funding went to healthcare organizations and could be used for broadband equipment and connectivity.

### CONSOLIDATED APPROPRIATIONS ACT OF 2021

The Consolidated Appropriations Act of 2021, signed into law in January 2021, establishes two new broadband grant programs to be administered by the National Telecommunications and Information Administration (NTIA).


One of these is a \$980 million Tribal Connectivity Program designed to increase access to and adoption of broadband service on tribal lands. Non-tribal entities can partner with eligible tribal entities to use these grants. Funding applications were due September 1, 2021 and will be evaluated based on purpose/benefits, viability, and budget/sustainability. The Act requires eligible entities to complete their projects within one year of their receipt of grant funds.

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The other new NTIA broadband funding program is the Broadband Infrastructure Program, which will award up to \$280 million for partnerships between state and local governments and private service providers. Applications for funding were due August 17, 2021. In awarding funding, priority will be given to projects that provide broadband to the greatest number of households in an eligible service area, to rural areas, to projects that are most cost-effective and that provide service at speeds of at least 100/20 Mbps.

The act also made \$35 million available for the USDA's existing Rural Utilities Service Community Connect grant program, which awards funding for the construction and operation of broadband networks in rural, economically challenged communities where service does not exist. Matching funds of at least 15% from non-federal sources are required.



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In addition, the act allocated up to \$1.9 billion to reimburse rural service providers for the removal and replacement of certain equipment manufactured by Huawei or ZTE, two Chinese manufacturers that have been deemed to pose a threat to the security of U.S. communications networks.

Finally, the act included \$268 million for a Connecting Minority Communities pilot program to be administered by the Commerce Department. Funding can be used to purchase broadband service or equipment, hire IT personnel, operate a minority business enterprise or a tax-exempt 501(c)(3) organization, and facilitate educational instruction. Funding will go to eligible Historically Black Colleges or Universities (HBCUs), Tribal Colleges or Universities (TCUs), minority-serving institutions (MSIs), and consortia led by an HBCU, TCU, or MSI that also include a minority business enterprise or tax-exempt 501(c)(3) organization. Applications are due December 1, 2021.

### THE AMERICAN RESCUE PLAN ACT

The American Rescue Plan Act (ARPA) was signed into law in March 2021. As with the Consolidated Appropriations Act of 2021, it directs a large amount of funding to the states, which the states can use for public health, water, sewers and other purposes, as well as for broadband deployments.

In addition, it allocates some funding directly to counties and cities, enabling the counties and cities to use the funding as they see fit within the broad guidelines.

The total amount that the ARPA directs to the states in Coronavirus State and Local Fiscal Recovery Funds is \$350 billion, broken down as follows:

- States & District of Columbia \$195.3
- Counties \$65.1
- Metropolitan Cities \$45.6
- Tribal Governments \$20.0
- Territories \$4.5
- Non-entitlement Units of Local Government \$19.5

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The Treasury Department was scheduled to begin releasing half of the funding to the state and local governments in May 2021, to be followed by the remainder approximately one year later, except for the states with the highest unemployment rates, which were slated to receive their entire funding in a single tranche.

Funding available by state can be found at this [link](#), by country at this [link](#) and by city at this [link](#).

For more information about non-entitlement units of local government, [click](#)

Also in May, Treasury released “interim” guidelines for awarding funding. State and local governments were directed to follow those guidelines until final guidelines are released, which had not occurred as of early September 2021.



### The interim guidelines for broadband deployment awards are as follows:

- Eligible areas are those lacking “reliable” service at speeds of at least 25 Mbps downstream and 3 Mbps upstream
- Deployments should support service at speeds of at least 100 Mbps symmetrical unless “impracticable due to topography, geography or financial cost”
- Treasury recommends prioritization of projects that are “owned, operated by or affiliated with non-profits and co-operatives”

The Institute for Local Self Reliance has a database of ARPA state and local projects proposed or underway at this [link](#).

The ARPA also allocated \$10 billion for a capital project fund to be administered by state, tribal and territorial governments. The funding can be used for a variety of purposes, including broadband. The money is to be allocated as follows:

States	\$9.8 billion
Territories & Freely Associated States	\$100 million
Tribal Governments	\$100 million

Applications for funding through the Capital Projects Fund can be found at the Treasury [website](#). The ARPA also includes funding for broadband initiatives that are not focused on deployment but rather on affordability.

