

The effort to ensure ubiquitous broadband naturally focuses on rural areas. Low population density and geographical characteristics make broadband deployment more difficult and slower than in urban areas. **Connected Nation's genesis, along with that of many other state efforts and past federal initiatives, was spurred by the challenge of ensuring that rural homes, schools, hospitals, and businesses have access to high-speed internet.** To showcase the issues of rural America, [the FCC's 2018 Broadband Deployment Report](#) (discussed below) indicates that while mobile LTE broadband deployment in urban areas has increased by almost ten percentage points, rural and Tribal areas lag 20 and 26 percentage points behind, respectively.

This Policy Brief serves as a recap of very recent developments meant to continue the efforts of bridging the Digital Divide including:

- a recent FCC meeting and how it will further Phase II of the Connect America Fund;
- a lengthy and wide-ranging hearing in the U.S. House of Representatives;
- **recent work by the FCC's Broadband Deployment Advisory Council;** and
- **the FCC's latest analysis of the status of broadband deployment in America.**

Because of the constantly changing nature of these topics, please note that this information is current as of February 6, 2018.

Connect America Fund – Phase II



Figure 1- Source: FCC.gov

At its January 31 [Open Meeting](#), the FCC considered and passed an [Order](#) and an [Order on Reconsideration](#) that resulted in the final action needed to proceed with Phase II of the **Connect America Fund's reverse auction of up to \$1.98 billion in subsidies for voice and broadband service in unserved, high-cost areas.**

The Phase II order establishes a March 30, 2018, deadline for any providers wishing to apply to participate in an auction scheduled for July 24, 2018. The Order on Reconsideration addresses challenges to past decisions on the Phase II auction that the FCC has made.

The \$1.98 billion (\$198 million per year over 10 years) in subsidies is intended to impact 1 million unserved households nationwide. The reverse-auction framework for Phase II has been under construction since the earliest days of the USF High-Cost Fund and has literally been years in the making. The reverse-auction is intended to stretch subsidy dollars as far as possible in order to incent service to the greatest possible number of unserved locations.

FCC Chairman Ajit Pai stated in his prepared statement, **“To this end, we’ve done a lot to make sure the auction is accessible to everyone. We’ve simplified the bidding options and balanced the design to accommodate both those seeking to extend their networks and those planning larger projects. We’ve reviewed the financial-qualification and letter-of-credit requirements to enable bidding by smaller companies. We’ve created flexibility in our model so that bidders won’t have to identify every location they plan to serve before the auction even starts. And our staff is working hard to make sure that the bidding interfaces are user-friendly. We’ll also be holding several events to give bidders a chance to learn how things work and get questions answered.”**

For the first time, USF high-cost subsidies will also be available to all service platforms, including fixed wireless, satellite, cable, and rural electric utility broadband providers, along with more traditional recipients such as **price-cap carriers, and rural “rate-of-return” carriers**. Successful bidders must offer at least one voice and one broadband service meeting required speed thresholds and a minimum number of unserved locations, with rates reasonably comparable to urban areas.

Subsidies will be allocated along four separate service tiers: Minimum (greater than or equal to 10/1 Mbps); Baseline (greater than or equal to 25/3 Mbps); Above Baseline (greater than or equal to 100/20 Mbps); and Gigabit (greater than or equal to 1 Gbps/500 Mbps).

Applications will take the form of a two-step process, with interested bidders submitting a **short-form application intended to establish basic capabilities to meet the auction’s** standards, and long-form application that winning bidders must submit proving their ability to successfully use CAF Phase II subsidies.

All relevant information on the auction can be found on the [FCC website](#).

U.S. House Commerce Committee’s Monster Broadband Meeting

On January 30, the U.S. House of Representatives Energy & Commerce Committee **Subcommittee on Communications and Technology held a hearing titled “[Closing the Digital Divide: Broadband Infrastructure Solutions](#)” that heard testimony from expert witnesses and examined 25 pieces of legislation, all focused on broadband. The Committee’s background memo is [here](#).**

Representatives of industry groups USTelecom, CTIA, the American Cable Association, and NCTA all gave testimony from the point of view of their respective broadband provider membership. The National Resources Defense Council, CTC Technology and Energy, and the Consumer Counsel for the state of Connecticut also provided testimony.

