

# **State CDBG Program Broadband Infrastructure FAQs**

Last Updated: January 7, 2016

HUD continues its efforts to narrow the digital divide in low-income communities served by HUD by providing, where feasible and with HUD funding, broadband infrastructure to communities in need of such infrastructure.

Broadband is the common term used to refer to a very fast connection to the Internet. Such connections are also referred to as high-speed broadband or high-speed Internet.

Although HUD plans to issue regulations that will formalize its steps for narrowing the digital divide, current State Community Development Block Grant funds can be used for broadband installation infrastructure and service delivery.

## **Frequently Asked Questions**

### **Can Community Development Block Grant (CDBG) funds be used to finance the provision of broadband services?**

Yes. CDBG funds can be used to finance the provision of broadband services such as infrastructure development, internet access, wiring, hardware and software purchases, development and construction of computer rooms, digital literacy classes/economic development, etc.). Acceptable eligible activity categories under Section 105(a) of the Housing and Community Development Act of 1974 (the Act) include:

- Section 105(a)(2) – Public facilities and improvements (includes infrastructure and excludes buildings for the general conduct of government).
- Section 105(a)(4) – Reconstruction and rehabilitation (housing).
- Section 105(a)(8) – Public services (education/training).
- Section 105(a)(14) – Activities carried out through a private or public non-profit.
- Section 105(a)(17) – Economic development assistance to a for-profit business.

### **Must national objective compliance be demonstrated?**

Yes. All CDBG assisted activities must be an eligible activity and must demonstrate compliance with one of the statutory national objectives for the CDBG program. Proposed activities may demonstrate compliance with the following national objectives, depending on the eligible activity selected:

- 24 CFR 570.483(b)(1) – Low- and moderate-income area benefit: Activities demonstrating compliance with this national objective must serve a defined area where at least 51 percent of the residents are low- and moderate-income persons and the area must be primarily residential. With the application of American Community Survey (ACS) data, State CDBG may have to perform an income survey in order to qualify the proposed service area.
- 24 CFR 570.483(b)(2) – Low- and moderate-income limited clientele: Primarily used for public services, activities demonstrating compliance with this national objective, at least 51 percent of the beneficiaries must be low- and moderate-income persons.
- 24 CFR 570.483(b)(3) – Low- and moderate-income housing: Focusing on serving low- and moderate-income occupants; the two activities that may be used are Section 105(a)(4) and 105(a)(14) of the Act.

- 24 CFR 570.483(b)(4) Low- and moderate-income job creation or retention: Activities demonstrating compliance with this national objective must either create permanent jobs on a full-time equivalent basis, and at least 51 percent of those jobs must be held by or made available to low- and moderate-income persons, or retain at least 51 percent low-and moderate-income jobs, and must meet the other requirements as set-forth in the regulations.

### **What types of broadband projects are not eligible under the State CDBG Program?**

State CDBG grantees should fully examine the scope of their activities to ensure that it is both an eligible activity and is able to demonstrate compliance with the appropriate national objective.

For example, the installation of a broadband trunk line would be eligible as an infrastructure activity, however, it is unlikely that this would be able to demonstrate compliance with the low-and moderate-income national objective because the service area would be too large.

Careful consideration would also need to be given to public service activities as there is a statutory cap of 15 percent of a grantees grant that may be used for public services. Moreover, economic development projects will also need to comply with the public benefit standards, as outlined in the regulations.

State CDBG grantees are encouraged, when both designing their programs and evaluating proposed activities, to determine that they are eligible and are able to clearly demonstrate compliance with one of the nation objectives, and should have criteria for these activities laid out within their Method of Distribution, as part of their Action Plan.