Memo

To: State broadband offices

From: Jake Varn, The Pew Charitable Trusts

Date: March 23, 2023

Subject: Identifying Priority Areas

The following memo contains information on how state broadband grant programs have used different mechanisms to direct or incentivize funding in "priority areas," profiling systems in Iowa, Michigan, and North Carolina, along with a previously proposed system in California.

Identifying priority areas

Overview

Several state broadband programs have utilized mechanisms to designate specific communities as "priority areas" within the project areas eligible for grants, allowing them to target or further incentivize grant funding to those communities. These states have taken different approaches to this type of mechanism, both in terms of how the areas are selected and the degree that selection is incorporated into the state's grant award process. The examples detailed below include programs with state-only appropriations, American Rescue Plan Act (ARPA) funds, and a combination of the two. The mechanism of selecting priority areas may also be illustrative for states as they craft plans for Broadband Equity, Access, and Deployment (BEAD) funding.

Key takeaways:
- Grant mechanisms to designate priority areas can help states direct awards to communities or regions that meet their state policy priorities.
- Because several of the prioritization mechanisms included in this memo were codified by state legislatures, they may not necessarily reflect the policy priorities of the state's executive branch.
- The process for selecting priority areas and how those areas are incorporated into grant programs has varied among states; these different approaches have their own benefits and drawbacks to consider.

How priority areas factor into state broadband programs

State broadband programs have deployed a variety of mechanisms to target funding to communities that meet certain characteristics, generally those that demonstrate the greatest need for a broadband project or may require heightened incentives to attract broadband investment.

The mechanisms that states have used for selecting these "priority areas" can be categorized by 1) the process for selecting each area and, 2) by how those areas are integrated into the state's grant program. On the latter, there have been two main methods for incorporating a priority area designation into a state's broadband program—as an eligibility requirement or as an incentive. Grant programs that have designated priority areas as an eligibility requirement provide funding only to projects in the designated areas (e.g., California, North Carolina). Grant programs with priority area incentives have awarded projects in the designated areas with additional points in the grant application scoring criteria or otherwise prioritized funding in the grant selection process (e.g., Iowa, Michigan).

Mechanisms for selecting priority areas

The process for determining which area is selected as a priority is another critical feature. This memo highlights three approaches:

- State-level decision (California).
- Community-nominated (Iowa).
- An existing, related indicator, such as economic conditions (Michigan, North Carolina).

Each of these three strategies has unique benefits and limitations and are detailed in full below.

A state-level decision on which communities are considered priority areas has the benefit of leaving full control of the selection process with the state, either with the administering agency or by the statutory requirements set by the legislature. This process relies on data that the state already has available or can gather. If the state does not have a viable existing data set, it may need to contract with a third party or undertake the process of gathering the relevant inputs. Notably, if the state makes designations without input from community officials or the public, it runs the risk of enshrining any blind spots that may exist in the state's data set(s). In January 2023, California released a state-led prioritization map but decided to withdraw it in response to community reaction. The state released an updated map at the end of March 2023 and noted that the new version "incorporates stakeholder feedback by 1) removing 'priority area' designations, 2) improving data to better reflect unserved locations, and 3) adding socioeconomic indicators."

A community nomination system allows local officials to select areas within their jurisdictions and submit those areas in an application to the state. This approach allows those closest to each community to have input that can lead to the identification of extremely granular gaps in coverage. However, this process also relies on a significant degree of community participation to create a fully representative list of priority areas. This approach may require the state to engage in significant outreach and may also be dependent on communities having sufficient data to justify their applications. Notably, Iowa's community nomination system (launched in January 2023) reserves the right for the state to select its own additional priority areas that meet the program's criteria if there is not a viable community application, which, if used, could result in a hybrid state-led and community-nominated system.

Finally, some states have used existing nonbroadband indicators, such as economic conditions, to prioritize areas. These types of indicators are widely available. A wide variety of state and federal programs currently categorize different communities across a variety of conditions, including income levels, access to critical resources (e.g., travel time to hospitals, grocery stores, etc.), unemployment rates, and more. These indicators can demonstrate a level of general need that, when combined with a lack of broadband availability, indicate that a community would distinctly benefit from state investment. However, utilizing these indicators may mean relying on the decisions made by different state agencies or by the federal government (and their maintenance of those indicators). This approach can create a level of standardization across multiple state programs, although it may come at the expense of a more tailored, broadband-specific selection process. North Carolina, for example, relies on peer state agencies to designate counties and rural areas that meet specific economic conditions. Similarly, Michigan relies on the federal Opportunity Zones program, which determines which state-nominated communities are eligible for preferential tax treatments.

