

A Broadband Toolkit for Local Governments How Michigan Cities Should Expand Access to High-Speed Internet

By Jarrett Skorup

For years, state governments and the federal government have increased spending on projects aimed at expanding access to high-speed internet. In 2021, that spending has skyrocketed.

The Federal Communications Commission and U.S. Department of Agriculture both have funds aimed at helping low-income and rural residents get access to broadband. Congress approved \$9.6 billion in 2019 and another \$9.9 billion in 2020 for the purpose.¹

The FCC provides vouchers to low-income families to purchase monthly internet access. During the pandemic, an emergency broadband benefit was added that provides \$50-\$75 per month for eligible families, as well as \$100 for equipment purchases.² The U.S. Department of Commerce also runs a Broadband Infrastructure Program that hands out hundreds of millions in grants to local governments for projects attempting to expand high-speed internet coverage in under-served areas.³

The American Rescue Plan and the Consolidated Appropriations Act, both passed earlier this year,

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dramatically increased this spending. The ARP added \$18 billion to state, local government, school and library budgets for broadband through general appropriations and the emergency connectivity fund. The CAA included another \$5 billion for internet service discounts, tribal and minority communities, and telehealth. The FCC appropriation nearly quadrupled compared to recent annual funding levels, amounting to nearly \$38 billion, primarily aimed at rural homes, small businesses and 5G expansion.⁴

On top of this money aimed at expanding internet connectivity, another \$800 billion was approved to be sent to local governments that could be used for broadband projects. States, municipalities, and schools will be able to use much of this funding for a variety of projects, including physically building out broadband networks, supporting digital learning and training programs, telehealth and telemedicine, and subsidizing the purchase of devices and internet access.⁵

Further, the Infrastructure Investment and Jobs Act, a federal infrastructure bill, recently passed by the U.S. Senate, provides another \$65 billion in broadband funding.⁶ A majority of this funding will go to states for the purpose of building out broadband access, but

1 NCTA – The Internet & Television Association, email correspondence with author, Sept. 23, 2021.

2 “Emergency Broadband Benefit” (Federal Communications Commission, 2021), <https://perma.cc/A2ZY-QHVC>.

3 “NTIA’s Broadband Infrastructure Program Receives Over 230 Applications, More Than \$ 2.5 Billion in Funding Requests” (U.S. Department of Commerce, Aug. 24, 2021), <https://perma.cc/U7HM-D7X9>.

4 NCTA – The Internet & Television Association, email correspondence with author, Sept. 23, 2021.

5 Adie Tomer and Caroline George, “The American Rescue Plan Is the Broadband down Payment the Country Needs” (Brookings Institution, Jun. 1, 2021), <https://perma.cc/3CRM-ZMYB>; NCTA – The Internet & Television Association, email correspondence with author, Sept. 23, 2021.

6 NCTA – The Internet & Television Association, email correspondence with author, Sept. 23, 2021.

some will be used for user subsidies, including a \$30-per-month voucher for low-income families to purchase high-speed internet access.⁷

With this much funding pouring in, much of it may inevitably be spent inefficiently or even wasted. Here's what state and local policymakers in Michigan should do to make the best use of this federal windfall in broadband funding.



Too often, government entities jump to the expensive things first, such as trying to build their own broadband networks, while ignoring the less expensive, low-hanging fruit that could make a big difference. For example, municipalities need to ensure they are making it as easy as possible for private companies to offer broadband service.⁸ This means providing fair standards for pole access rules, making it easier for 5G and small cell installation points and standardizing government right-of-way fees or other types of rules. Making sure taxes on the technology enabling people to connect are fair is important, too.⁹ Before launching expensive and ambitious projects, government officials should review their current regulations and remove artificial limits on private companies that want to expand high-speed internet access.

There are many opportunities to make better use of existing resources for expanding broadband access. In 2018, the Michigan Legislature passed bills that streamlined the permitting process and reduce some costs on internet service providers.¹⁰ A new FCC rule change, passed unanimously and that went into effect in January, gives homeowners significantly more freedom to install small outdoor antennas — including fixed wireless and certain types of 5G antennas — on their private property.¹¹ This will help improve home broadband coverage and gives service providers, especially small and rural-based ones, more siting options to expand to new towns, neighborhoods and homes.

Policies that pave the way for private investment often prove to be the most effective and efficient way to expand internet access and improve network reliability and speed.

Before launching expensive and ambitious projects, government officials should review their current regulations and remove artificial limits on private companies that want to expand high-speed internet access.

7 Blair Levin, "The Senate Infrastructure Bill's Four Interconnected Broadband Components" (Brookings Institution, Aug. 13, 2021), <https://perma.cc/MWV7-YLSR>.

8 Jarrett Skorup, "Want Faster Internet? What Rural Communities Should Explore" (Mackinac Center for Public Policy, Sept. 19, 2018), <https://perma.cc/2KT6-GYVW>.

9 Raul Katz and Fernando Callorda, "Assessment of the Economic Impact of Taxation on Communications Investment in the United States" (Broadband Tax Institute, Nov. 2019), <https://perma.cc/5N5Z-JTCE>.

10 Jarrett Skorup, "Legislature Looking to Streamline Internet Services" (Mackinac Center for Public Policy, Oct. 17, 2017), <https://perma.cc/4PMX-9BW2>.

