

# INFRASTRUCTURE INVESTMENT AND JOBS ACT



## IIJA-ReConnect Program-Informational Report

09801-0002-23 – December 2023

Reliable and affordable broadband<sup>1</sup> internet is fundamental for economic activity throughout the United States.<sup>2</sup> The Consolidated Appropriations Act of 2018 established the United States Department of Agriculture (USDA) Rural Utilities Service (RUS) Rural eConnectivity Pilot Program (now known as the ReConnect Program).<sup>3</sup> The purpose of the ReConnect Program is to encourage the expansion of broadband<sup>4,5</sup> services to rural areas<sup>6</sup> that lack sufficient broadband access by awarding grants and low-interest loans to eligible broadband service providers.

As reported in 2020 (based on 2018 data) by the Federal Communications Commission (FCC), over 22 percent of Americans in rural areas lack coverage from fixed terrestrial broadband internet, as compared to only 1.5 percent of Americans in urban areas.<sup>7</sup> In its 2021 report (based on 2019 data), FCC noted the percentage of rural Americans with insufficient access to broadband dropped to approximately 17 percent.<sup>8</sup>

To address the nation's infrastructure needs, including access to broadband, the Infrastructure Investment and Jobs Act<sup>9</sup> (IIJA) was signed into law on November 15, 2021. The act provided funding for the nation's infrastructure, including roads; bridges; passenger and freight rail; highway and pedestrian safety; public transit; broadband; ports and waterways; airports; water infrastructure; and power and grid reliability.

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<sup>1</sup> Broadband service is defined as "any fixed terrestrial technology, including fixed wireless, having the capacity to transmit data to enable a subscriber to the service to originate and receive high quality voice, data, graphics and video." See 7 C.F.R. § 1740.2.

<sup>2</sup> "Broadband" is another term for high-speed internet access.

<sup>3</sup> Consolidated Appropriations Act, 2018, Pub. L. No. 115-141 § 779, 132 Stat. 399 (2018).

<sup>4</sup> *Ibid.*

<sup>5</sup> As of October 2021, RUS defined sufficient access to broadband as having 100 megabits per second (Mbps) downstream and 20 Mbps upstream.

<sup>6</sup> *Rural area* is any area that is not located within: (1) a city, town, or incorporated area that has a population of greater than 20,000 inhabitants; or (2) an urbanized area contiguous and adjacent to a city or town that has a population of greater than 50,000 inhabitants as defined in the agency mapping tool. See 7 C.F.R. § 1740.2.

<sup>7</sup> Federal Communications Commission FCC 20-50, "2020 Broadband Deployment Report" (Apr. 24, 2020).



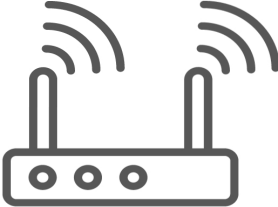




<sup>8</sup> Federal Communications Commission FCC 21-18, "Fourteenth Broadband Deployment Report" (Jan. 19, 2021).

<sup>9</sup> Infrastructure Investment and Jobs Act, Pub. L. No. 117-58 (2021).

As part of the Office of Inspector General’s oversight responsibility, we are issuing this informational report to provide general program information and highlight IJA funding for the ReConnect Program.

According to the Congressional Research Service, researchers have identified three factors that contribute to the digital divide between rural and urban areas: cost, adoption, and population. See Graphic 1 below.

## BARRIERS TO BROADBAND SERVICE IN RURAL AREAS

	<h3>Cost</h3>	
<p>It is more expensive to build and maintain broadband infrastructure in rural areas compared to urban areas.</p>		
<h3>Adoption</h3>		
<p>Rural residents tend to have lower adoption rates for broadband than urban areas.</p>		
<h3>Population</h3>	<p>Rural areas have smaller populations and density compared with urban areas.</p>	

**Graphic 1: Barriers to Broadband Service in Rural Areas.**<sup>10</sup>

<sup>10</sup> CRS, *USDA’s ReConnect Program: Expanding Rural Broadband*, R47017 (updated Dec. 14, 2022).

