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September 22, 2022

The Honorable Chris Van Hollen
Chair
The Honorable Cindy Hyde-Smith
Ranking Member
Subcommittee on Financial Services and General Government
Committee on Appropriations
United States Senate

The Honorable Mike Quigley
Chair
The Honorable Steve Womack
Ranking Member
Subcommittee on Financial Services and General Government
Committee on Appropriations
House of Representatives

Broadband: Needs of Rural Small Businesses and Federal Programs to Support Them

This correspondence responds to a provision in the Explanatory Statement accompanying the Consolidated Appropriations Act, 2022 to brief congressional committees on the broadband challenges facing rural small businesses. On September 8, 2022, we provided a briefing to congressional committees. The contents of the briefing summarized our July 2021 report on the broadband needs of small businesses.¹ We sought updates from the Federal Communications Commission (FCC), the U.S. Department of Agriculture’s Rural Utilities Service, and the Small Business Administration to ensure that the information from the previous report remains up to date. The summary document we provided for the briefing is attached as an enclosure.

We conducted this performance audit from June to September 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

If you or your staff have any additional questions about this report, please contact me at 202-512-2834 or vonaha@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key

¹GAO, *Broadband: FCC Should Analyze Small Business Speed Needs*, [GAO-21-494](#) (Washington, D.C: July 8, 2021).

contributions to this report were Andrew Huddleston (assistant director), Jason Coates (analyst-in-charge), Antoine Clark, Myra Francisco, and Amy Suntoke.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Andrew Von Ah". The signature is fluid and cursive, with a long horizontal stroke at the end.

Andrew Von Ah
Director, Physical Infrastructure Issues

Enclosure

Enclosure

Broadband: Needs of Rural Small Businesses and Federal Programs to Support Them (106116) Briefing for Congressional Committees

Background

- Some rural areas continue to lack access to broadband, which can hamper operations for small businesses in those areas.² To determine whether broadband is being deployed to all Americans in a reasonable and timely fashion, the Federal Communications Commission (FCC) sets a minimum speed that serves as the benchmark for its definition of broadband. Since 2015, FCC's benchmark has been 25 megabits per second downloading and 3 megabits per second uploading (25/3). According to FCC at least 17 percent of rural Americans lack access to broadband, compared to 1 percent of Americans in urban areas.
- Multiple federal agencies promote broadband in the United States. FCC encourages the deployment of broadband and provides funding, particularly for rural areas, for this purpose. The U.S. Department of Agriculture's (USDA) Rural Utilities Service (RUS) also provides broadband funding in underserved rural communities. The Small Business Administration (SBA) supports small business growth and development, including offering technical assistance to small business owners, which can improve adoption and use of broadband.

Objectives

This briefing is based largely on information from our July 2021 report,³ with some agency updates provided by agencies after the report was issued. This briefing addresses:

- 1) small business access to broadband, and how FCC and RUS broadband funding programs may serve small businesses;
- 2) the extent to which FCC's broadband speed benchmark meets the needs of small businesses; and
- 3) support provided by SBA related to rural small business access or use of broadband.

²According to the Small Business Administration, there are approximately 32 million small businesses in the U.S. For research purposes, the Small Business Administration defines a small business as any business with less than 500 employees.

³GAO, *Broadband: FCC Should Analyze Small Business Speed Needs*, [GAO-21-494](#) (Washington, D.C.: July 8, 2021).

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Some Small Businesses Lack Access to Broadband, but May Benefit from Federal Programs That Fund Broadband Deployment in Rural Areas.

- Recent surveys we reviewed showed that some small businesses experience broadband access issues. For example, a Google sponsored survey of small businesses with fewer than 250 employees found that 8 percent of small businesses lack adequate access to broadband.⁴ A 2018 nationally representative survey of U.S. small businesses by Amazon and the U.S. Chamber Technology Engagement Center found approximately 20 percent of rural small businesses were not using broadband, with about 5 percent using a dial up connection.⁵
- FCC's high-cost program and RUS's ReConnect program provide funding for broadband infrastructure in areas, especially rural areas, that are unserved or underserved. Small businesses located in these areas likely benefit from expanded broadband service funded by these programs. At the time of our review, FCC had awarded \$19.7 billion through components of its high-cost programs since 2014, and estimated it had served 9.1 million business and residence locations. As of March 2021, RUS estimated the \$1.4 billion in funding awarded since 2018 will benefit about 9,800 businesses and 21,600 farms.

