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The New Landscape of U.S. Government Broadband Funding

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SECTION 1: THE STIMULUS FACTOR

Major U.S. Government broadband funding programs like the FCC's Rural Digital Opportunity Fund and 5G Fund for Rural America have been in the works since long before anyone had even heard of coronavirus. But the incremental increase in the level of funding that is being made available in 2021 and into 2022 has been, at least in part, driven by the response to the coronavirus crisis. This convergence of planned and unplanned investments in broadband infrastructure and expanded service availability have resulted in a historic opportunity to bridge the digital divide in underserved areas across the country and a new landscape of broadband funding.

Three Major Phases of Stimulus

The "stimulus" funding that people refer to anecdotally is actually a set of appropriations passed in 2020 and 2021. The most relevant of these from a broadband funding perspective are:

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act (March 27, 2020)
- The Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act (December 27, 2020)
- The American Rescue Plan (ARP) (March 11, 2021)

Unless something drastic happens during 2021, we don't expect any additional stimulus funding to come through Congress, but what has already been appropriated will keep service providers, municipalities, educational institutions, and healthcare providers busy for some time to come.

Let's define some terms. What do we mean when we say a program is broadband-focused vs. broadband-friendly?

BROADBAND-FOCUSED	BROADBAND-FRIENDLY
Explicitly created to fund broadband expansion	Created to address a need that broadband may play an important part in
Most of each grant (>90%) will cover costs for broadband build-out	Each grant will cover a variety of costs, a portion of which may be broadband, depending on the project
Will have "broadband" or "connectivity" in the name of the grant	Will have a name that indicates the purpose of the program, rather than specifying a particular technology

Both types of programs fund broadband expansion and both are potentially worth investigating. And as we'll see, some of the largest funding programs in the history of the country are "broadband-friendly."

Broadband-focused Programs in the Stimulus Bills

The major broadband-focused opportunity funded by these stimulus bills, with the exception of the USDA's Rural eConnectivity (ReConnect) Program, is administered by the NTIA's Office of Telecommunications and Information Applications (OTIA).

The $300 million Broadband Infrastructure Deployment Grants for Unserved Areas program funds competitive grants to state-and-provider partnerships to support broadband infrastructure deployment to areas lacking broadband, especially rural areas.

Of course, the FCC isn't taking a back seat in terms of broadband-focused funding. As we'll see, the FCC is also administering the $11.2 billion RDOF Phase II auction and $9 billion 5G Fund for Rural America in 2021 or early 2022.

Broadband-friendly Programs in the Stimulus Bills

Given the nature of grants and their responsiveness to the project parameters of the applicants, just about any grant program that can fund technology that leverages connectivity can also fund broadband expansion in some way. In that sense, most of the hundreds of grant programs in the stimulus bills are broadband-friendly. But these are quite targeted and only relevant if you are planning a project that meets the requirements of the individual grant.

There is, however, one group of related broadband-friendly grants that are worth investigating, because of their sheer size – over half a trillion dollars – and because they specifically call out broadband expansion as one of the explicitly allowable uses of their funding.

The CARES Act and ARP funded a combined $500 billion to help state and local governments respond to the coronavirus crisis. Two of the programs, the Coronavirus Relief Fund (CARES Act, $150 billion) and the Coronavirus State and Local Fiscal Recovery Funds (ARP, $350 billion) are nearly identical in terms of allowable uses of funds (including investments in broadband infrastructure) and can be viewed as a single program in two parts – the $150 billion CARES Act component must be spent by December 31, 2021, while the $350 billion ARP component must be spent by December 31, 2024.

The CARES Act added $100 million to the USDA's Rural eConnectivity (ReConnect) Program. This resulted in $650 million being made available through the second round of funding for the rural broadband program in 2020. Because it was a "pilot", the program only had funding for two rounds and does not have funding for 2021. Though given its popularity, it may be funded in the future.

A third program, the Coronavirus Capital Projects Fund, will provide $10 billion to states, territories, and tribal governments for critical capital projects directly enabling work, education, and health monitoring, including remote options, in response to pandemic.