## Differences in ReConnect and IJA ReConnect

The ReConnect Program requirements and/or restrictions were different for IJA funded awards versus regularly appropriated fund awards. The changes for IJA made the program available to more applicants based on the reduced program requirements and/or restrictions.

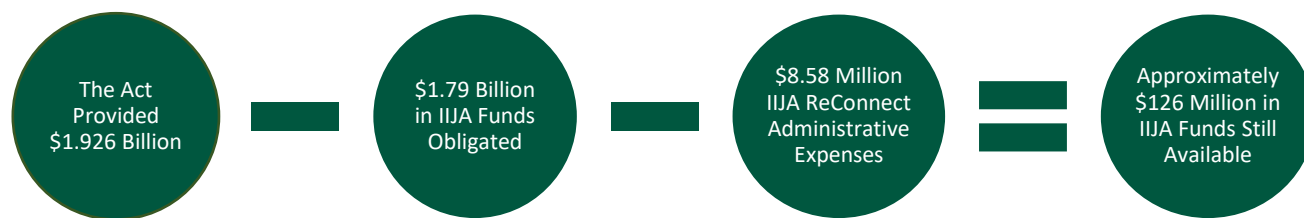
ReConnect Requirements/Restrictions	IJA ReConnect Requirements/Restrictions
<ul style="list-style-type: none"> <li>Proposed Funded Service Area (PFSA) must provide improved internet access to rural areas</li> </ul>	<ul style="list-style-type: none"> <li>Communities that are rural in character<sup>11</sup> may be considered</li> </ul>
<ul style="list-style-type: none"> <li>Eligible service areas: At least 90 percent of the households in the PFSA must lack sufficient access to broadband internet</li> </ul>	<ul style="list-style-type: none"> <li>Eligible service areas: At least 50 percent of the households in the PFSA must lack sufficient access to broadband internet</li> </ul>

## IJA Appropriation and Funds

### What is the total IJA appropriation?

IJA provided \$1.926 billion in funding (available until expended) for the RUS broadband loan and grant pilot program (Rural eConnectivity Pilot Program, or ReConnect).<sup>12</sup>

### What is the status of IJA Budget Authority funds?



**Graphic 2: Status of IJA Budget Authority Funds Obligated. All Figures through September 30, 2023.**

Congress provides budget authority through annual appropriations acts and legislation, which authorizes direct spending.<sup>13</sup> Additionally, program-level funds are the gross value of all financial assistance USDA provides to the public, in the form of grants, guaranteed or direct loans, cost-sharing, professional services, or in-kind benefits, such as commodities.<sup>14</sup>

<sup>11</sup> An area that is *rural in character* is: (1) an urbanized area contiguous and adjacent to a city or town that has a population greater than 50,000 inhabitants and has 2 points on its boundaries that are at least 40 miles apart and is not contiguous or adjacent to a city or town that has a population greater than 150,000 inhabitants; or (2) an urbanized area of such a city or town within the urbanized area that is within ¼ mile of a city or town with a population greater than 50,000 inhabitants. See *Rural Utilities Service, The Rural eConnectivity Program, Funding Opportunity Announcement*, 87 Fed. Reg. 47,690 (Aug. 8, 2022).

<sup>12</sup> Infrastructure Investment and Jobs Act, Pub. L. No. 117-58 (2021).

<sup>13</sup> USDA, *FY 2023 Budget Summary* (2023).