Small Business Broadband Needs Can Often Exceed FCC's Current Benchmark

- Literature we reviewed suggests that FCC's current benchmark speeds are likely too slow to meet many small business speed needs. For example, a 2019 USDA report stated that as technology advances and volumes of data needed to manage agriculture production grow, speeds above 25/3 Mbps will likely be needed. Some small businesses also want faster speeds. For example, about 23 percent of 2,300 small businesses and farms that submitted documents in support of providers' funding applications to RUS wanted 100 Mbps or faster download speed.
- FCC and RUS have helped increase broadband speeds in rural areas. For example, USDA's ReConnect is mostly funding projects that propose to build fiber, which is generally associated with the fastest speeds available. In 2020, FCC reported that nearly all of the over 5.2 million locations awarded funding from a high-cost program will receive speeds of

⁴John O'Mahony and Sara Ma. *Connecting Small Businesses in the US*, Commissioned by Google (Deloitte: 2018).

⁵Nam Pham and Mary Donovan. *Unlocking the Digital Potential of Rural America*. Commissioned by Amazon and (C_TEC). (2019).

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at least 100/20 Mbps. In October 2021, RUS announced a third round of ReConnect funding and increased the required minimum speed to 100/100. In July 2022, FCC Chairwoman Jessica Rosenworcel proposed raising the benchmark from 25/3 to 100/20.

- In our July 2021 report, we found that FCC has not assessed the speed needs of small businesses to inform future benchmark analyses. Pursuant to requirements in the Telecommunications Act of 1996 to assess broadband deployment on an annual basis, FCC reviews and considers whether the minimum benchmark speed it has set remains the appropriate measure of broadband. Without analyzing information about the speed needs of small businesses, FCC lacks assurance that its benchmark is sufficient for supporting broadband access that meets the needs of small businesses.
- In our July 2021 report, we recommended that FCC solicit input from stakeholders and conduct an analysis of small business' broadband speed needs and incorporate the results of this analysis into its determination of the benchmark for broadband. FCC agreed with this recommendation and stated that it intends to seek comment regarding the broadband needs of small businesses when it initiates its next inquiry concerning broadband availability.

SBA Supports Broadband Technical Assistance through Its Partners and Other Agencies

- SBA officials told us that their agency supports broadband access for small businesses, especially for those in rural areas, through partnerships with organizations and federal agencies. For example, SBA partners with national organizations that offer technical assistance and training to small businesses on a variety of topics, including how to use broadband to support their business. SBA announced a new such partnership in February 2022 to support small businesses' digital needs, such as e-commerce.⁶ These organizations offer small businesses training and technical assistance on a variety of topics, including how to use broadband to support their business.
- SBA also coordinates with other federal agencies that have funding or are conducting efforts that can otherwise affect small businesses' access to or use of broadband. For example, SBA entered into an agreement with USDA to expand its reach to small businesses in rural communities. This agreement promotes collaboration between the two agencies on

⁶SBA's Small Business Digital Alliance is a partnership with a nonprofit organization to provide training and tools for small businesses to support their digital needs, such as e-commerce and social media.

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technical assistance for small businesses, especially with respect to export and procurement of good and services, often conducted online. Officials stated the agreement has helped them reach more rural areas. In August 2022, SBA officials said they are developing a strategy to connect SBA district offices and resource partners to state and local broadband offices to represent the needs of small businesses as infrastructure funding from the Infrastructure Investment and Jobs Act is distributed.⁷

(Jobcode: 106116)

⁷See Pub. L. No. 117-58, 135 Stat. 429 (2021).