

More trouble ahead for government-funded internet

Michigan's rollout of BEAD funding for internet access runs into predictable obstacles

By Dr. Ted Bolema | September 2024

Michigan's long-delayed distribution of federal funds for promoting internet access is likely to be delayed again. Congress in its 2021 Infrastructure Investment and Jobs Act economic stimulus legislation authorized more than \$42 billion in federal funding for increasing internet access, of which \$1.5 billion was allocated to Michigan. So far, not a single Michigan household or business has been connected to the internet as a result of the program.

The 2021 legislation created the federal Broadband Equity, Access and Deployment program, which is to be administered in Michigan by the Michigan High-Speed Internet Office. A recent 118-page report issued by MIHI gives an indication of how the program has become bogged down in bureaucratic procedures:

MIHI received approval from National Telecommunications and Information Administration (NTIA) on Initial Proposal Volume 2 (IPV2). IPV2

describes the unique subgrant program which will guide the state's BEAD \$1.559 billion funding allocation... However, because NTIA has not yet approved our State Challenge Process results, we do not yet have specific dates for Michigan's BEAD Project Application Window. These will be announced as soon as we are able to establish them.

At the rate Michigan is proceeding, it appears likely that the earliest anyone might be connected to the internet in Michigan through the BEAD program won't be until at least 2025, four years after the BEAD program was authorized by Congress. Michigan is hardly unique. Only three states have even begun accepting applications for BEAD funding, and no state has funded any BEAD project.

Michigan may soon follow the path of Minnesota, where the entire BEAD funding program appears to be collapsing before any funds are distributed. The CEO of the Minnesota Telecom Alliance recently

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said that “zero” of the trade association’s members will participate because of the onerous regulations Minnesota was imposing. These requirements include worker wage mandates that will increase the cost of participating and price caps that will limit the revenues telecom companies can make on their new investments.

Price caps are a particular problem in the Michigan proposal. A 2024 report by Citizens Against Government Waste reviews BEAD spending plans for all 50 states and singles out Michigan for a “special dishonorable mention.” This report finds that the Michigan plan will “dictate specific prices providers must charge to score well in the competitive application process. This requirement will stifle further investment in broadband infrastructure and make it more difficult to spend the BEAD funding effectively and reduce the digital divide.”

A new report last month confirms the problems with state efforts to leverage BEAD funding to create price regulation for internet service. The report finds that “As a matter of basic economics, BEAD price controls will deter supply and lead to shortages – in this case, shortages of experienced, capable [internet service providers] willing to participate in the government’s \$42 billion program to build out broadband infrastructure in locations, mostly rural, that remain unserved. This is not at all an acceptable outcome.”

A useful comparison is available that shows what was possible if all of the governmental red tape had been avoided. Elon Musk’s Starlink began offering high-speed internet access in November of 2020, just a few

months before Congress created the BEAD funding program. During roughly the same time period in which the BEAD program administrators have been working on processes for distributing government funding, Starlink has connected more than 3 million households and businesses to the internet.

Starlink is reaching the very people the Michigan High-Speed Internet office should be targeting, with 85 percent of Starlink’s subscribers in rural areas. Yet the MIHI plan appears designed to divert as much funding away from rural and truly unserved areas as possible. Instead, MIHI is seeking to replace existing wireline connections with more expensive fiber for politically favored areas that already have excellent internet access.

The glacial pace of the BEAD funding rollout in Michigan is entirely unnecessary. Instead of letting the market work, government employees running the program are diverting funds to priorities they want to pursue. As they continue to try to impose their own agendas, Michigan is left with more delays, empty internet promises, and a wasteful loss of the intended benefits of federal funds.

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