<sup>14</sup> *Ibid.*

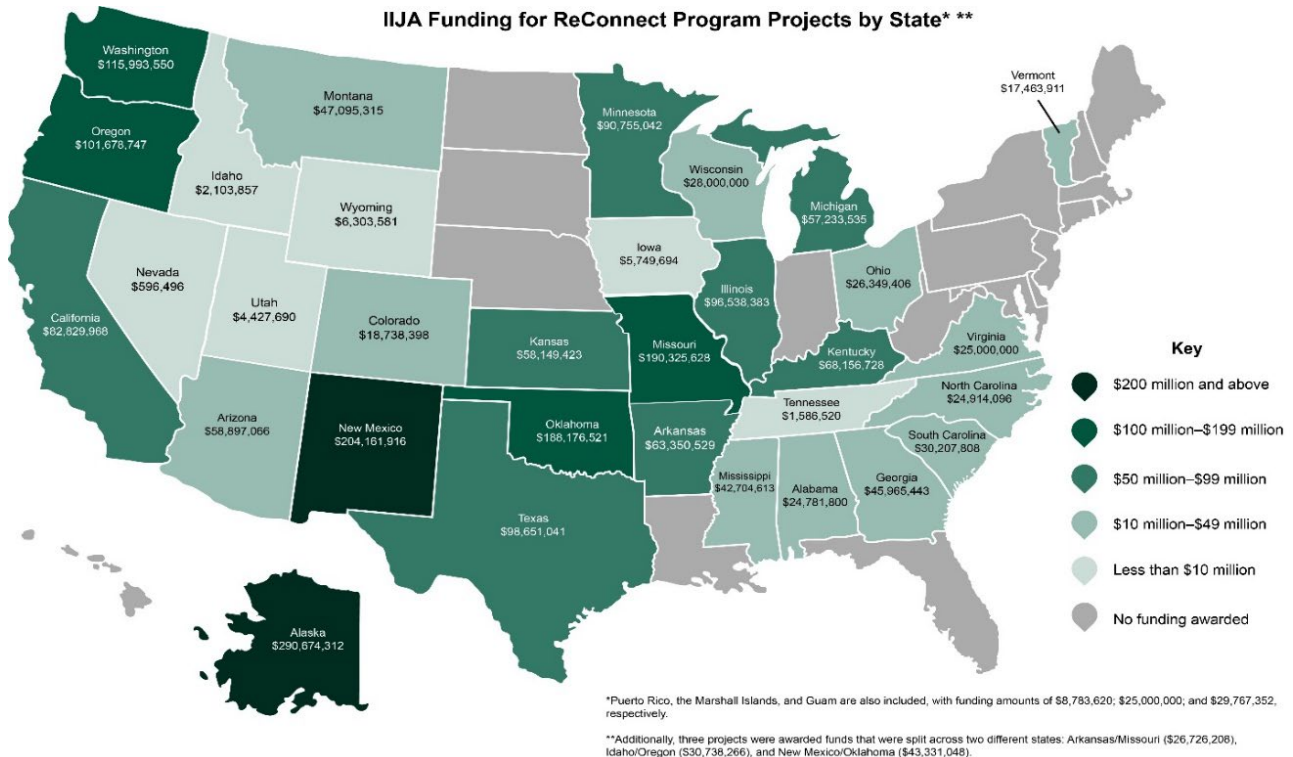
## Distribution of Program-Level IJA Funds

According to RUS, more than \$2.28 billion program-level IJA funds were obligated to ReConnect Program projects in 2022 and 2023. This included a total of more than \$1.71 billion in grants and more than \$568 million in loans obligated. When a Federal agency disburses a direct loan, the program account disburses or outlays an amount equal to the estimated present value cost, or subsidy.<sup>15</sup>



**Graphic 3: Status of IJA Program-Level Funds Obligated. All Figures through September 30, 2023.**

The ReConnect Program IJA funds were obligated to 121 projects in 35 States and U.S. territories.



**Graphic 4: RUS Informed OIG That More Than \$2.28 Billion Was Obligated in IJA Program-Level Funding for ReConnect Program Projects. Map Created by USDA OIG Office of Audit. (This Map Does Not Pictorially Include the Amounts Funded in the US Territories of Guam, Marshall Islands, and Puerto Rico. However, the Funding Totals Are Included as Narrative.)**

<sup>15</sup> According to a RUS official, RUS obligated an amount higher than was in the budget authority because of the subsidy cost associated with loans obligated. The subsidy cost is the estimated present value of the cash flows from the Government (excluding administrative expenses) less the estimated present value of the cash flows to the Government resulting from a direct loan, discounted to the time when the loan is disbursed. In FY 2023, the ReConnect subsidy rates were 10.10 percent (grant assisted loans 50/50) and 13.64 percent (direct loans).

