



# TACIR

The Tennessee Advisory Commission  
on Intergovernmental Relations



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226 Anne Dallas Dudley Blvd., Suite 508  
Nashville, Tennessee 37243-0760

Phone: (615) 741-3012

Fax: (615) 532-2443

[www.tn.gov/tacir](http://www.tn.gov/tacir)

## MEMORANDUM

TO: Commission Members

FROM: Cliff Lippard *Cliff*  
Executive Director

DATE: 26 January 2024

SUBJECT: Broadband Internet Access—Update

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In response to a request from Representative Hazlewood, staff will provide an update on the

- expansion of broadband coverage in Tennessee and the
- effect of tax incentives enacted to facilitate coverage expansion.

The Commission in 2017 published its first report on broadband deployment, availability, and adoption in Tennessee, the recommendations from which informed policy changes in the Tennessee Broadband Accessibility Act of 2017. Pursuant to the Act, the Commission in 2021 also published an update to its original report. Commission staff have routinely provided updates upon request.

The latest data from the Federal Communications Commission (FCC) show 94% of residential locations in Tennessee are in areas where providers reported they could provide wired or fixed wireless broadband of at least 25 megabits per second download and 3 megabits per second upload as of June 2023. Comparisons with the old FCC data used in the Commission's 2017 and 2021 reports are difficult if not impossible because the FCC has changed the way it assesses broadband coverage. The changes are intended to fix shortcomings in the FCC's prior approach, which was known to overstate coverage, though there are also questions about the accuracy of the new data. See tables in attachment A for analysis of FCC coverage data by state, including the number challenges submitted to the FCC disputing potential errors in the new data.

Despite the federal data's limitations for assessing coverage expansion, state data show broadband coverage continues to expand in Tennessee. Data from the broadband grant programs administered by the Tennessee Department of Economic and Community Development (ECD) since 2017 show that state and federally funded grants totaling more than \$565 million are leveraging an additional \$351 million in grantee matching funds for a total investment of more than \$916 million. As a condition for receiving these grants, broadband providers committed to expand coverage to a total of more than 179,100 unserved locations in Tennessee. By January 2024, almost 98,500 locations have received broadband access as a result. With additional federally funded grants likely to be awarded in the next calendar year, coverage will continue to be expanded to remaining unserved areas. See attachment B for data from ECD-administered broadband grant programs in Tennessee.

The extent to which recent tax incentives for broadband providers have resulted in coverage expansions cannot be assessed with existing state data. The state has enacted two sales tax exemptions related to broadband in the last five years:

- Public Chapter 501, Acts of 2019,<sup>1</sup> exempted the cost of labor for installing fiber-optic cable from state and local sales tax.
- Public Chapter 1102, Acts of 2022, exempted the purchase and lease of all equipment, machinery, software, components, and other infrastructure used to provide broadband from state and local sales tax from July 1, 2022, through June 30, 2025.

Because neither of these exemptions is conditioned on broadband providers expanding coverage, no state agency is monitoring whether they have resulted in coverage expansions or whether the savings to providers resulting from these exemptions have been reinvested in Tennessee. The Tennessee Department of Revenue does not collect separate data on the volume of sales exempt from tax as a result of Public Chapter 501. However, it reports that as a result of Public Chapter 1102 there were almost \$125 million in sales exempt from sales tax in fiscal year 2022-23 and almost \$196 million exempt from sales tax so far in fiscal year 2023-24 (see attachment C).

<sup>1</sup> Public Chapter 501, Acts of 2019, also repealed the franchise and excise tax credit for broadband providers that made investments in underdeveloped areas. This credit had been enacted in the Tennessee Broadband Accessibility Act of 2017.

Table 1. Percentage of Units With Access to Broadband at Selected Speeds  
as of June 30, 2023, Including Rank, by State