Conclusion

Critically, each of these approaches relies on the quality of the underlying data or evidence used to select the priority areas. As states consider utilizing priority area designation mechanisms in their grant programs, the benefits and drawbacks of these different approaches should be weighed within the context of existing state practices and the requirements of any applicable federal program.

State-funded programs and programs utilizing ARPA have greater flexibility in the selection and prioritization processes in comparison with state BEAD programs. BEAD will require states to demonstrate it will fully reach unserved areas before funds can be awarded to projects in underserved areas and community anchor institutions. The BEAD program will also have special

consideration for "high-cost areas." Analyzing how these federally required prioritizations may or may not overlap with the state's policy priorities—in terms of which community characteristics the state may want to consider when prioritizing broadband funding—will be useful in development of the state's challenge process as well as the state's initial and final proposal.

State examples

California

In 2023, the California Public Utilities Commission (CPUC) released a map of priority areas, which applicants to CPUC's Federal Funding Account program will be able to select from and submit for funding. The Federal Funding Account has a combined $2 billion for last mile grants from state-appropriated funds and State and Local Fiscal Recovery Funds from ARPA. The program must allocate 50% of its funding in urban areas and 50% in rural areas, with a minimum of $5 million in each county.

To select areas, CPUC partnered with the company CostQuest Associates, which "determined the investment needed to bring fiber to unserved locations within the state of California ... then established geographic groupings of unserved locations throughout the state based on financial thresholds. This created 892 priority areas for 506,029 unserved locations within the state." CostQuest's method aimed to reveal which unserved areas of the state may lack service because high deployment costs make service delivery unsustainable for providers without some level of public subsidy.

CostQuest and CPUC published a report detailing the methodologies and data layers that were used to identify clustered areas and the investment modeling used to set the financial thresholds. The report explains that "CostQuest performed a 10-year [internet service provider] business case for each census block. The census block level results were aggregated through a clustering process where the results determine funding areas and potential funding needed. The result of this analysis breaks up the eligible areas into priority areas that blend low-cost and high-cost eligible areas with served areas to produce logical geographic areas that may be used as funding areas." Notably, the process for selecting priority areas also integrated the current and planned investment in California's statewide middle-mile network.

After publication of the priority areas on Jan. 17, 2023, CPUC received a variety of public feedback on the overall process and individual areas selected. Notably, the initial selection process relied on the FCC's 2020 Form 477, rather than the provider-submitted, location-level data submitted in 2022. CPUC says the areas were developed "with the most granular data available when program rules were adopted and will be updated as new data becomes available." The initial priority area map was retracted on Feb. 24, 2023. In an update on March

29, 2023, the state [announced](#) a new Federal Funding Account public map that incorporates stakeholder feedback, including "removing 'priority area' designations."