## What's Next

ReConnect projects that received IIJA funds have 5 years to completely build out the projects.<sup>16</sup> Projects are intended to provide and facilitate broadband deployment in rural areas.<sup>17</sup> Awardees must submit annually updated service area maps through the RUS mapping tool to document the areas where construction has been completed and premises that are receiving service. At the end of the project, awardees must submit a service area map indicating that all construction has been completed as proposed in the application. If parts of the proposed funded service area have not been constructed, RUS may require a portion of the award to be rescinded or paid back.<sup>18</sup>

Additionally, awardees receiving assistance (both IIJA and annual program appropriations) under 7 CFR 1740<sup>19</sup> are required to submit annual reports for 3 years after the completion of construction. The reports must include information such as estimated number of end users currently using or projected to use the new or upgraded infrastructure, speed and price of the awardee's broadband service offerings, and average price of broadband service in the project's service area.

## Recent USDA OIG Broadband Products

We conducted an audit of the ReConnect program and issued an audit report on July 28, 2023.<sup>20</sup> In the report, we concluded that RUS' mapping tool had a systemic programming error that caused the number of households without sufficient access to broadband to be overstated for some applications. Specifically, when an applicant adjusted or redrew their PFSA, the programming error allowed multiple underserved areas to be drawn on top of each other and allowed the system to count households without sufficient access to broadband more than once. As a result, we questioned two approved applications, valued at more than \$17.8 million, in which the number of households without sufficient access to broadband in a PFSA was larger than the total number of households in the PFSA.

We recommended that RUS: (1) implement a process to test mapping software to ensure that the software programming error found does not exist in new systems; and (2) review and confirm the percentage of households without access to broadband was within the eligibility parameters for approved applications funded by ReConnect Program Round 1, Round 2, and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to ensure that only eligible projects received ReConnect Program funding.

RUS officials agreed with our findings and recommendations, and we accepted management decision on both recommendations. As of April 2022, RUS had already taken action to address

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<sup>16</sup> 7 C.F.R. § 1740.78(b).

<sup>17</sup> 7 C.F.R. § 1740.1(a).

<sup>18</sup> 7 C.F.R. § 1740.80(e).

<sup>19</sup> 7 C.F.R. § 1740.80(h).

<sup>20</sup> Audit Report 09601-0001-23, *Rural eConnectivity Pilot Program (ReConnect Program)—Award Process*, July 2023.

the software error and provided us a walkthrough of the updated mapping software used for ReConnect Program Round 3 and IIJA funds. We did not identify any potential issues during the walkthrough process, but we did not conduct any further testing.

On September 27, 2023, the USDA Office of Analytics and Innovation published a data stroll report. This product utilizes public data from USDA, Department of Commerce, and FCC to provide data visualization to enhance the transparency of the broadband program including the use of IIJA funding.<sup>21</sup>

## Scope and Methodology

This informational report provides general information and highlights the IIJA ReConnect Program funding as of September 30, 2023. This informational report does not contain any findings or recommendations, and it was prepared using information obtained during the related OIG audit work and from public sources.

We conducted our inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. We believe the evidence obtained is sufficient and appropriate to support the information in this report. We provided a draft of this report to RUS management for their review and technical comments. We incorporated their comments into our report, as appropriate.

*ReConnect Program broadband installation (banner photo). USDA photo by Preston Keres. All photographs are from USDA's Flickr site and are in the public domain. They do not depict any particular audit or investigation.*

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<sup>21</sup> OAI Report 23-003-01, *Broadband: A Data Stroll*.

## Abbreviations

FCC.....	Federal Communications Commission
Mbps .....	megabits per second
PFSA.....	Proposed Funded Service Area
RUS.....	Rural Utilities Service
USDA.....	United States Department of Agriculture

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