One of the broadband affordability programs is the Emergency Broadband Benefit program, which pays up to \$50 a month (\$75 on tribal lands) for broadband service for low-income households and also pays up to \$100 toward the cost of a computer.

The other affordability program created in the act is the Emergency Broadband Connectivity program, which enables schools and libraries to pay for broadband connectivity and devices for use by students and library patrons in need of connectivity and unable to afford it. The program budget is \$7.1 billion.

Both the Emergency Broadband Benefit program and the Emergency Broadband Connectivity program are administered by the FCC.



### THE INFRASTRUCTURE INVESTMENT AND JOBS ACT (The Senate Infrastructure Bill)

The Infrastructure Investment and Jobs Act, also known as the Senate infrastructure bill, passed in the Senate in August 2021, and is expected to be signed into law after also passing the House. If adopted, the bill would make \$65 billion available for broadband, the majority of which would go toward infrastructure.

As with the CARES Act and ARPA, a large portion of the broadband funding – \$42.45 billion -- would be allocated to the states to award. Unlike with those acts, however, the Senate infrastructure bill calls for the funding to be used specifically for broadband. The amount allocated to each state would be based on the percentage of unserved locations in each state and a formula would be used to determine awardees.

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Each state will get a minimum of \$100 million, with additional funding allocated based on the number of unserved high-cost locations in each state. An unserved location is one that does not have broadband available to it at speeds of at least 25/3 Mbps. Once all unserved locations have been addressed, states can also fund underserved locations, defined as those that do not have 100/20 Mbps service available to them. Service providers who receive funding through BEAD will be required to offer speeds of at least 100/20 Mbps. They will also be required to offer a low-cost broadband plan to eligible low-income subscribers.

The BEAD program will be administered by the NTIA, a bureau of the Commerce Department. A notice of funding announcement is required to be published within 180 days of the president's signing of the legislation (November 15th).

#### The remainder of the broadband infrastructure funding in the bill passed by the Senate includes:

- \$1 billion for middle mile networks, defined as “broadband infrastructure that does not connect directly to an end-user location, including an anchor institution.”
- \$600 million to enable states to issue private activity bonds to finance broadband deployment in rural areas where the majority of households do not have broadband access
- \$2 billion in additional support for rural areas through the U.S. Department of Agriculture, including the ReConnect program (see USDA section of this white paper for more information about this program)
- \$2 billion for the Tribal Broadband Connectivity program, which was established in the Consolidated Appropriations Act of 2021 (see that section for more information on this program)

#### The Infrastructure Act also includes funding that can go toward digital inclusion and equity, including:

- \$2.75 billion to establish two NTIA administered programs to promote digital inclusion and equity for communities that lack the skills, technologies and support needed to take advantage of broadband connections. One program would use a formula to make awards while the other would use a competitive process
- \$14.2 billion for an Affordability Connectivity Program (ACP), which essentially extends the existing Emergency Broadband Benefit (EBB) program, but with some differences. The ACP will provide a \$30 per month voucher for low-income families to use toward any internet service plan of their choosing, compared to the \$50 provided by the EBB.

### RECONNECT AND OTHER USDA PROGRAMS

The USDA for years has made low-interest loans available to rural broadband providers for broadband and telecom deployments. In addition, a limited number of broadband deployment grants have been available for several years through the Community Connect program.

The USDA ReConnect program was started in 2019 to provide additional funding for broadband deployments to unserved rural areas. The first round of the program had an initial budget of \$600 million. Of that funding, up to \$200 million was to be awarded in the form of grants, \$200 million in the form of low-interest loans and \$200 million as 50/50 grant/loan combinations.

An additional \$100 million was added to the program via the CARES Act, which went to projects that were submitted in the first funding round but were not initially selected.

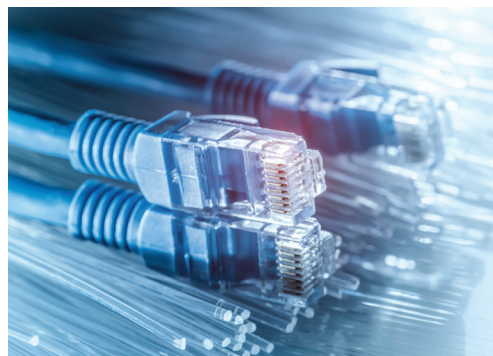
The second round of the CARES Act has a budget of \$550 million. Once again, the budget called for up to \$200 million to be awarded in the form of grants, up to \$200 million in the form of low-interest loans and up to \$200 million as 50/50 grant/loan combinations.