California Priority Areas and Clustering of Unserved Locations
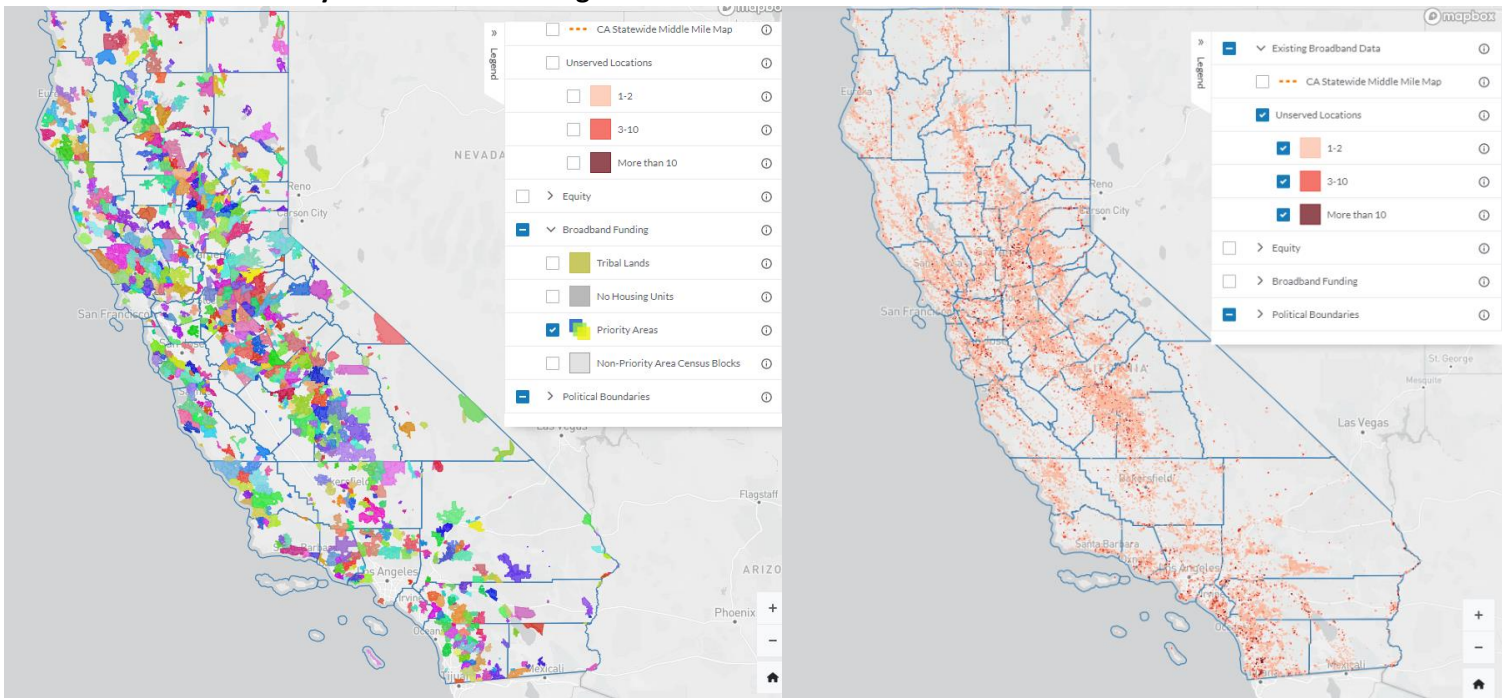
*Archived Jan. 2023 versions of the priority areas for funding, left, and clustered unserved locations, right.*
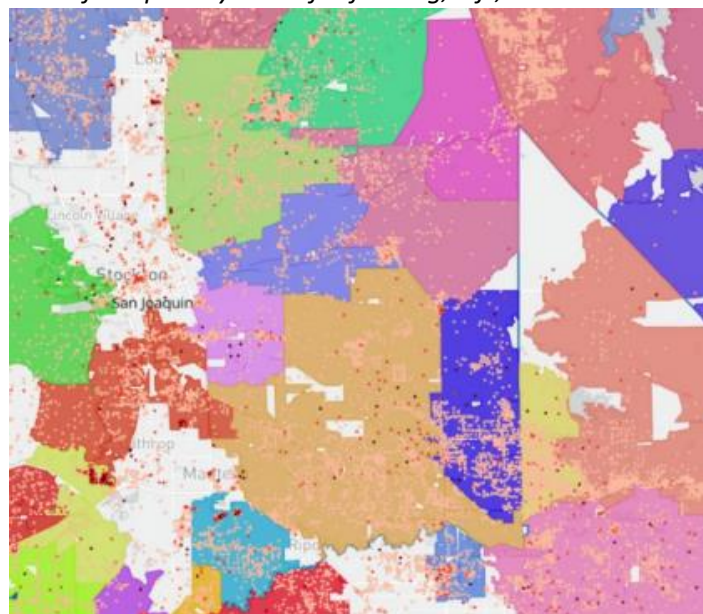
Archived January 2023 version of the priority areas and unserved location clusters in San Joaquin County, California.

Iowa

The Iowa state broadband office (located in the Office of the Chief Information Officer) has created a new system to identify priority areas for broadband investment or "Broadband Intervention Zones," and is turning to communities to identify these locations within their jurisdictions.

Under the new Broadband Intervention Zones process, Iowa communities can identify geographic areas in need of broadband investment through an interactive mapping tool by creating a proposed "Geographic Area of Concern" on the program's website. Applicants can include details on why flagged areas are priorities; how broadband investment would improve work, education, and health monitoring activities; and indicators of community support for a project, available resources, and potential barriers (e.g., topography) that further demonstrate the need for incentivizing investment. Community entities eligible to propose areas include "city and county governments, school districts, consortia of political subdivisions, nonprofit organizations representing communities (e.g., councils of state governments), and regional entities with an economic development or educational mission."