11 Brent Skorup, "FCC Rule Makes It Easier to Self-Provision Home Broadband" (Technology Liberation Front, Jan. 14, 2021), <https://perma.cc/HVP8-8N4G>.

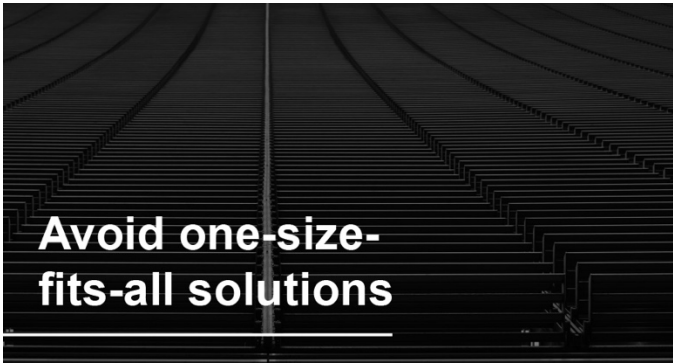


Most Michigan residents have access to high-speed internet and most have it provided to them by a private company. The cost for these services has come down substantially. Generally, over the last couple decades, the private sector has done a relatively good job at expanding access and bringing down costs, meeting the primary needs of customers. And to the extent there are issues with high costs or poor service, this usually comes down to a lack of competition among firms.

To increase access to high-speed internet, the state and local municipalities should rely on private providers as much as possible. Unlike local government officials, these companies have decades of experience with operating reliable and affordable internet networks. Public officials should leverage this private sector experience and expertise when crafting plans to expand high-speed internet access.

But in doing so, governments should be careful not to ruin competition in the process. Leveraging the private sector should not result in limiting competition or handing monopoly-like control to one company. In working with the private sector, government officials need to maintain a fair and competitive market for these services so that customers can benefit from the competitive pressures faced by private providers.

12 “Mobile Internet User Penetration in the United States from 2016 to 2026” (Statista, 2021), <https://perma.cc/X8AZ-WNA4>; “Internet/Broadband Fact Sheet” (Pew Research Center, April 7, 2021), <https://perma.cc/Z7T3-ZENB>.



Much attention is devoted to expanding wired broadband connections to a larger segment of the population. But this is not the only way that people can gain new access to high-speed internet. For example, a larger portion of people use the internet on their phones (83%) than have broadband at their homes (77%).¹² According Ookla, a company specializing in internet performance and analytics, the fifth-generation mobile network — 5G — is available across most of Michigan with speeds typically 50 Mbps to 1 Gbps, right on your cell phone.¹³ A growing number of providers are investing in connecting to this network.

What impact the expansion of 5G networks will have on internet access and use is not fully known yet, but this technology provides a possible solution to customers who currently do not have a wired connection to high-speed internet. Many people, especially in rural areas, use satellite and fixed wireless providers rather than wired broadband, for example. Future technologies may provide new means for

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13 “Ookla 5G Map” (Ookla, 2021), <https://www.speedtest.net/ookla-5g-map>.

people to connect to broadband speeds, and governments should avoid prioritizing one type of technology over another.



The lack of high-speed internet access largely comes from low population density, typically driven by geographic factors, and low demand, which raises the costs of serving certain areas. It does not make financial sense to run a new connection to an area with few people interested in paying for the service. Government entities should recognize this simple reality.

That said, there are people who want and need high-speed internet but have limited access to it. Too often though, local governments try to satisfy these needs by building their own government-owned networks, or GONs. But in addition to building out these networks to underserved and unprofitable areas, governments often offer access to areas that already have a provider or multiple providers. In the end, this hampers the fiscal prospects of GONs, because they compete with private providers on costs and quality in areas with existing broadband access and try to reach underserved areas where service costs are high but demand low. These factors help explain why the vast majority of publicly run broadband networks fail financially.¹⁴

Instead of taking on the risks of operating a profitable network of its own, local governments should use money they would have spent on a GON and provide vouchers to people in underserved areas. This will

increase demand for high-speed internet in these areas and make it more likely that service providers can afford to meet those needs. Vouchers could also be used to help low-income households, including senior citizens, get access to networks that already exist. This skips the costs of building, marketing and managing another network, protects taxpayers against cost overruns and spurs private investment and more private competition, which will result in better and less expensive service for the community.



Local government officials should do the following to make the best use of the influx of dollars meant for improving access to high-speed internet:

- Clear away needless local regulations
- Foster competition among private providers
- Lower barriers to additional private investment
- Resist a one-size-fits-all technological solution
- Provide vouchers rather than costly and risky government-owned networks

¹⁴ Jarrett Skorup, "The Costly Part of Government-Owned Broadband" (Mackinac Center for Public Policy, Nov. 27, 2018), <https://perma.cc/8A35-U2QG>.

Due to federal COVID-19 relief funds, municipalities have an unprecedented amount of money available for them to spend.

The state of Michigan and the FCC have rules in place that encourage private companies to provide internet service.¹⁵ Due to federal COVID-19 relief funds, municipalities have an unprecedented amount of money available for them to spend. Some will be tempted to launch grand schemes and build government-owned networks, which have a poor track record of success. Instead of pursuing that risky venture, local governments should consider ways to spend these broadband funds more effectively and efficiently.

¹⁵ Jarrett Skorup, "The Right Way to Expand Broadband Internet in Michigan" (Mackinac Center for Public Policy, Sept. 23, 2020), <https://perma.cc/M632-KHG4>.

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