

Transforming Broadband Infrastructure through State and Local Government Expertise and Strategic Use of Federal Funding

The Infrastructure Investment and Jobs Act of 2021 (Infrastructure Bill) includes over \$45 billion of federal funding to help state and local governments improve broadband-related infrastructure. This bill presents a unique opportunity for state and local governments to revamp their critical broadband infrastructure to drive long-term economic growth. However, the wide array of federal funds available to cover broadband development requires that state and local governments carefully strategize their use of both existing and new funds to maximize available resources for all strategic priorities.

In what follows, we describe the major federal funding sources in the American Rescue Plan Act (ARPA) and the Infrastructure Bill, and suggest basic strategies for prioritizing their uses.

Broadband Funding in ARPA— State and Local Fiscal Recovery Funds and Capital Projects Funds

Coronavirus State and Local Fiscal Recovery Funds

State and local governments (county, metropolitan, and non-entitlement units) will share a total of \$350 billion for eligible projects responding to the COVID-19 emergency as part of the Coronavirus State and Local Fiscal Recovery Fund (SLFRF). A presumptively eligible use of the SLFRF includes investments in broadband infrastructure for underserved and unserved populations. Some state and local governments have already started working on eligible broadband projects using SLFRF money and plan to continue addressing related needs with future funding sources. This fund, however, allows for a wide range of non-broadband projects as eligible uses, including affordable housing, economic support for communities hard hit by the COVID-19 pandemic, and other strategic priorities of many state and local governments.

Coronavirus Capital Projects Fund

ARPA provided \$10 billion for payments to eligible governments (state, territorial, and tribal) to carry out critical capital projects that enable work, education, and telehealth. As with SLFRF, Capital Projects Fund (CPF) guidance provides presumptive eligibility to broadband infrastructure projects that address unserved and underserved population. The CPF is a fairly narrowly tailored funding source. In general, the CPF should be viewed as significantly more restrictive than the SLFRF in terms of eligible uses.

Broadband Funding in the Infrastructure Bill

The Infrastructure Bill includes a wide range of programs that build on the broadband-related aspirations of ARPA. The broadband and connectivity funding provided to state and local governments in the Infrastructure Bill amounts to more than \$45 billion. As with broadband in ARPA, the Infrastructure Bill focuses on the unserved (lacking access to reliable broadband with more than 25 Mbps download and 3 Mbps upload speeds) and underserved locations (lacking access to reliable broadband service with more than 100 Mbps download and 20 Mbps upload speeds). The following table shows examples of broadband-related funding for state and local governments from the Infrastructure Bill.

1. **Coronavirus State and Local Fiscal Recovery Funds** - <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>.
2. **Capital Projects Funds** - <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/capital-projects-fund>.

Program Name	Total Funding Amount	Distribution Formula	Eligible Uses	Key Provisions
Broadband Equity, Access, and Deployment Program	\$42.45 billion	To states and territories based on unserved locations and high-cost areas, minimum of \$100M per state	1) Unserved/ underserved service projects. 2) Connecting eligible community anchor institutions. 3) Data collection, broadband mapping, and planning. 4) Installing internet and Wi-Fi infrastructure or providing reduced-cost broadband within a multifamily residential building.	Required processes include: Letter of Intent, 5-year action plan, Initial and Final deployment plans, and semi-annual reporting. 25% non-federal match, which can come from ARPA funds.
State Digital Equity Capacity Grant Program	\$1.5 billion Including: \$60 million in Planning Grants \$240 million in FY2022 \$300 million each in FY2023-2026	Formula based on population, percentage of covered population, relative lack of broadband. Minimum state award is .5% of the total amount available that fiscal year.	To help "covered populations" (including low-income, elderly, incarcerated, veterans, disabled, language learners, racial and ethnic minorities, rural residents) and community institutions have information technology capacity needed for full participation in society and economy. This includes reliable fixed and wireless broadband services, internet-enabled devices, and necessary applications, training, and content.	An initial 1-year planning grant will fund the creation of a State Digital Equity Plan. Subsequent grants will carry out the Digital Equity Plan.
Digital Equity Competitive Grant Program	\$1.25 billion	Competitive grant available to local governments and other entities to cover the same uses as the State Digital Equity Capacity Grant Program.	See State Digital Equity Capacity Grant Program above.	Minimum 10% non-federal cost share.
Enabling Middle Mile Broadband Infrastructure	\$1 billion	Competitive grant available to state and local governments, utilities, telecom companies, non-profits, regional planning commissions, and others.	To encourage expansion of middle mile infrastructure to reduce the cost of connecting unserved/ underserved areas to the internet backbone; and to promote broadband connection resiliency.	Minimum 30% non-federal cost share.

Strategizing Use of Federal Broadband Funds

State and local governments should strategically prioritize their use of these various funding sources. Although many state and/or local governments may have already appropriated SLFRF for broadband uses, they may wish to revisit this decision. The SLFRF allows a wide variety of eligible uses, including development of affordable housing, beyond the broadband allowable uses. Local governments would be advised to limit their broadband use of flexible funds such as the SLFRF to non-federal cost share (where permitted), to maximize the value they can deliver to residents. State governments, which have also received CPF monies, would be advised to budget CPF as matching funds for Broadband Equity, Access, and Deployment Program projects, and retain State Fiscal Recovery Funds for other uses.

For additional Guidehouse insights related to broadband, see: [Guidehouse Broadband Perspective](#)