Sample of the Project Selection Tool From the Office of the Chief Information Officer
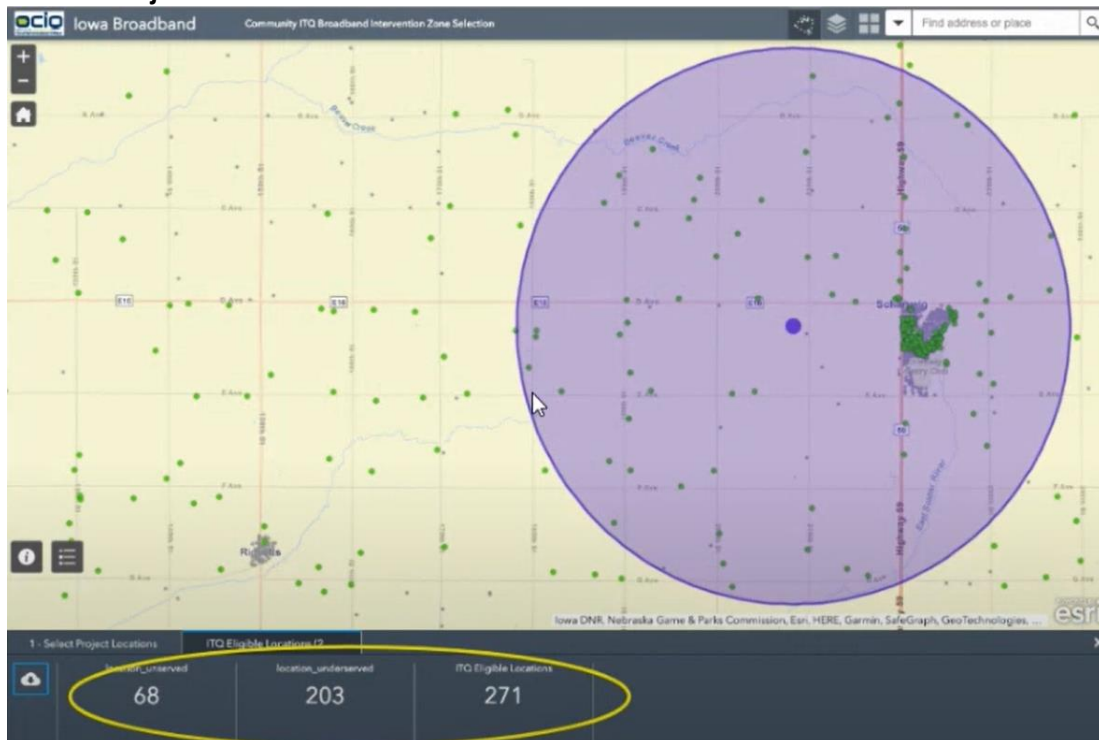
Office of the Chief Information Officer (tutorial video, 2023)

Proposed priority areas are scored by the state on a "Broadband Readiness Score," and successful applicants will become "Broadband Intervention Zones." The office states that these zones will be incentivized in future grant opportunities, awarding additional points and incentives to providers that propose projects in these areas. Notably, the office also maintains the right to make its own selection of areas as Broadband Intervention Zones.

The scoring system includes:

Scoring categories	Weight
Eligible service locations (unserved locations—75%; underserved—25%)	24.14%
Geographic diversity*	3.45%
Community characteristics (covered populations—75%; anchor institutions—25%)	17.24%
Work, education, and health monitoring	13.79%
Community support	6.90%
Community broadband capital**	24.14%
Barriers to broadband infrastructure installation	10.34%

*Geographic diversity will weight proposed areas that are within the same U.S. congressional district and apply downward adjustments for proposed project areas that overlap, depending on the severity.
** Community broadband capital can include matching funds, access to community infrastructure, reduced permitting requirements, or other contributions.

Economic indicators

State broadband programs can also leverage existing mechanisms that designate specific communities for increased investment in other areas. Michigan and North Carolina both utilize economic incentive programs as indicators for broadband investment. Where applicable, using existing community-designation systems may help align broadband programs with broader state or federal priorities.

Michigan

Operated by the Michigan High-Speed Internet Office, the Realizing Opportunity With Broadband Infrastructure Networks (ROBIN) grant program utilizes $238 million from the ARPA Capital Projects Fund and awards additional points to applicants that include Qualified Opportunity Zones (QOZs) in their proposed service areas. Administered by the U.S. Department of Treasury, Opportunity Zones are economically distressed communities nominated by states or territories to receive preferential tax treatments to spur economic growth and job creation. According to the Michigan broadband office, they can leverage QOZs to "identify and encourage high-speed internet deployment to areas of economic distress."

