



\$9 billion in Connect America Fund subsidies accepted to serve over 4 million homes and businesses

August 28, 2015

This week marked an important milestone in the [Federal Communications Commission's](#) effort to expand the reach of broadband networks in rural, high-cost areas. Telephone companies accepted \$9 billion in Connect America Fund subsidies to support the upgrade and maintenance of broadband networks serving over 4 million homes and businesses across the United States.

Over the next six years, AT&T, CenturyLink, FairPoint, Frontier, Windstream, and other providers will receive these subsidies in exchange for a commitment to upgrade and maintain voice and broadband networks capable of 10 Mbps download/1 Mbps upload speed in their traditional telephone service areas. Of these locations, over 2 million do not have access to broadband at speeds of 3 Mbps down/768 kbps up today. 40% of this build-out is to be completed by the end of 2017 and 100% by 2020.

The [Connect America Fund \(CAF\)](#) is the FCC's program to support voice and broadband networks in "high-cost" rural areas. As described in earlier Connected Nation Policy Briefs, the initial phases of the CAF have focused on the traditional service areas of larger telephone companies. In 2012 and 2013, during Phase I, the FCC offered one-time subsidies to these providers to support network upgrades. In the current Phase II, the FCC offered significant annual subsidies over the next six years to these providers on a state-by-state basis. Providers had until August 27, 2015 to decide whether to accept or reject these statewide offers.

With the exception of Verizon, which rejected all offers except for conditional acceptance of subsidies in California and Texas, the large majority of providers accepted virtually all of the subsidies offered. According to the FCC, providers rejected only \$175 million out of a total \$1.68 billion in annual subsidies, and the accepted subsidies will play a role in expanding broadband to approximately 7.3 million rural consumers.

About the Connect America Fund Phase II

As Connected Nation [Policy Briefs](#) have discussed, Connect America Fund Phase II commitments are accepted on a state-by-state basis, and the program's cost model was developed based on specific topography and physical characteristics of each census block that the National Broadband Map indicates does not have adequate broadband service. The model calculates whether the cost of upgrading and operating a broadband network would be higher than the revenue potential of serving that area. These census block calculations were then combined to create statewide offers for each provider.

As a result of the differences in density and corresponding need for network upgrades, the cost model offers different subsidy amounts to different providers that can vary significantly state-by-state. For example, in Tennessee, CenturyLink will receive \$281 per "qualifying high-cost" location per year to upgrade and maintain 10 Mbps down/1 Mbps broadband networks. In Iowa, Frontier will receive \$779 per "qualifying high-cost" location per year to do the same.

The FCC finalized the cost model earlier this year and on April 29, 2015, [formally offered](#) the nation's largest telephone companies, including AT&T, Verizon, Frontier, CenturyLink, FairPoint and Windstream, a total of \$10 billion in subsidies, covering 4 million homes and business locations. Providers had until August 27th to accept or reject these offers on a state-by-state basis.



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State-by-State Summary and Maps

The following table summarizes the FCC Connect America Fund Phase II offers in states where Connected Nation has historic or existing state broadband initiative programs. The table contains the number of homes and business locations regarded by the FCC as qualifying for the subsidy offer to upgrade and maintain 10 Mbps down/1 Mbps broadband service, a count on how many of those locations do not have access to 3 Mbps down/768 kbps up broadband today, and the annual subsidy offered, accepted, or rejected for serving the targeted locations.

Provider and State	Home and Business Locations Targeted by Connect America Fund Phase II Subsidy Offer	Number of Targeted Locations in Eligible Areas Without Access to Broadband (Speeds of \geq 3 Mbps/768 kbps Fixed, Terrestrial)	Annual Subsidy Offered by FCC and Accepted
Iowa			
CenturyLink	34,827	23,574	\$17,893,887
Consolidated	3,019	1,360	\$2,393,216
Frontier	5,438	2,223	\$4,240,587
Windstream	44,930	22,970	\$28,672,554
Michigan			
AT&T	86,635	72,811	\$29,750,677
CenturyLink	25,230	13,555	\$9,028,031
Frontier	68,512	39,654	\$21,733,859
Minnesota			
CenturyLink	114,739	77,423	\$54,035,150
Consolidated	4,266	959	\$2,516,502
Frontier	46,910	14,409	\$27,551,363
Windstream	4,440	864	\$1,519,855
Nevada			
CenturyLink	2,265	860	\$1,072,346
Frontier	2,970	2,533	\$1,379,494
Ohio			
AT&T	37,603	31,464	\$14,802,500
Cincinnati Bell	745	210	\$194,944
CenturyLink	47,707	30,014	\$15,982,805
FairPoint	1,247	1,074	\$420,997
Frontier	66,592	27,538	\$22,927,850
Windstream	13,073	7,497	\$4,154,270
South Carolina			
AT&T	30,458	25,202	\$9,689,453
CenturyLink	8,551	4,546	\$2,952,228
Frontier	7,205	3,811	\$2,709,651
Windstream	3,144	1,278	\$935,383