Although these programs have dramatically increased funding for broadband expansion, they are not the only broadband-friendly funding sources:

The FCC's $7 billion Emergency Connectivity Fund will provide grants for educational devices and connections to help schools and libraries provide devices and connectivity to students, school staff, and library patrons – particularly those with disabilities – during the pandemic.

The Tribal Broadband Connectivity Grant Program is a $1 billion OTIA program that is designed to fund either the installation of broadband infrastructure on tribal lands or fund activities that will bridge the digital divide (such as telehealth or telelearning projects).

The OTIA's $285 million Connecting Minority Communities Pilot Program will provide grant funding to historically black colleges and universities (HBCUs), tribal colleges and universities (TCUs), and minority serving institutions (MSIs) to purchase broadband or eligible equipment (Wi-Fi hotspots; modem, routers, or combined modem/routers; laptops, tablets, or similar internet-connected devices; and any other equipment used to provide broadband), or to hire and train IT personnel.

The Department of Education's $1.3 billion Governor's Emergency Education Relief (GEER) fund, which was funded by the CARES Act and CRRSA, provides broadband-friendly discretionary funding to governors to use to address needs in education related to the coronavirus crisis. In fact, the program is so discretionary that some governors (and their state education agencies) are using the funds strictly for K-12 projects, while others are opening up the funding to K-12 and higher education. Communities are grappling with the impact of the digital divide on the ability of students to participate in remote learning offerings and access school resources – a problem which predated COVID – and the GEER funds have been used as a way to build to infrastructure to help overcome that challenge.

Lastly, the FCC's COVID-19 Telehealth Program – which supports the efforts of health care providers to continue serving their patients by providing reimbursement for telecommunications services, information services, and connected devices necessary to enable telehealth during the COVID-19 pandemic – has recently completed its second round of funding. The first round provided $200 million form the CARES ACT, and the second round provided an additional $249 million from the CRRSA.

SECTION 2: BROADBAND INFRASTRUCTURE DEPLOYMENT GRANTS FOR UNSERVED AREAS

The Broadband Infrastructure Deployment Grants for Unserved Areas program is the big broadband-focused grant program to come out of the stimulus. But with $300 million to distribute, it only represents an incremental increase over the funding that has been made available through the FCC RDOF Phase 1 and upcoming RDOF Phase 2 auctions. Nevertheless, there are some nuances to the program that might make it more attractive for some projects.

For one thing, the program encourages public-private cooperation by requiring that applicants for the program be partnerships that include one or more state and/or local governments and one or more broadband service providers. This makes it particularly attractive for municipalities that want to offer robust broadband services to their citizens but can't meet the thresholds for performance capability and readiness that are required to bid in an FCC auction. It could also enable these partnerships to provide services to just the right size population – smaller groups in targeted areas where extending broadband might cost in the tens of millions of dollars. That price tag might overextend a county budget, and it might also be too small for a major service provider to want to undertake.

Finding the right project size will also be key to keeping a project competitive with other applicants around the country. A single statewide project could easily top $100 million, and the program only has $300 million, so it will also be important to be selective about the areas you plan to serve with this funding – the most underserved and the most rural being a good starting point.

The nature of the required partnerships is not strictly defined, aside from what types of organizations must be included and the populations and geographic areas they should be prepared to serve. Specifically, project partners should be able to bring competitively and technologically neutral 100/20 Mbps broadband service to service areas with less than 50,000 inhabitants, covering census blocks where at least one household or business does not have access to 25/3 service.

Applications for the Broadband Infrastructure Deployment Grants for Unserved Areas program have not yet been released, but the deadline is expected in the late summer 2021.

Other than that, the partnerships can be any number of governments and any number of service providers, large or small, and winning partnerships will have one year to spend the funds, unless they are given a special dispensation from the funder due to extenuating circumstances.

Although it is administered by an agency of the Department of Commerce, awards can only be made in consultation with the FCC, indicating that past performance with FCC programs may be a factor in determining whether a particular service provider elevates or diminishes the competitiveness of their partnership's application. It also emphasizes the importance for the government agencies in the partnerships to be selective in choosing their service provider partners. Based on the program guidance that is available so far, most of the due diligence OTIA and FCC will be conducting will be on the service providers. Presumably because of this level of scrutiny in screening applicants, awardees will not be required to be designated as Eligible Telecommunications Carrier (ETC) by their state's public utilities commission. So that eliminates a little red tape along the way.