Michigan Qualified Opportunity Zones
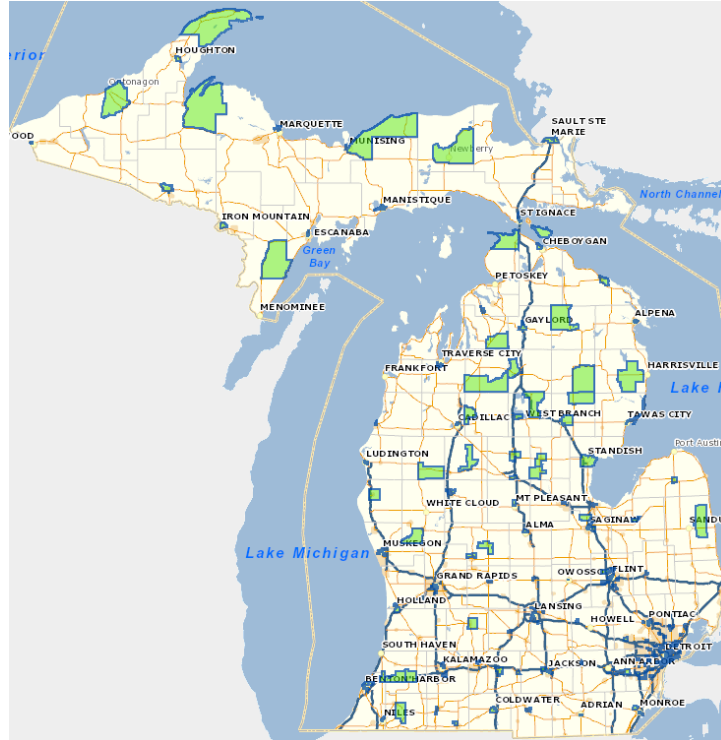
Internal Revenue Service approved Michigan applications for Opportunity Zones (March 2023).

The ROBIN scoring system awards up to 10 points, out of a possible 250 points (or 4% of the total possible), to applicants that completely include at least one QOZ in their proposed service areas.

ROBIN Scoring Metric, Points for QOZs

| Opportunity zones included in application	Points
Proposed service area does not include any part of a QOZ	0
Proposed service area contains a portion of a least one QOZ	5
Proposed service area wholly contains at least one QOZ	10

North Carolina

Created in 2019, North Carolina's Growing Rural Economies With Access to Technology (GREAT) Program "funds the terrestrial deployment of broadband within unserved areas of economically distressed counties." The grant program is administered by the Department of Information and Technology and utilizes a county-level economic ranking system from the state's Department of Commerce. Each county is organized into one of three tiers, with the 40 most distressed counties designated as "Tier 1," the next 40 as "Tier 2," and the final 20 least distressed are "Tier 3," based on four factors: average unemployment rate, median household income,

percentage growth in population, and adjusted property tax base per capita. Utilizing this system for the GREAT grant program was required by statute, which defined eligible projects as those in an unserved, "Tier 1," economically distressed county. The program limited awards to one per each economically distressed county per year.

In 2021, the North Carolina legislature amended the program definition to include "Tier 1" and "Tier 2" areas as eligible, along with rural census tracts (those with a population density of less than 500 people per square mile) in "Tier 3." These changes also adjusted the amount of funding per eligible area from one award per year to no more than $4 million in a single grant and no more than $8 million combined in any single county per year. Since 2019, the program has administered $25 million in state-appropriated funds, $39 million in funding from the CARES Act, and $350 million from the ARPA.

Tiered Rankings of Economically Distressed North Carolina Counties
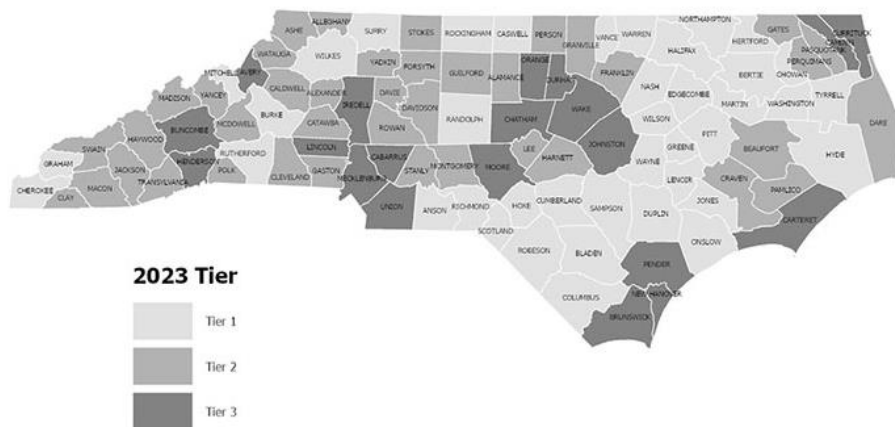
North Carolina Department of Commerce, Economically Distressed Counties (2023).