



CONNECTED
NATION®

CAF & USF REFORMS

A CONNECTED NATION POLICY PRESENTATION

CONNECTKENTUCKY TECH DAY

NOVEMBER 13, 2012



ACCESS

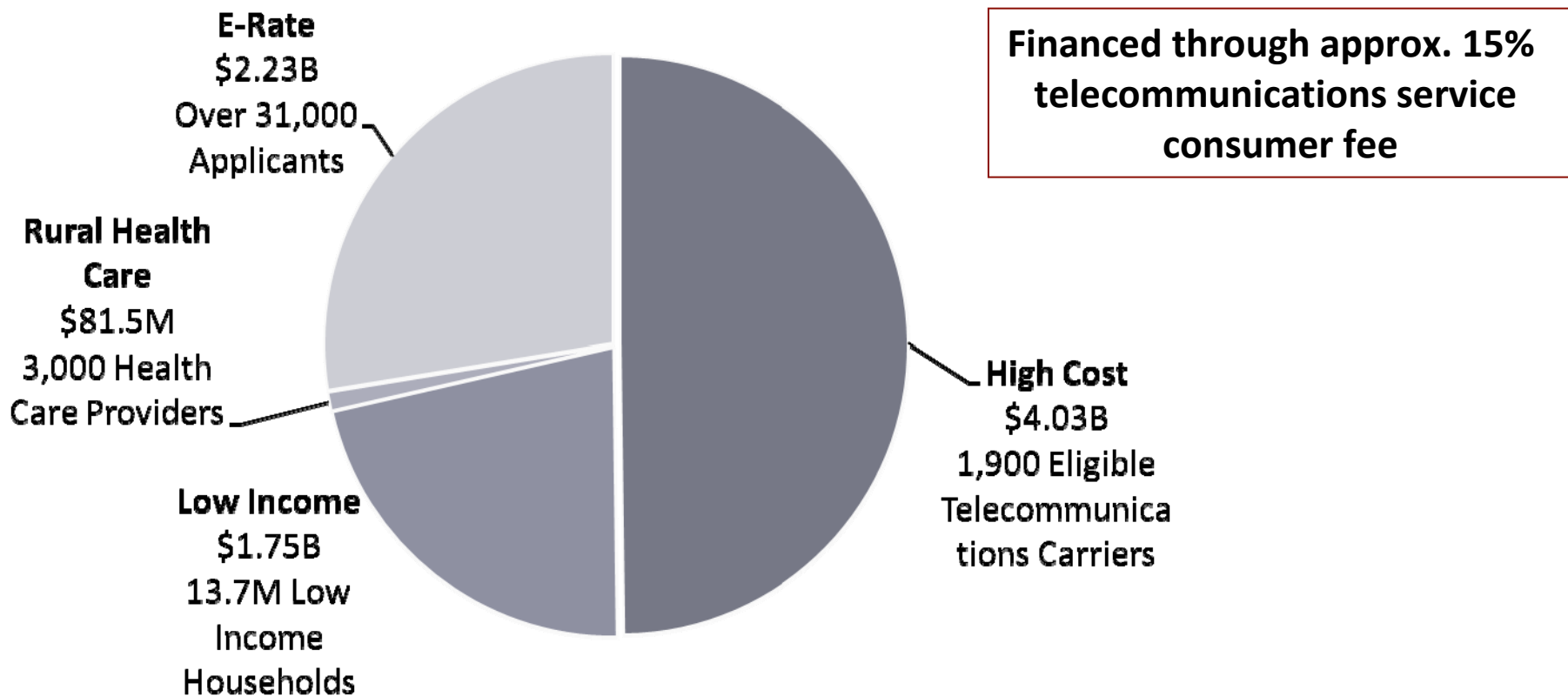


ADOPTION



USE

USF – 4 PROGRAMS / \$8.10 BILLION IN 2011



For information on current USF programs www.usac.org

USF REFORM – HIGH-COST

- 2010 National Broadband Plan called for an overhaul of USF High-Cost Program transitioning \$4.5 billion annual subsidies to support broadband service

2011 High Cost Disbursement by State (Million)			
Alabama	\$90.3	Ohio	\$32.9
Arkansas	\$89.4	West Virginia	\$53.03
Illinois	\$65.1	Indiana	\$78.4
Kentucky	\$101.1	Tennessee	\$63.4

- 2011 FCC Order launches transition of the High-Cost Program
 - Creates a **Connect America Fund** to subsidize the provision of 4 Mbps down/1 Mbps up fixed broadband service in unserved areas
 - Creates a **Mobility Fund** to subsidize mobile broadband service in unserved areas
 - Creates a **Remote Areas Fund** to subsidize broadband in extremely remote areas (likely applicable only in states such as Alaska)

THREE TRANSITIONAL PHASES

- **Phase I – 2012 – \$600 Million One-Time Capital Injection**
 - **CAF – Phase I:** \$300M one-time capital injection to expand broadband across for price cap territories (Large ILECs: AT&T, CenturyLink, Frontier, Verizon, etc.)
 - **Mobility Fund-Phase I:** \$300M one-time capital injection to expand mobile broadband across unserved areas
- **Phase II – 2013 – 2015 – Annual Recurring Subsidy Disbursements**
 - **CAF – Phase II:**
 - \$1.8B in funds to build broadband in all unserved areas of a price cap carrier’s territory across a state
 - \$2B in funds to build broadband across unserved areas served by rate-of-return carriers
 - **Mobility Fund – Phase II:** \$500M annual recurring capital injection
- **Post Phase II - All subsidies determined by competitive mechanism**
- **CN Policy Brief:**
http://www.connectednation.org/sites/default/files/bb_pp/connected_nation_usf_reform_cover_memo_and_table.pdf