Tennessee			
AT&T	81,173	67,077	\$26,137,862
CenturyLink	5,791	3,731	\$1,662,828
Frontier	6,458	321	\$2,126,605
Texas			
AT&T	98,432	84,501	\$42,078,424
CenturyLink	27,184	17,287	\$11,300,418
Consolidated	5,088	791	\$1,915,321
Verizon	37,208	32,087	\$16,576,929
Windstream	44,580	24,194	\$21,260,790

The following table provides a look at the Connect America Fund Phase II offers on a national basis by provider.

Provider	Number of Homes/Businesses in Areas Eligible for Connect America Fund Phase II Subsidy	Number of Homes/Businesses in Areas Where CAF Phase II Subsidy Was Accepted	Annual Connect America Fund Phase II Subsidy Accepted
AT&T	1,265,036	1,117,806	\$427,706,650
Cincinnati Bell	7,084	7,084	\$2,229,130
CenturyLink	1,190,016	1,174,142	\$505,702,762
Consolidated	24,698	24,698	\$13,922,480
FairPoint	106,380	105,220	\$37,430,669
Frontier	659,587	659,587	\$283,401,855
Hawaiian Telecom	11,081	11,081	\$4,424,319
Micronesian Telecomm	11,143	11,143	\$2,627,177
Verizon	387,470	114,610*	\$48,554,986
Windstream	413,345	404,625	\$178,895,478

* Verizon "conditionally accepted" its CAF Phase II subsidy offers in CA and TX, subject to regulatory approval of its sale of wireline business in those states to Frontier.

Connected Nation is preparing maps that detail these Connect America Fund Phase II commitments.

Next Steps for Connect America Fund Phase II

The Connect America Fund Phase II program will have a significant impact on the broadband landscape in affected rural areas for the next decade. Providers that accepted Phase II subsidies now have six years to upgrade networks in covered areas and must meet certain build-out milestones and service quality standards.



The price for voice and broadband service in subsidized areas must be reasonably comparable to urban price benchmarks established by the FCC. In addition, providers accepting the subsidy must offer broadband service to schools and libraries in these targeted areas at rates, terms, and conditions that are reasonably comparable to broadband service offers in urban areas. Companies accepting build-out subsidies must complete network deployment to 40% of impacted homes and businesses by the end of 2017, 60% by the end of 2019, and 100% by the end of 2020.

In states where the provider rejected its subsidy offer, the FCC will proceed to offer the subsidy to other interested providers. The FCC will now initiate an auction process in which interested and qualifying providers (likely including platforms such as cable and wireless) will be able to submit bids to serve particular communities or areas. The FCC has not completed its final rules for this auction, but it likely will do so this year. Watch for Policy Briefs for updates on this process.

Provider Acceptance Letters and Announcements

AT&T - http://transition.fcc.gov/Daily_Releases/Daily_Business/2015/db0827/DOC-335080A1.pdf

Cincinnati Bell - http://transition.fcc.gov/Daily_Releases/Daily_Business/2015/db0827/DOC-335076A1.pdf

CenturyLink - http://transition.fcc.gov/Daily_Releases/Daily_Business/2015/db0827/DOC-335071A1.pdf

Consolidated - http://transition.fcc.gov/Daily_Releases/Daily_Business/2015/db0827/DOC-335081A1.pdf

FairPoint - http://transition.fcc.gov/Daily_Releases/Daily_Business/2015/db0819/DA-15-931A1.pdf

Frontier - https://apps.fcc.gov/edocs_public/attachmatch/DA-15-707A1.pdf

Hawaiian Telecom - https://apps.fcc.gov/edocs_public/attachmatch/DA-15-945A1.pdf

Micronesian Telecom - https://apps.fcc.gov/edocs_public/attachmatch/DA-15-945A1.pdf

Verizon - <http://apps.fcc.gov/ecfs/document/view?id=60001123367>

Windstream - http://transition.fcc.gov/Daily_Releases/Daily_Business/2015/db0814/DA-15-888A1.pdf

For more information about the Connect America Fund, as well as other broadband policy issues, please contact Connected Nation at policy@connectednation.org.

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