

Overlapping broadband programs waste state and federal money

Michigan troubles echo fiasco in Virginia

By Dr. Ted Bolema | February 2025

The federal government funds internet access through 133 different programs, and states have their own internet subsidy programs as well. Michigan has at least three, administered by the Michigan High-Speed Internet Office, or MIHI. Some local governments in the state also operate their own internet networks with taxpayer funds.

Wasteful duplication is inevitable when programs overlap. It can lead to a comedy of errors, such as what has happened in the Richmond, Virginia, area, as a new Free State Foundation report describes.

RiverStreet Communications received a \$40 million grant from the Rural Digital Opportunity Fund, a federal program. The grant specified a minimum number of houses the company agreed to connect to the internet. After RiverStreet received at least some of the subsidy funds, it discovered that it could not meet the requirement.

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The problem for RiverStreet was that Cox Communications received funding for the same area from a federal American Rescue Plan Act program administered by the Commonwealth of Virginia.

There simply weren't enough unserved houses in the area for both companies to meet their obligations. It is worth noting that the area is already served by many private providers, so it hardly stood out for having unserved households.

RiverStreet was forced to plead for help from the Federal Communications Commission. That agency eventually issued an order on Dec. 19, 2024, modifying its agreement with the company. The procedural docket for the matter shows that lawyers and consultants must have fared well from this fiasco, but their gains caused delays and took money that could have been used to connect people to the internet.

The Richmond deployment stands out because the

waste is so obvious. It is an example of “overbuilding,” or funding internet services at the same geographic location, for the same people, through separate and overlapping infrastructure. While overbuilding seems to be an obvious concept, identifying and measuring it is surprisingly difficult. But detecting overbuilding isn’t a problem for private companies that operate without government grants. They can analyze the market and react swiftly when they find the area they are considering is saturated with competitors.

When government grants come into the picture, with long lead times and compliance requirements only loosely tied to market conditions, there is often little incentive to avoid wasteful overbuilding. If market conditions change or are not what officials expected when they announce a grant, government internet offices and companies have the incentive to move forward to justify the grants, not scrap them.

As Citizens Against Government Waste recently pointed out: “Despite the expenditure of \$44 billion between 2015 and 2020 within those programs, millions of American still do not have access to broadband, which has disproportionately impacted communities with limited resources. With up to \$800 billion available for federal broadband programs, according to Federal Communications Commissioner Brendan Carr, there is far too much opportunity to squander billions of dollars in precious taxpayer resources unless there is greater coordination of deployment efforts.”

The problem is even deeper than a failure to coordinate across spending programs, according to Andrew Long of the Free State Foundation. “A key fact that many do not appreciate is that, given the inconsistent eligibility requirements adopted by

different programs, redundancy won’t result solely from a lack of effective coordination,” Long writes. “Rather, the use of divergent criteria (minimum speed thresholds, acceptable distribution technologies, and so on) opens the door to a single location receiving funding from multiple sources — seemingly by design.”

As we have noted before, Michigan’s plan for using federal internet funding appears to be based on manipulating definitions of unserved areas in order to direct much of the spending to more densely populated areas already well-served by internet providers. This approach leaves less for rural areas that contain most of the remaining households without good internet connections.

Michigan’s current spending plans for internet connections is substantial. Spending from the federal BEAD program will cost \$1.5 billion. Spending from the state ROBIN program will cost \$236 million at the state level plus a similar amount in matching funds from local governments. While it may be tempting to say this is mostly federal money being wasted on duplicative projects, it is still worth considering how much more could be done if the state did not micromanage the effort.

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