Priority will also be given to projects that are designed to provide broadband service to the greatest number of households in an eligible service area. This may also merit some investigation and tweaking of your project plan, as some eligible service areas will be more difficult to broadly support than others.

SECTION 3: MASSIVE BROADBAND-FRIENDLY STATE AND LOCAL FUNDS

State and local governments were hit hard by the pandemic crisis during 2020-2021, as sales and income taxes fell, unemployment claims rose, and they were required to transform their service delivery models from in-person to a remote, technology-driven platform practically overnight.

And despite all the unanticipated expenses they accrued in the wake of the crisis, throwing money at the problem only had a marginal impact that was slow to bear fruit. Local governments across the country had difficulty actually spending their shares of the $150 billion CARES Act Coronavirus Relief Fund by the original deadline of December 30, 2020, so Congress extended the time frame to December 31, 2021 in the CRRSA bill. Then Congress added an additional $350 billion in the ARP, in the form of State and Local Fiscal Recovery Funds, and gave governments until December 31, 2024 to spend it. This of course created a logjam that (as with most logjams) has favored projects and expenses that were ready to move quickly.

The bureaucratic issues states and municipalities have faced in spending their stimulus funding could be due to a number of internal and external issues, but it's not due to inflexibility on the part of the funding mechanism. In fact, these funds can officially be used for a wide range of purposes, including:

- to respond to the public health emergency with respect to (COVID–19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;

- to respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers of the State, territory, or Tribal government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;
- for the provision of government services to the extent of the reduction in revenue of such State, territory, or Tribal government due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the State, territory, or Tribal government prior to the emergency; or
- to make necessary investments in water, sewer, or broadband infrastructure.

So, broadband infrastructure is the last item in a long list of potential uses of these funds, but it is included, which is why we call the program "broadband-friendly." And it is a lot of funding. Even if 1% of the funding were used for broadband projects, that would amount to more than $5 billion in additional funding for broadband expansion projects.

And because the program is so flexible, states and local jurisdictions will be able to use the funds for holistic digital divide projects that don't just expand service and don't just pay for devices that need broadband. Instead, they'll be able to support visionary projects that bring the connectivity and the functional application of that connectivity together to address issues related to the current crisis and harden their infrastructure and institutions against future crises as well.

There is an additional $10 billion set aside for the Coronavirus Capital Projects Fund, which allocates these funds to states, territories, and tribal governments for critical capital projects directly enabling work, education, and health monitoring, including remote options, in response to the pandemic. Like the programs above, this program distributes funds to states, territories, Tribal governments, and districts based on a formula. Unlike the others, a portion of the Coronavirus Capital Projects Fund allocations also take into consideration the poverty rates in each of the states as well.

All of these state and local government stimulus funds are being distributed directly to the end recipients with very little required in terms of pre-application, and as long as the recipients fill out the simple forms (forms vary by state, but they're all fairly simple) that are required, they are guaranteed to get the funding. This means that instead of the competition being played out externally, as is the case with most grant programs, the competition is internal, among departments and initiatives within the municipality. As a result, the projects that will end up being funded by these programs will be those that address the coronavirus crisis and that have advocates and momentum within the municipality.

SECTION 4: RDOF PHASE 2

The most prominent non-stimulus program to emerge in 2021 is the second phase of the FCC's Rural Digital Opportunity Fund (RDOF). Unlike the grant programs we have covered up to this point, RDOF is a reverse auction that allows service providers to bid on how much federal support they will need to extend broadband to specified underserved areas at various levels of service. And the program is very large, with $20.4 billion available to cover two rounds (or phases) of distribution.

RDOF's Phase I bidding occurred on November 25, 2020, and as a result, the FCC committed to provide $9.2 billion as monthly financial support to winning bidders over ten years. In 2021 or early 2022, RDOF's Phase II will allocate up to $11.2 billion, up from the original $4.4 billion set aside originally, thanks to funds carried over from Phase I. Phase II will be focused on providing high-speed broadband access to partially served areas, census blocks where some but not all locations lack access, as well as census blocks that were not awarded in Phase I. Fully 99% of eligible census blocks were allocated during Phase I, so Phase II bidding will primarily be for partially eligible areas. Partially eligible blocks are more prevalent in the western half of the country, so we can expect a larger proportion of broadband providers in the west bidding compared to Phase I. Furthermore, since over 85% of the awards in Phase I were for gigabit-speed broadband, we can expect similar speed offerings in Phase II, especially with the large addition of funds rolled over from Phase I.

