



The FCC Allocates \$485 Million to Expand Broadband Access Across Underserved Rural Areas:

A Connected Nation Policy Brief May 28, 2013

On May 22, 2013, the Federal Communications Commission (FCC) released an [Order](#) announcing an additional round of “Phase I” Connect America Fund subsidies for larger (“price cap”) local telephone companies. With this Order, the FCC makes available up to \$485 million in one-time, incremental subsidies to support the construction of broadband networks in areas served by the price cap carriers that do not currently have broadband service of at least 3 Mbps download/768 Kbps upload speeds, as shown on the National Broadband Map (the “Map”).

This funding is a continuation of the FCC’s transformation of its high-cost Universal Service Fund (USF) to support broadband directly. This additional round of one-time, Phase I funding is directed solely at areas across the country traditionally served by the 13 price cap telecommunications providers, including Alaska Communications System (ACS), AT&T, CenturyLink, Frontier, Puerto Rico Telephone Company (PRTC), Verizon, Windstream, and others. Collectively, the service areas of these 13 price cap companies account for approximately 85% of all “unserved” households and businesses across the country.

In 2011, the FCC set in motion a broad [reform](#) of the high-cost Universal Service Fund program to create the Connect America Fund and directly support the expansion of broadband availability, as opposed to support for traditional telephone services. This process was to take place in two phases. Phase I of the Connect America Fund is designed to target “low-hanging fruit” – unserved areas that would require no ongoing subsidies once the network is built. In 2012, the FCC implemented this program by allocating up to \$300 million one-time capital injection to support investment in broadband infrastructure in unserved areas across price cap service territories. This latest FCC action follows a similar model. To learn more of where the 2012 round of Phase I subsidies is funding broadband build-out, the FCC has built an interactive map available [here](#). A prior Connected Nation Policy Brief on this topic can be found [here](#).

2013 Connect America Fund Phase I Program

Largely speaking, this funding opportunity is structured similarly to the Connect American Fund Phase I program of 2012, but there are several important changes in its implementation. Specific program details include:

- **Areas Eligible for Phase I Subsidies** – For the 2013 round of Phase I subsidies, eligible areas now include areas traditionally served by these 13 price cap carriers that do not have access to fixed broadband service of at least 3 Mbps download/768 Kbps upload speeds, according to the National Broadband Map. Last year, eligible areas included only those unserved by fixed broadband service at speeds of only 768 Kbps download/200 Kbps upload. This new definition nearly triples the number of areas eligible for Phase I subsidies in 2013 than were eligible in 2012.
- **BTOP and BIP Areas Excluded** - The FCC will not award Phase I subsidies in areas where the federal government has already allocated subsidies for broadband build-out through the BTOP or BIP programs.
- **Build-Out Requirements** - A provider that accepts the one-time Phase I funding for a census block will have 3 years to build-out broadband at speeds of at least 4 Mbps down/1 Mbps up in that census block.

- **Use of the National Broadband Map** - The FCC will be using the National Broadband Map to identify eligible areas for these subsidies. It will use the version of the Map currently online based on broadband inventory estimates for June 2012.
- **Subsidy Amounts per Location Served** - Under this program the FCC is offering subsidies on a per-location-passed basis with two separate benchmarks. For areas that do not have access to fixed broadband at 768 kbps download/200 kbps upload, the FCC is offering a one-time subsidy of \$775 per location passed to fund the upgrade. To upgrade areas that have access 768 kbps/200 kbps fixed broadband but which do not have access to the FCC's benchmark of 3 Mbps download/768 Kbps upload, the FCC will provide a one-time subsidy of \$550 per location.
- **Allocation of Subsidies Across Price Cap Carriers** - The FCC will make up to \$485 million available in this program, allocated among the 13 price cap providers. In this Order it sets an initial allocation of \$300 million as follows:

Price Cap Carrier	Subsidy Allocation - 2013
Alaska Communications System (ACS)	\$4.1 million
AT&T	\$47.9 million
CenturyLink	\$89.9 million
Cincinnati Bell	\$0
Consolidated	\$0.421 million
Fairpoint	\$4.9 million
Frontier	\$72 million
Hawaiian Telecom	\$0.402 million
Virgin Islands Tel	\$0.255 million
Micronesian Tel	\$0
Puerto Rico Telephone Company	\$0
Verizon	\$19.7 million
Windstream	\$60.4 million

These amounts are not, however, a cap for funding available under this program for each provider. Recognizing that the subsidies offered to each provider may not be accepted (as was the case in 2012 Phase I program), the FCC is introducing a mechanism by which the providers can request funds beyond this allocated amount. In particular, each provider can submit subsidy requests for 2013 up to \$300 million. If the program is oversubscribed, the FCC will allocate up to \$485 million in subsidies based on the proportions of the allocation above.

The allocation, then, is perhaps best thought of as a guarantee for a minimum amount of subsidies if the subsidy recipients agree to make the associated build-out commitments. Providers like PRTC and Cincinnati Bell that do not have an initial allocation may identify areas to which it would make a build-



out commitment in exchange for Phase I funds, and those requests may be accepted if all \$485 million is not claimed by all other providers.

- **Process and Mapping Challenges** - The FCC is establishing a 60-day challenge process to resolve disputes as to whether the National Broadband Map accurately reflects the availability of broadband in areas eligible for Phase I funding. After price cap providers make their build-out commitments, the FCC will make those areas public and invite comment from the public within 30 days, with another 30 days reserved for rebuttal. In this way, parties will be able to challenge eligibility of the subsidy if, for example, they can prove that a given area is already served. By insisting that these disputes be raised publicly and in a targeted manner, this process represents a significant improvement over prior efforts by the FCC to resolve this category of disputes.

Next Steps

The FCC will take several steps over the next few months to implement the program. FCC staff will first identify areas eligible for Phase I subsidies and establish a date by which price cap providers will identify which census blocks in which it will commit to upgrading to broadband. These filings by the provider (essentially, lists of census blocks) will be public. FCC staff will release all of these commitments and will commence the 60-day “challenge” process described above. This will be the opportunity for interested parties to dispute whether those areas identified by providers truly lack adequate broadband service. Once the 2013 round of Phase I subsidies are allocated among price cap providers, those providers will have up to three years to build-out broadband to those identified, currently-unserved areas.

As the broadband mapping agent in several states and the Territory of Puerto Rico, Connected Nation stands ready to answer any question the public might have about our broadband mapping data, how the FCC is using that data, and the methods we use to independently validate and verify the information that is represented on the National Broadband Map. Data collection, validation, and verification is a constant process, and Connected Nation regularly updates and validates this information. We regularly conduct field validation of broadband availability information, and frequently do so in response to consumer, provider, and community inquiries.

Simultaneous with the 2013 round of Phase I funding, the FCC is proceeding with Phase II of this reform. Phase II will allocate approximately \$1.8 billion in annual ongoing subsidies to fund both capital and operating costs in areas traditionally served by these same price cap companies that do not have broadband today. Unlike Phase I, Phase II subsidies will be given annually for five years and will be based upon an engineering cost model currently under development at the FCC. FCC staff is currently working on that model, and when that model is complete, this five-year subsidy will be offered to price cap carriers on a state-by-state basis. For more information of these cost models see [here](#).

For more information about the Connect America Fund, please contact Connected Nation at policy@connectednation.org.