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**Policy Brief**

# The American Rescue Plan and its Impact on Broadband

March 23, 2021

On March 11, Congress passed the latest COVID-relief package, called the American Rescue Plan, to the tune of \$1.9 trillion. In it, broadband is propped up as a major player, with schools, rural communities, and other entities positioned to see major upgrades to their connectivity and technology needs. Since the pandemic began a year ago, the increased need for connectivity has only intensified. The overwhelming support for broadband expansion is clear in this latest legislation with the following included:

- \$7.171 billion – Emergency Connectivity Fund
- \$219.8 billion – State and Local Fiscal Recovery Funds
- \$9.961 billion – Homeowner Assistance Fund

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This policy brief will discuss each of these points in more detail and how they relate to more money for broadband.

## Emergency Connectivity Fund

In a huge win for schools, libraries, and those learning from home, the American Rescue Plan makes \$7.171 billion available for an Emergency Connectivity Fund. This funding serves as a significant infusion to the FCC's E-rate program, which has traditionally offered discounts to schools and libraries for broadband *to* and *within* schools.

For some time, many schools and nonprofits have called for E-rate funding to be allowed to be spent on home connectivity. Previous FCC Chairman Ajit Pai, however, felt that the Communications Act that governs the FCC expressly limited the FCC's use of E-rate funds for home connectivity. Thanks to this legislation, however, funds can be used just for that purpose, and eligible entities may seek funding from the FCC and USAC for devices and internet service. Eligible equipment includes Wi-Fi hotspots, modems, routers, devices that combine a modem and router, and connected devices.

The FCC has a short 60 days from the passage of the American Rescue Plan to promulgate rules, and just last week, they released a [Public Notice](#) seeking

comment on the matter. Comments are due April 5, with Reply Comments due April 23.

## Coronavirus State and Local Fiscal Recovery Funds

### Coronavirus State Fiscal Recovery Funds

For states, the new Recovery Fund represents a major influx of cash for economic recovery purposes. Through December 2024, \$219.8 billion is made available for states, territories, and tribal governments to “mitigate the fiscal effects” caused by COVID-19. Within that tranche of funding is the following:

- \$195.3 billion to all 50 states and the District of Columbia
  - \$25.5 billion of this is reserved for equal allocation among each state and D.C.
  - The rest is allocated based on unemployment rates
- \$20 billion to tribal governments
- \$4.5 billion to U.S. territories

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These funds may be used to help households, small businesses, nonprofits, and industries suffering as a result of COVID-19 (such as tourism, etc.). Funds may also be used for essential workers, government services, water, sewer, and — most notably for those here at Connected Nation — broadband. A state, territory, or tribal government may transfer funds to nonprofits or some other entity to carry out the intended work.

### Coronavirus Local Fiscal Recovery Funds

Localities will be given \$130.2 billion for metro cities, local governments, and counties. Of this funding, \$45.5 billion will be allocated to metropolitan cities, \$19.5 billion for non-entitlement units of local governments, and \$65.1 billion for counties. Like the State Fiscal Recovery Funds mentioned above, the Local Funds may be used for essential workers, government services, water, sewer, and broadband.

### Coronavirus Capital Projects Fund

Congress also approved a \$10 billion Coronavirus Capital Projects Fund to aid in carrying out capital projects, directly enabling work, education, and health monitoring. The legislation states that a minimum of \$100 million will be appropriated to each state, Puerto Rico, and D.C. In addition, \$100 million will be appropriated evenly among other U.S. territories, and \$100 million will be equally divided between Hawaii (in addition to the \$100 million received under the “state” category) and tribal governments. Leftover funding will be reserved and allocated based on population, rurality, and household income. The

Department of Treasury has 60 days to establish a process for applying for grants.

### Timing

The funding will be distributed in two tranches — 50% within 60 days of the enactment of the legislation and 50% no earlier than one year later. States must distribute funding within 30 days of receipt to local governments. The Treasury is set to release more rules within the coming weeks.

### Homeowner Assistance Fund

The Recovery Fund allots \$9.961 billion for the Homeowner Assistance Fund. This funding, available through September 2025 to “mitigate financial hardships associated with the coronavirus pandemic,” will provide funds to states to assist struggling homeowners. Qualified expenses include mortgage payment assistance, and notably, internet service.

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### Conclusion

With these notable infusions of cash into a vast array of areas that include broadband, ubiquitous coverage may be one step closer. In addition to this legislation, other broadband-focused programs have been funded and are soon to launch, including:

- FCC Telehealth Round 2 – \$250 million
- NTIA Tribal Connectivity Grants – \$1 billion
- NTIA Broadband Infrastructure Deployment Grants – \$300 million
- NTIA Connecting Minority Communities Pilot Program – \$285 million

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