RDOF is just the latest in a series of FCC auctions that have systematically increased access to robust broadband service for rural areas of the country. And as the need for more and more extensive levels of connectivity continues to grow, it has also proven to be a flexible and responsive means for making investments in the broadband infrastructure across the country.

From a funding standpoint, awards are large - the average award per bidder in RDOF Phase I was over $51 million. But the requirements to participate and bid in the auction are also complex, and potential bidders are required to show that they already have experience building out broadband capacity elsewhere.

SECTION 5: OTHER BROADBAND FUNDING PROGRAMS

Looking further across the landscape of funding are a number of other federal and state-funded programs that fall within the broadband-focused and broadband-friendly categories.

5G Fund for Rural America

Like the RDOF program, the $9 billion 5G Fund for Rural America will be administered by the FCC using a reverse auction format to determine awards. It will fund the expansion of 5G mobile broadband service to rural areas that would be unlikely to otherwise see deployment of 5G broadband service, as outlined in recent FCC data associated with the program. The 5G Fund will help ensure that rural Americans enjoy the same benefits from our increasingly digital economy as their urban counterparts and would include a special focus on deployments that support precision agriculture.

The Report and Order that defines many of the nuances of the program was published in October 2020, but the time frames for the auction and the final weighting criteria and target areas will be defined in a series of more final guidance documents that the FCC typically publishes in the weeks prior to the opening of the auction.

And of course, bigger is not always better for everyone when it comes to funding, as large programs like the 5G Fund attest. Sure, if you're a large carrier who can bring 5G broadband and voice service to rural areas, this is the program for you. But if you're a smaller service provider or municipality or nonprofit looking to extend service to unserved areas, potentially combined with other services as well (like educational outreach or job training support), you'll probably need to keep digging, despite the large amount of funding that the FCC program is providing here.

Other Federal Grants

We have already indicated that broadband-friendly grants are available across the federal government, and the stimulus-driven programs are certainly an example of that. But the federal government also provides a range of non-stimulus broadband-friendly and even broadband-focused grants that might fit perfectly with the type and scale of project you are envisioning.

All federal grants are posted at the Federal Electronic Grants Clearinghouse at www.grants.gov when they open for applications. You can even register for email alerts to stay apprised of announcements for grants that match your preferences.

One good example of an alternative broadband-focused grant is the USDA's Community Connect program, which provides grants between $100,000 and $3 million for extending 25/3 Mbps service to rural service areas in which broadband does not exist. There are some strings attached to this particular funding – for example, winners will be required to provide free service to all essential community facilities (mostly municipal) and a community center for at least two years, along with paying 15% of the project costs out of pocket. But any type of incorporated organization can apply, no previous broadband experience is required, and financing is available. It's an entry level program that can prepare you and your broadband service organization (in whatever legal form it may take) to access the larger programs that require more preparation and experience to apply to.

A popular federal broadband-friendly program is the USDA's Distance Learning and Telemedicine (DLT) Grant Program. This program provides funding for the technology infrastructure needed to deliver either distance learning or telemedicine services in rural areas that don't offer, for example, coding classes to high school students, or that require patients to drive for hours to see a cardiologist. Grants cover the endpoints for service delivery to the rural locations to which services are being extended, and the infrastructure needed for them to access the services (broadband-friendly). Note that the endpoints on the service provider side – usually an urban hospital or educational institution that is providing the content – are generally not included.

And these programs can work together. The DLT program above, for example, can complement the stimulus-driven FCC COVID-19 Telehealth program, where the FCC program covers services in more populated areas, and the DLT program fills in services to less densely populated rural areas.

With federal broadband-friendly grants, it's important to be clear about the specific objectives you are trying to achieve with your project and with a little research, you'll be able to locate the programs that fit with your project.