CURRENT STATUS

■ CAF – Phase I

- A \$115M in subsidies has been accepted by price cap carriers in 37 states
 - <http://www.fcc.gov/maps/connect-america-fund-caf-phase-i>

■ CN Policy Brief:

http://www.connectednation.org/sites/default/files/bb_pp/phase_i_connect_america_fund_commitments_7.26.2012.pdf

■ Mobility Fund – Phase I

- Reverse auction took place on Sep 2012
 - Eligible Areas - <http://www.fcc.gov/maps/mobility-fund-phase-1-eligible-areas>
 - Auction Results - http://apps.fcc.gov/auction901/map/auction_result_ext.html

■ CN Policy Brief:

http://www.connectednation.org/sites/default/files/bb_pp/cn_policy_brief_-_mobility_fund_phase_i_final.pdf

NEXT STEPS

- **CAF – Phase I Round 2:** NPRM expected shortly to determine disbursement mechanism for remaining \$185M
- **CAF – Phase II**
 - FCC currently developing cost model to ascertain eligible subsidies in price cap territories and across areas served by small, rural rate-of-return carriers
 - CN Policy Brief: FCC Begins Assessment of CAF Phase II Cost Models
http://www.connectednation.org/sites/default/files/bb_pp/connect_america_fund_phase_ii_cn_policy_brief_final.pdf
- **Mobility Fund – Phase II**
 - Reverse auctions of \$500M in funds in 2013
- **Eligible Areas for funding based on SBI mapping data**
 - Fixed - <http://www.fcc.gov/maps/section-706-fixed-broadband-deployment-map>
 - Mobile - <http://www.fcc.gov/maps/section-706-mobile-deployment-map>

LIFELINE REFORM

- Subsidizes voice service (mobile or fixed) to low income households
 - \$1.75B in 2011, up from \$0.82B in 2008, benefiting 13.7M households
 - Funding accrues to provider serving household

2011 Lifeline Disbursement by State (Million)			
Alabama	\$33.3	Ohio	\$77.8
Arkansas	\$29.0	Indiana	\$9.4
Illinois	\$54.4	West Virginia	\$14.3
Kentucky	\$7.9	Tennessee	\$48.2

- 2012 Order reforms Low Income program
- FCC assessing possibility of expanding subsidies to include broadband service
 - Low-income broadband adoption pilot program - \$25M in funding. Deadline for application – August 2012
- **CN Policy Brief:**

E-RATE

- Provides discounts to help schools and libraries obtain telecommunications and Internet services at affordable rates
 - \$2.23B in 2011, up from \$1.76B in 2008, benefiting 31,288 applicants

2011 E-Rate Disbursement by State (Million)			
Alabama	\$58.8	Ohio	\$67.4
Arkansas	\$18.0	Indiana	\$34.5
Illinois	\$92.6	West Virginia	\$13.4
Kentucky	\$41.8	Tennessee	\$56.2

- **Learning-on-the-Go:** FCC pilot providing \$9M to 20 schools to support off-campus wireless connectivity for mobile learning
- State and regional planners can leverage E-Rate to promote middle-mile network investments
 - Encourage regional and local coordination to aggregate demand of CAIs

FIRSTNET

- **Created by Congress in 2012 to build a National Public Safety Interoperable Mobile Broadband Network**
 - <http://www.ntia.doc.gov/category/public-safety>
 - Priority mobile service to Public Safety community, but network can be leveraged by secondary users: Commercial operators, Community Anchor Institutions, state and local government
 - Network should leverage existing public and private infrastructure assets
- **Coordination with state and local authorities essential**
- **Essential to leverage SBI broadband maps and regional planning efforts to expand broadband**
- **CN Policy Briefs:**
 - SEP 28, 2012 - http://www.connectednation.org/sites/default/files/bb_pp/cn_policy_brief_-_firstnet_board_meeting_09252012_final.pdf
 - AUG 23, 2012 - http://www.connectednation.org/sites/default/files/bb_pp/cn_policy_brief_-_firstnet_notice_web_version_082012.pdf

ROLE OF REGIONAL AND STATE AUTHORITIES

- Continue improving accuracy and completion of SBI state broadband maps
- Promote PPPs to expand broadband in unserved & underserved areas leveraging various CAF programs
- Promote middle-mile network investment by encouraging local and regional CAI demand aggregation (schools, libraries, public safety, government)
- Coordinate state and regional planning efforts to jointly leverage CAF, Lifeline, E-Rate FirstNet, BIP and other federal funding sources

- **State regulatory agencies**
 - Help inform stakeholders of funding opportunities at FCC
 - Encourage providers to become Eligible Telecommunications Carriers for the funding under the USF program
 - Work with state and local authorities to accelerate private investment
 - Streamline construction planning processes and remove barriers to state & local RoW
 - State USF program to complement USF and other federal funding opportunities?

OTHER ISSUES

- FCC Contribution Reform
 - Request for Comment issued in 2012 to begin process
- FCC Reports and Projects on Broadband Deployment, Speed, Competiveness
- TV White Spaces
 - FCC Order:
http://transition.fcc.gov/Daily_Releases/Daily_Business/2012/db0405/FCC-12-36A1.pdf
- Spectrum Allocation
- Connect To Compete
 - FCC enabled broadband adoption non-profit
 - Connected Nation steering partner in effort
 - Many partners including Intel, Microsoft, Goodwill, Best Buy, 19 broadband providers, Discovery, Sesame Workshop



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<http://www.connectednation.org/data-center-policy>