Given the breadth of the testimony heard and the bills considered, along with statements from multiple members, it is clear the goal is to work in a bipartisan fashion to identify issues that have appeal across both sides of the aisle and which could be passed and enacted into law. **Subcommittee Chairman Marsha Blackburn said in a statement, “We wanted to have a very inclusive hearing today to discuss all of the ideas from Subcommittee members on both sides**

of the aisle to promote broadband infrastructure deployment with a goal of closing the Digital Divide.”

In addition to discussing the **Interagency Taskforce on Agriculture and Rural Prosperity’s “five broadband principles”** released earlier this year and described in this earlier [Connected Nation Policy Brief](#), the Committee explored bills introduced by Republicans and Democrats dealing with federal permitting, broadband mapping, one-touch make-ready construction, reduced regulatory burdens, broadband funding, and wireless access. A full list of the bills can be found in the committee memo linked in the first paragraph of this section, and Chairman Blackburn has indicated since the hearing that **the committee’s next steps may be to advance some of the bills to a legislative “mark-up,” a precursor step to hearing the bills in the full House of Representatives.** Connected Nation continues to closely track these developments.

Broadband Deployment Advisory Committee (BDAC)

On January 23 and 24, the [Broadband Deployment Advisory Committee \(BDAC\)](#) met and released several reports and recommendations. Formed in early 2017, the BDAC comprises representatives from a diverse group of broadband stakeholders and is organized into five working groups. Each working group produced either a report and recommendations or a discussion draft at the January 2018 meeting, including:

- The Model Code for Municipalities working group produced a [Discussion Draft](#); (see also **Connected Nation’s “[Community Broadband Planning Toolkit: A Connect Iowa White Paper](#),” produced in 2015.**)
- The Model Code for States working group produced a [Discussion Draft](#);
- The Competitive Access to Broadband Infrastructure working group released a [report and recommendations](#), which delves into reforms needed for make-ready work that would speed broadband deployment;
- The Removing State and Local Regulatory Barriers working group released a [report and recommendations](#); and
- The Streamlining Federal Siting working group released a [report and recommendations](#).

FCC’s 2018 Broadband Deployment Report

The FCC has a statutory requirement under Section 706 of the Telecommunications Act of 1996 to issue an annual report on the status of broadband deployment in the America, which it released on Friday, February 2, 2018. **Leading up to the report’s release, there was wide speculation that the report would reduce existing benchmarks for broadband speed of 25 Mbps download/3 Mbps upload.** This did not happen, which settled fears among broadband activists who saw any such action as an attempt to mask broadband availability challenges in rural areas.

The [report](#) did find that advanced telecommunications is being deployed to all Americans in a **“reasonable and timely manner,”** even though it states that 24 million Americans cannot subscribe to broadband at speeds of at least 25 Mbps down/3 Mbps up. This assessment

explores subsets of fixed and mobile LTE services, and the report concludes that mobile is not a full substitute for fixed residential broadband.

The report also attributes a slowdown in broadband deployment to the recently repealed 2015 net neutrality order that reclassified broadband service under Title II, contrasting broadband deployment data from 2012 to 2014 with broadband deployment data between 2015 to 2017 as evidence that the 2015 net neutrality rules can be blamed for lack of access. Other key findings are:

- 92.3% of Americans can access fixed broadband at speeds of 25 Mbps/3 Mbps;
- 92% of the U.S. population can access fixed terrestrial broadband at speeds of at least 25 Mbps/3 Mbps and mobile LTE at speeds of at least 5 Mbps/1 Mbps;
- Only 70% of rural Americans and 64% of those in Tribal areas can access mobile LTE broadband at 10 Mbps/3 Mbps;
- The U.S. ranks 10th out of 28 countries for broadband download speeds;
- **88% of schools have met the FCC's short-term goal of 100 Mbps/1,000 users;** and
- **22% of schools have met the FCC's long-term goal of 1 Gbps/1,000 users.**

The report was adopted on a three to two, partisan split vote. Democratic Commissioner **Jessica Rosenworcel called the conclusion of reasonable and timely deployment “ridiculous” and “irresponsible,” and called for the FCC to increase the national broadband standard speed from 25 Mbps download to 100 Mbps download.** It is important to note that the FCC commonly uses the annual report as justification for policy actions. Under Democratic **Chairman Tom Wheeler, the FCC's report found that the reasonable and timely standard was not being met and used it to justify the 2015 net neutrality order.** Just three years later the **report's finding are more positive and used to justify net neutrality's repeal.**

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