State Broadband Grants

As with anything across 50 states plus territories and the District of Columbia, state broadband funding is a hodgepodge of programs, some entirely focused on broadband infrastructure, and others more in the broadband-friendly camp.

State grants are some of the least competitive of the broadband grant opportunities, and they encourage collaboration among community stakeholders, municipalities, and service providers. Like the federal Community Connect program, these state opportunities are a great starting point for anyone looking to extend broadband services to rural and underserved areas – some of the areas that need it the most and will see the greatest benefit from expanded connectivity for years to come.

A list of some of the most popular broadband-focused and broadband-friendly state grant programs is contained in the appendix.

NAVIGATING THE FUNDING LANDSCAPE

With so many different opportunities from so many different sources, it can be difficult to know where to start. But there are a number of factors related to your organization and your project that can help you begin to filter through the funding opportunities that are available. Some of the most prominent include:

Location

Where geographically you want to provide service, and the demographics and current service levels there

Resources

How much capital you can allocate to the project(s), and what time and resources you can dedicate to pursuing funding

Capacity

How much experience you have with providing broadband service and the level of service you are looking to provide in future projects

Team

Who is already committed – or willing to commit – to partnering with you to deploy the project and help you overcome the inevitable technical, political, and regulatory obstacles you will face along the way

Scale

An approximation of how much funding (hundreds of thousands, millions, or tens of millions) the project needs.

Once you have a clear definition of these contextual considerations, the broad landscape of funding should begin to become quite manageable. You'll find that the answers will move you toward one broad category of federal grants, and state grants will become limited to just a handful of opportunities, depending on the state you're planning to site your project in.

Like navigating any terrain, developing funding for a broadband project will be a journey. But for your organization's stakeholders, communities, and partners, and for you, the financial, operational, and personal rewards can make it all worthwhile!

APPENDIX: POPULAR STATE BROADBAND FUNDING PROGRAMS

This list shows some popular state broadband funding programs, but it is by no means exhaustive, and new programs are being created regularly. Check with your state legislature for additional information in your area.

STATE	NAME OF GRANT	STATE ADMINISTERING AGENCY
Alaska	School Broadband Assistance Grant (BAG)	AK Department of Education and Early Development
Arizona	Arizona Broadband Initiative	Arizona Department of Education
Arkansas	Arkansas Rural Connect (ARC) Grant Program	Arkansas Department of Commerce
California	California Advanced Services Fund (CASF) Broadband Infrastructure Grant Program	CA Public Utilities Commission
Colorado	DORA Broadband Fund	CO Department of Regulatory Agencies
Idaho	SDE Broadband Infrastructure Improvement Grant (BIIG) Program	ID State Department of Education
Illinois	Connect Illinois Broadband Grant Program	IL Department of Commerce
Indiana	Next Level Connections Broadband Grant Program	IN Office of Community and Rural Affairs
Iowa	Empower Rural Iowa Broadband Grant program	Office of the Chief Information Officer
Maryland	Rural Maryland Prosperity Investment Fund (RMPIF)	Rural MD Council
Michigan	Connecting Michigan Communities (CMIC) Grant Program	MI Department of Technology, Management and Budget
Minnesota	Border-to-Border Broadband Development Grant Program	MN Department of Employment and Economic Development
Missouri	Missouri Broadband Grant Program	Missouri Department of Economic Development
Nebraska	E-Rate Special Construction State Matching Grant Program	Nebraska Public Service Commission
New York	NBRC Economic & Infrastructure Investments	NY Department of State
North Carolina	The Growing Rural Economies with Access to Technology (GREAT) Program	North Carolina Department of Information Technology
Oregon	Special Public Works Fund	Business Oregon
Pennsylvania	Business In Our Sites Grants/Loans	Pennsylvania Department of Community and Economic Development
Tennessee	Broadband Accessibility Grant Program	TN Department of Economic and Community Development
Virginia	Virginia Telecommunication Initiative (VATI)	Virginia Department of Housing and Community Development
Washington	Rural Broadband Initiative	WA State Department of Commerce
Washington	CERB Prospective Development Program	WA State Department of Commerce
Wisconsin	Broadband Expansion Grant Program	WI Public Service Commission
Wyoming	Wyoming Broadband Development Grant Program	Wyoming Business Council