Applications were due April 15, 2021 and most of the funding has now been awarded. The third round of the ReConnect program has been announced. It has a budget of \$1.15 billion. USDA plans to make up to \$200 million available to operators requesting ReConnect loans, up to \$250 million in loan/grant combinations, up to \$350 million in grants with a 25% matching requirement and up to \$350 million in grants with no matching requirement for projects in tribal and socially vulnerable communities.

ReConnect funding targets areas that largely lack broadband. In Round 1 and 2, broadband was defined as service supporting at least 10 Mbps downstream and 1 Mbps upstream. Those winning funding must deploy infrastructure capable of supporting speeds of at least 25/3 Mbps to the unserved locations. The third round upped the ante a bit and now will target areas in which 90% of the population lacks service at speeds of at least 100 Mbps downstream and 20 Mbps upstream. Network operators receiving funding in round 3 will be required to deploy 100 Mbps symmetrical service.

**ReConnect projects have been selected via a scoring system. Criteria for round 3 of the program include:**

- Rurality (25 points)
- Level of existing service (25 points)
- Economic need of community (20 points)
- Affordability (20 points)
- Labor standards (20 points)
- Tribal lands (15 points)
- Local governments, non-profits and cooperatives (15 points)
- Socially vulnerable communities (15 points)
- Net Neutrality (10 points)
- Wholesale broadband services (10 points)



The application window for the third round of funding will open on November 24, 2021. More details may be found [here](#).

### FCC UNIVERSAL SERVICE FUND PROGRAMS

The FCC Universal Service Fund high-cost program is the traditional funding program for broadband deployments intended for rural areas where there would not be a business case for deployment without government support. The high-cost program has a budget that has been capped at about \$4 billion a year.

The high-cost USF program has separate programs for rural areas where the local provider is a price cap carrier and those rural areas where the incumbent is a rate of return carriers. Price cap carriers are some of the nation's larger carriers, including the local service businesses of AT&T, Verizon and several others. Rate of return carriers are smaller and tend to operate exclusively in rural areas.

Rate of return carriers receive about half of the \$4 billion high-cost budget annually, which covers a portion of their costs. The funding received is based on embedded costs or based on a cost model developed by the FCC.



The price cap funding program, known as the Connect America Fund (CAF) program, uses a cost model to determine funding and is set to expire in 2022. Future funding for many price cap carrier territories was awarded through reverse auctions known as the CAF II auction and the Rural Digital Opportunity Fund (RDOF) auction. The CAF II auction awarded \$2 billion in funding over a period of years and the more recent RDOF auction had winning bids totaling \$9.2 billion, although most of the money has not yet been released to winning bidders, most of whose applications were still being evaluated as of early October 2021.

In a reverse auction, winning bids are those that commit to deploying service for an area for the lowest level of support. The FCC had put plans in place for a second RDOF auction to award funding for unserved areas of price cap carrier territories that did not have winning bids in the CAF II or first RDOF auction, but those plans could be modified if the Infrastructure Investment and Jobs Act becomes law. That bill would require the FCC to re-examine its broadband funding programs in view of the new broadband funding programs included in the act.

The FCC also had planned to conduct a reverse auction to award funding for 5G networks in rural areas lacking 5G service, but those plans also could be modified if the Senate infrastructure bill is adopted into law and the FCC rethinks the USF program.

### SUMMARY

Clearly, broadband has become a national U.S. priority since the COVID-19 pandemic highlighted the importance of broadband connectivity. The budgets of pre-existing broadband infrastructure programs, including the FCC Universal Service Fund and the USDA ReConnect and other USDA programs, have been dwarfed by new programs established in the CARES Act, the Consolidated Appropriations Act of 2021 and the American Rescue Plan, which have directed billions more dollars of funding to broadband deployment, as well as broadband affordability and adoption programs. And if, as expected, the Infrastructure Investment and Jobs Act is adopted, funding will be expanded even further.

Stakeholders are hopeful that the additional funding will indeed make universal broadband a reality throughout the U.S.

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For more information on this topic and other services, contact Finley Engineering at 417-682-5531 or visit [FinleyUSA.com](http://FinleyUSA.com).



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