

# POLICY SPOTLIGHT

## Expanding Broadband Access to Rural America through Consumer Vouchers

BRENT SKORUP | APRIL 2021

The need to engage in remote work or distance learning has made Americans more reliant than ever on home broadband service. This development has increased the urgency of the need for expanding high-speed home broadband coverage in rural areas in a cost-effective way. Successfully doing so will require a new approach.

Over the past two decades the federal government has disbursed more than \$100 billion in subsidies under various rural telecommunications programs, and it has at least 11 active programs today at the Federal Communications Commission (FCC). However, much of those subsidies cover regulatory and administrative overhead expenses rather than worthwhile infrastructure investments. Furthermore, regulators too often misidentify a market as unserved and subsidize a favored high-speed provider in that market. This public subsidy undermines the finances of nonsubsidized competitors. Providing direct assistance via broadband vouchers to all rural households is a better way forward because it wastes no funding on overhead and causes no market-distorting overbuilding.

### HOW BIG IS THE RURAL DIGITAL DIVIDE?

Although broadband coverage has improved, millions of rural households lack high-speed broadband options. By the end of 2018

- some 4 million urban residents (about 2 percent of urban residents) had no fixed, high-speed options and
- some 14 million rural residents (about 22 percent of rural residents) had no fixed, high-speed options.

The gap between urban and rural residents without fixed, high-speed options (about 10 million residents) is the rural digital divide.

Bringing landline services to the remaining unconnected homes across the country is extremely expensive, exceeding \$30,000 per household in the most rural areas.<sup>1</sup> The FCC estimated in 2017 that providing fiber-optic broadband to the last 2 percent of US households would cost \$40 billion up front and require \$2 billion of subsidies annually for operational costs.<sup>2</sup>

### REIMAGINING A MODERN RURAL BROADBAND POLICY

Existing federal programs are not up to the task of bringing broadband to the greatest number of rural households in a fiscally responsible manner. Shrinking

the urban-rural gap requires a new approach to minimize wasteful overhead spending, complex eligibility requirements for providers, and substantial inequities in fund disbursements between similarly situated states and regions.

The FCC should transform the existing rural broadband programs that currently subsidize providers into a broadband voucher program. Doing so would massively increase the number of beneficiaries of federal telecom programs without increasing the cost to taxpayers. A well-designed program would include the following features:

- *A monthly voucher for every rural household in the United States.* Americans could use this voucher to purchase discounted service from the broadband provider of their choice. States could easily match or supplement the federal voucher.
- *A resemblance to the Lifeline program.* The Lifeline program, used today by low-income consumers of telecom services, enjoys broad political support. Modeling the voucher program after Lifeline would help vouchers achieve political success.
- *A replacement of current FCC broadband programs.* Researchers at the Mercatus Center estimate that current annual outlays for rural broadband programs could support \$45 monthly discounts to every rural household in the five most rural states.<sup>3</sup> Every rural household in the United States would be eligible to receive at least \$5 per month.

## ENCOURAGE COMPETITION FOR SUBSCRIBERS IN RURAL AREAS AND PROTECT PUBLIC MONEY

Given the amount of money currently being spent, there is no lack of political will to bridge America's

rural digital divide. What is lacking is an effective approach for the modern broadband marketplace. Rather than disbursing more and more funds through the current complex systems, a voucher program would increase the number of beneficiaries of federal subsidies, give more control to rural households and state governments to supplement federal programs, and simplify the current administrative processes.

## FURTHER READING

Daniel A. Lyons, "Narrowing the Digital Divide: A Better Broadband Universal Service Program," *University of California Davis Law Review* 52, no. 2 (2018): 803–54.

Brent Skorup, "5G Basics and Public Policy" (Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, February 2019).

Brent Skorup, "Bringing Equitable Broadband Access to Rural Americans," *Bloomberg Law*, November 23, 2020.

Brent Skorup and Michael Kotrous, "Narrowing the Rural Digital Divide with Consumer Vouchers" (Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, October 2020), 7, table 1.

## NOTES

1. Steve G. Parsons and James Stegeman, *Rural Broadband Economics: A Review of Rural Subsidies* (Cincinnati, OH: CostQuest Associates, July 2018), 20–23.
2. Paul de Sa, *Improving the Nation's Digital Infrastructure* (Washington, DC: Federal Communications Commission, 2017), 3, figure 1.
3. Brent Skorup and Michael Kotrous, "Narrowing the Rural Digital Divide with Consumer Vouchers" (Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, October 2020), 7, table 1.

## ABOUT THE AUTHOR

Brent Skorup is a senior research fellow at the Mercatus Center at George Mason University. His research areas include transportation technology, telecommunications, aviation, and wireless policy. He serves on the Federal Communications Commission's Broadband Deployment Advisory Committee and on the Texas Department of Transportation's Connected and Autonomous Vehicle Task Force. He also served on the advisory committee for the Arkansas State Broadband Plan.



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