State	Wired and Fixed Wireless				Wired Only			
	25 Mbps* Download 3 Mbps Upload		100 Mbps* Download 20 Mbps Upload		25 Mbps* Download 3 Mbps Upload		100 Mbps* Download 20 Mbps Upload	
	% Covered	Rank	% Covered	Rank	% Covered	Rank	% Covered	Rank
Tennessee	94.3%	31	92.5%	23	92.7%	17	91.7%	15
Alabama	85.5%	47	81.7%	45	83.1%	43	80.7%	39
Alaska	81.1%	49	74.9%	48	73.0%	50	68.3%	49
Arizona	96.4%	16	92.0%	25	88.6%	28	84.5%	33
Arkansas	87.8%	44	81.6%	46	83.2%	40	79.1%	45
California	96.6%	15	94.7%	15	92.3%	19	91.5%	16
Colorado	97.4%	10	93.2%	19	90.6%	24	89.0%	23
Connecticut	97.3%	12	97.1%	7	96.7%	7	96.7%	7
Delaware	99.8%	1	97.7%	4	97.4%	4	97.4%	4
Florida	95.2%	26	93.7%	16	93.9%	11	92.8%	12
Georgia	93.8%	32	91.5%	28	92.2%	20	90.8%	18
Hawaii	96.3%	17	95.3%	11	96.0%	8	95.0%	9
Idaho	95.5%	24	83.7%	41	80.7%	46	76.3%	46
Illinois	97.7%	7	95.3%	12	92.6%	18	91.9%	14
Indiana	96.2%	19	92.9%	20	89.3%	26	88.3%	26
Iowa	97.3%	11	93.6%	17	89.0%	27	87.1%	27
Kansas	96.6%	14	91.1%	30	85.9%	36	83.9%	35
Kentucky	89.5%	43	85.8%	39	86.1%	35	83.4%	36
Louisiana	87.4%	45	82.3%	43	83.4%	39	80.1%	41
Maine	92.6%	38	86.0%	37	86.8%	33	85.6%	31
Maryland	98.6%	4	97.7%	5	97.3%	5	97.3%	5
Massachusetts	99.0%	2	98.8%	1	98.8%	1	98.5%	1
Michigan	93.5%	34	91.1%	31	88.1%	30	86.9%	29
Minnesota	96.1%	20	93.2%	18	91.2%	22	88.6%	25
Mississippi	83.3%	48	80.2%	47	81.7%	45	79.6%	44
Missouri	93.4%	35	86.6%	36	83.2%	41	80.2%	40
Montana	85.9%	46	73.3%	50	73.3%	49	66.9%	50
Nebraska	96.3%	18	92.5%	24	86.9%	32	84.4%	34
Nevada	98.5%	5	96.4%	9	92.8%	16	90.8%	19
New Hampshire	96.0%	21	95.3%	13	93.6%	12	93.4%	11
New Jersey	98.5%	6	98.3%	3	98.0%	2	98.0%	2
New Mexico	92.3%	41	86.0%	38	83.5%	38	80.0%	42
New York	96.9%	13	96.6%	8	95.5%	9	95.4%	8
North Carolina	92.4%	40	88.9%	34	88.3%	29	86.9%	30
North Dakota	98.8%	3	98.4%	2	97.8%	3	97.5%	3
Ohio	95.1%	27	92.0%	26	90.2%	25	88.6%	24
Oklahoma	93.8%	33	87.8%	35	83.6%	37	80.8%	38
Oregon	94.9%	29	91.4%	29	90.8%	23	89.2%	22
Pennsylvania	95.8%	23	94.9%	14	94.5%	10	94.1%	10
Rhode Island	97.5%	9	97.4%	6	96.8%	6	96.8%	6

State	Wired and Fixed Wireless				Wired Only			
	25 Mbps* Download 3 Mbps Upload		100 Mbps* Download 20 Mbps Upload		25 Mbps* Download 3 Mbps Upload		100 Mbps* Download 20 Mbps Upload	
	% Covered	Rank	% Covered	Rank	% Covered	Rank	% Covered	Rank
South Carolina	94.6%	30	91.7%	27	92.9%	15	90.5%	20
South Dakota	96.0%	22	92.6%	21	93.3%	13	91.4%	17
Texas	95.2%	25	92.5%	22	86.3%	34	84.9%	32
Utah	97.7%	8	95.8%	10	93.1%	14	92.1%	13
Vermont	90.4%	42	82.1%	44	82.7%	44	81.1%	37
Virginia	92.5%	39	90.8%	33	87.6%	31	87.1%	28
Washington	95.0%	28	91.1%	32	91.2%	21	89.7%	21
West Virginia	77.6%	50	73.3%	49	73.8%	48	72.7%	47
Wisconsin	92.7%	37	82.8%	42	83.2%	42	79.7%	43
Wyoming	93.3%	36	85.0%	40	74.5%	47	70.0%	48

\* Megabits per second, a measure of broadband speed. The Federal Communications Commission (FCC) defines broadband as having a minimum speed of 25 megabits per second download and 3 megabits per second upload. Recent federal grant programs have set a minimum speed of 100 megabits per second download and 20 megabits per second upload for projects receiving funding.

Source: Commission staff analysis of June 30, 2023, coverage data released by the Federal Communications Commission.

**Table 2. Number of Challenges to the Federal Communications Commission's  
Provider-Reported Broadband Coverage Data, by State,  
as of December 31, 2023**

