



**Connect America Fund
Implementation Report
June 27, 2013**

Agenda

- Connect America Fund for Price Cap Areas
 - Connect America Phase I
 - Connect America Phase II
- Reforms for Rate of Return Areas
- Improving FCC Data
- Mobility Fund I Auction
- Tribal Engagement
- Key Activities Ahead

Price Cap Areas – Connect America Phase I

Provides one-time additional incremental funding to price cap carriers to deploy broadband-capable infrastructure to unserved locations

Price Cap Areas – Connect America Phase I

- Round 1
 - Elections made July 24, 2012
 - Nearly \$115 million of Phase I incremental support provided in 2012, with construction underway to deliver new broadband service to nearly 400,000 Americans
- Round 2
 - On May 22, 2013, the Commission adopted a second round of Connect America Phase I funding for price cap areas
 - Up to \$485 million in funding available, with unused funding flowing into Phase II
 - Challenge process after price cap carriers indicate where they plan to build

Price Cap Areas – Connect America Phase II

Provides funding for five years to support the deployment of voice and broadband-capable networks in areas with no unsubsidized competitor

- Funding distributed through a combination of forward-looking voice and broadband cost model and competitive bidding
- Price cap carrier offered model-based support in exchange for a “state-level commitment” to provide voice and broadband (excluding extremely high cost areas)
- In price cap areas where the incumbent declines the state-level commitment, competitive bidding will be used to distribute support

Progress on Connect America Cost Model

- **Forward-Looking Cost Model**
 - Seven versions of model released to date
 - Illustrative model results posted on fcc.gov for versions 3.1.2, 3.1.3 and 3.1.4 (the most recent model version)
- **Cost Model Framework**
 - Bureau order adopted April 22, 2013; resolved key issues about network design and engineering
- **Virtual Workshop**
 - On-line “Virtual Workshop” to solicit comments and provide an interactive forum for interested parties

Procedures For Price Cap Carriers to Elect State-Level Commitments

Bureau Order released May 16, 2013

Two Step Process:

Step One: Publish List of Eligible Areas subject to “Challenge Process”

- Census blocks that do not have an unsubsidized competitor providing voice and broadband (4 Mbps/1 Mbps)
- Determine eligible census blocks using National Broadband Map for broadband and the Local Telephone Competition and Broadband Report (FCC Form 477) for voice
- Challenge process allows entities to correct errors in the list of eligible census blocks

Step Two: Election to Make a State-Level Commitment

- Once list of census blocks finalized, price cap carriers will have 120 days to file their election to accept or decline the Connect America Phase II support

Reforms for Rate-of-Return Areas

- Seeking comment on setting the right incentives for investment in rural broadband
 - Whether to provide support for stand-alone broadband services
 - How to best structure a voluntary path for rate-of-return carriers who want to participate in Connect America Phase II model-based support
- Seeking comment on Staff Report on Authorized Rate-of-Return
- Implementing Commission's direction to develop a single loop cost cap for high cost loop support
- Acting on waiver requests

Improving FCC Data

Study Area Boundary Data Collection

- To create a complete, publicly accessible, nationwide set of study area boundaries
- Will allow the Commission to implement reforms as accurately and effectively as possible
- Incumbent LECs required to submit data by May 23, 2013 if the state not planning to file; states required to file by June 28, 2013
- The reconciliation process has started

Survey of Urban Rates

- In April 2013, adopted a survey of urban rates for fixed voice and broadband services to produce reasonable comparability benchmarks
- Will allow carriers to certify that their rates are reasonably comparable to the national average urban rates
- Working with OMB for Paperwork Reduction Act approval before conducting survey

Annual Reporting

Mobility Fund I Auction

Used a market-based competition to distribute one-time funding where winners were chosen based on the lowest cost-per-road-mile bids to extend mobile voice and broadband service to areas that lack advanced mobile services

Mobility Fund I Auction

- Reverse auction held in September 2012
- Distributed one-time support to provide advanced mobile services (3G or better)
- 38 companies and subsidiaries participated in the auction, submitting nearly 900 bids
- Winning bids for the \$300 million budget covered 83,000 road miles in 31 states and 1 territory
- Initial disbursements authorized for nearly \$105 million in winning bids
- Upcoming authorizations announced for over \$154.5 million more in winning bids

Tribal Issues

Tribal Mobility Fund I – Phase I

Reverse auction to award up to \$50 million in one-time Tribal Mobility Phase I support

- One-time support to deploy mobile voice and broadband services to Tribal lands without such services
- Carriers must provide 3G or better mobile voice and broadband services
- Auction will be based on population (rather than road miles as in Mobility Fund I)
- Special provisions for Tribal entities, including bidding credits and relaxed eligibility requirements
- Comment cycle on auction procedures closed on May 24, 2013
- Next steps: announcement of eligible areas, auction procedures, and application deadlines
- Bidding scheduled for Fall 2013

Tribal Engagement

- Applies to all ETCs either currently serving or seeking to serve Tribal lands
- Requires that ETCs demonstrate on an annual basis that they have meaningfully engaged with Tribal governments in their universal service supported areas, with discussions to include, at a minimum:
 - A needs assessment and deployment planning with a focus on Tribal community anchor institutions;
 - Feasibility and sustainability planning;
 - Marketing services in a culturally sensitive manner;
 - Rights of way processes, land use permitting, facilities siting, and environmental and cultural preservation review processes; and
 - Compliance with Tribal business and licensing requirements
- Further guidance on the Tribal Government Engagement Obligation
 - Public Notice released July 19, 2012

Key Activities Ahead

- Connect America Phase I
- Connect America Phase II
- Tribal Mobility Fund I Auction
- Mobility Fund II
- Remote Areas Fund
- Determine Next Steps for Rate of Return Carriers