State	Resolved			In Process	Total
	Upheld	Overtured	Withdrawn		
Tennessee	2,590	62	29	5	2,686
Alabama	142	14	-	6	162
Alaska	41	4	-	2	47
Arizona	26,670	19,320	-	7	45,997
Arkansas	278	34	-	4	316
California	5,534	244	12	29	5,819
Colorado	2,826	50	-	5	2,881
Connecticut	595	26	7	-	628
Delaware	28	5	-	5	38
Florida	16,031	130,489	85,625	15	232,160
Georgia	37,568	686	56	55	38,365
Hawaii	61	3	-	1	65
Idaho	64	7	-	3	74
Illinois	70,174	368	-	284	70,826
Indiana	2,248	663	-	19	2,930
Iowa	25,121	1,784	30,124	1,984	59,013
Kansas	723	31	42	12	808
Kentucky	15,208	296	193	3	15,700
Louisiana	160	42	-	11	213
Maine	44,955	79,491	12,193	-	136,639
Maryland	51,951	761	31	2	52,745
Massachusetts	2,007	4	-	1	2,012
Michigan	114,210	1,514	10,545	13	126,282
Minnesota	8,001	31	-	22,788	30,820
Mississippi	1,715	346	-	3	2,064
Missouri	2,543	116	1,848	18	4,525
Montana	29	9	-	2	40
Nebraska	796,534	157,942	157,803	149	1,112,428
Nevada	21,160	2,682	-	1	23,843
New Hampshire	24	5	-	2	31
New Jersey	2,106	11	-	6	2,123
New Mexico	162,359	26,214	-	2	188,575
New York	315,895	12,620	4,781	27,906	361,202
North Carolina	37,016	6,195	362	20	43,593
North Dakota	14	5	-	658	677
Ohio	10,302	1,417	3	20	11,742
Oklahoma	11,241	3,625	547	6	15,419
Oregon	7,350	24	-	2	7,376
Pennsylvania	283,095	2,172	16,629	16	301,912
Rhode Island	13	-	-	1	14
South Carolina	131	23	-	7	161

State	Resolved			In Process	Total
	Upheld	Overtured	Withdrawn		
South Dakota	5,930	5	-	1,144	7,079
Texas	17,372	14,813	941	123	33,249
Utah	293	7	-	2	302
Vermont	12,257	9,836	796	2	22,891
Virginia	441,345	302,150	209,868	10	953,373
Washington	1,060	5,684	-	26	6,770
West Virginia	5,386	8,189	481	3	14,059
Wisconsin	15,228	5,854	-	427	21,509
Wyoming	9	3	-	1	13

Source: Commission staff analysis of Federal Communications Commission data.

Grants Awarded by Tennessee Department of Economic and Community Development for Expanding Broadband Coverage in Tennessee,  
by Fiscal Year and Funding Source

Grant Round by Fiscal Year	Funding Source	Total Grant Amount Awarded	Total Grantee Matching Funds	Total Investment	Number of Projects	Total Number of Unserviced Locations to which Grantees Committed to Expand Broadband (Passings Awarded)	Total Number of Previously Unserviced Locations Covered as a Result of Award (Passings Built)*
2017-18	State	\$ 9,844,862	\$ 9,844,862	\$ 19,689,724	9	5,274	7,019
2018-19	State	14,788,311	14,788,311	29,576,622	13	8,356	10,425
2019-20	State	19,735,131	19,735,131	39,470,262	17	12,670	11,727
2020-21**	State	13,876,929	13,876,929	27,753,858	12	6,392	2,493
<b>State Grants Total</b>		<b>\$ 58,245,233</b>	<b>\$ 58,245,233</b>	<b>\$ 116,490,466</b>	<b>51</b>	<b>32,692</b>	<b>31,664</b>
2020-21	Federal***	\$ 61,058,468	\$ 15,264,617	\$ 76,323,085	62	25,027	25,992
2022-23	Federal****	446,233,355	277,360,334	723,593,690	75	121,431	40,804
<b>Federal Grants Total</b>		<b>\$ 507,291,823</b>	<b>\$ 292,624,951</b>	<b>\$ 799,916,775</b>	<b>137</b>	<b>146,458</b>	<b>66,796</b>
<b>Grand Total</b>		<b>\$ 565,537,056</b>	<b>\$ 350,870,184</b>	<b>\$ 916,407,240</b>	<b>188</b>	<b>179,150</b>	<b>98,460</b>

\* Current as of January 2024. Not all projects have been completed.

\*\* Totals for this grant round exclude one project that was awarded funding but had its contract canceled prior to any work being completed.

\*\*\* Funding from federal Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020.

\*\*\*\* Funding from federal American Rescue Plan Act of 2021, States' and Localities' Fiscal Recovery Funds (SLFRF) Program.

Note: For fiscal year 2020-21, there were two grant rounds, one funded by the state and the other funded using federal grant dollars. The awards for these rounds are separate awards for separate projects, and projects are not double counted.

Source: Commission staff analysis of data provided by Tennessee Department of Economic and Community Development staff.

Sales Exempt from State and Local Option Sales Tax Under Tennessee  
Broadband Investment Maximization Act of 2022  
(Public Chapter 1102, Acts of 2022)

	Fiscal Year	
	2022-23	2023-24*
Amount of Sales Exempt	\$ 124,795,133	\$ 195,934,754
Decrease in State Sales Tax Revenue**	\$ (8,735,659)	\$ (13,715,433)
Decrease in Local Sales Tax Revenue***	\$ (3,155,758)	\$ (4,954,701)

\* Year-to-date as of January 2024.

\*\* Estimated by Commission staff based on 7% state sales tax rate.

\*\*\* Estimated by Commission staff based on statewide average local option sales tax rate of approximately 2.53%. This estimate is likely high because of single-article cap on local option sales tax (see Tennessee Code Annotated, Section 67-6-702).

Source: Exempt sales provided by Tennessee Department of Revenue staff. Decreases in state and local sales tax estimated by Commission staff.