



## Policy Brief

# FCC Awards \$1.488 Billion in CAF Phase II Auction Subsidies September 5, 2018

Last Tuesday, the Federal Communications Commission (FCC) announced [awards](#) to providers looking to use federal subsidies to build out broadband in rural, unserved, or underserved areas. The Connect America Fund Phase II (CAF II) Auction approved applications totaling \$1.488 billion over ten years to 103 winning bidders in 713,176 rural homes and small businesses across 45 states.

The FCC cites that the winning bids will result in 19 percent of homes and businesses in the funded area having gigabit service availability with 53 percent having broadband available at download speeds of at least 100 Mbps. Of the 713,176 locations funded, nearly all of them (711,389 locations—all but 0.25%) will have at least 25 Mbps service availability.

### CAF II Reverse Auction History

At its January 31, 2018 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 \$198 million in annual support (a total of \$1.98 billion for 10 years) for voice and broadband service in unserved, high-cost areas.

The Phase II Order established a March 30, 2018 deadline for any providers wishing to apply to participate in the auction scheduled to begin July 24, 2018. The \$1.98 billion in subsidies was intended to impact up to 1 million unserved households nationwide and the reverse auction format was intended to stretch subsidy dollars as far as possible in order to incent providers to make service available to the greatest possible number of unserved locations.

For the first time, Universal Service Fund (USF) high-cost subsidies were made 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 were required to offer at least one voice and one broadband service at required speed thresholds and at a minimum number of unserved locations, with rates reasonably comparable to urban areas.

Subsidies were determined to be allocated along four separate performance tiers and by two separate latency tiers with funding preference given to providers offering faster speeds, lower latency, and larger data usage allowances.

Performance Tier	Speed	Usage Allowance	Weight
Minimum	≥ 10/1 Mbps	≥ 150 GB	65
Baseline	≥ 25/3 Mbps	≥ 150 GB or U.S. median, whichever is higher	45
Above Baseline	≥ 100/20 Mbps	≥ 2 TB	15
Gigabit	≥ 1 Gbps/500 Mbps	≥ 2 TB	0

Latency	Requirement	Weight
Low Latency	≤ 100 ms	0
High Latency	≤ 750 ms & MOS <sup>1</sup> of ≥ 4	25

The application process was designed to 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 applications that winning bidders must submit proving their ability to successfully use CAF II subsidies.

### **Next Steps for Winning Bidders**

Upon receipt of the short-form applications, the FCC selected winning [bids](#) (see the FCC’s [map](#) of winning bids) this week and now providers will move to the second step of filling out and submitting the long-form application required by the Order. Winning bidders are required to submit this long-form application, or [FCC Form 683](#), to the FCC by October 15, 2018. If bidders choose to assign a portion, or all, of their winning bids to a related entity, they must do so by September 14, 2018. If a winning bidder divides its winning bids among related entities, those entities will be required to file the long-form application portion of an FCC Form 683 for those bids.

The long-form application filing window will open on Monday, October 1 and will close at 6:00 p.m. ET on Monday, October 15. Included in the application is information regarding whether or not the applicant is an Eligible Telecommunications Carrier (ETC), an initial project overview describing the applicant’s intended technology and system design for each state with a winning bid, project funding descriptions, spectrum access descriptions, agreement and ownership information; a variety of certifications are also necessary.

Applicants are also required to submit a letter of credit from a qualified bank as well as detailed technology and system design descriptions including a network diagram certified by a professional engineer due on November 5, 2018. Finally, by February 25, 2019, applicants must submit ETC designation documentation and financial statements, if not already provided.

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<sup>1</sup> Mean Opinion Score

According to the FCC, once the Commission staff “has determined that a long-form application is complete and the long-form applicant is financially and technically qualified, and the letter(s) of credit and accompanying opinion letter(s) have been received and approved, WCB [Wireline Competition Bureau] will issue a public notice announcing the authorization of support for the winning bid(s) and directing USAC to begin disbursing support.”

Providers are required to build out to 40 percent of assigned homes and businesses within three years of becoming authorized to receive CAF II funding. Buildout must increase by 20 percent each year following and complete buildout is required by the end of the sixth year.

It is worth noting that the \$1.488 billion awarded is significantly less than the original appropriation of \$1.98 billion with a leftover amount of \$500 million.

### Who Are the Winning Bidders?

Below are the winning bidders awarded over \$50 million in total assigned support:

Bidder	Total Assigned Support	Locations	States
AMG Technology Investment Group LLC	\$281,283,794	100,661	6
Wisper ISP, Inc	\$220,319,375	80,149	6
Rural Electric Cooperative Consortium	\$186,022,490	66,322	8
Viasat, Inc.	\$122,499,877	190,595	20
California Internet, L.P.	\$87,832,403	11,845	2
Commnet Wireless, LLC	\$79,941,691	31,824	6
Benton Ridge Telephone Company	\$52,371,819	23,957	3
Cal.net, Inc.	\$50,516,652	20,859	1

### Total 10-Year Support by State

State	Total Assigned Support	Winning Bidders	Locations Assigned
AL	\$5,384,813	2	9,354
AR	\$51,988,094	5	16,048
AZ	\$28,400,478	3	7,285
CA	\$149,026,913	5	51,682
CO	\$17,405,627	5	11,001
CT	\$0	0	0
DC	\$0	0	0
DE	\$1,336,400	2	1,343

State	Total Assigned Support	Winning Bidders	Locations Assigned
FL	\$5,032,841	1	9,859
GA	\$6,264,362	1	13,815
HI	\$18,160,638	1	3,936
IA	\$54,287,717	7	16,759
ID	\$14,320,176	3	10,921
IL	\$99,729,909	9	32,124
IN	\$29,117,494	6	24,530
KS	\$46,798,657	7	13,817
KY	\$3,120,985	3	4,609
LA	\$4,649,962	2	5,221
MA	\$13,388,288	4	6,644
MD	\$10,219,148	3	7,418
ME	\$4,713,986	1	4,098
MI	\$33,892,020	5	21,451
MN	\$38,863,791	16	11,979
MO	\$254,773,118	11	95,130
MP	\$0	0	0
MS	\$5,484,606	2	13,899
MT	\$9,193,477	2	6,598
NC	\$679,130	1	368
ND	\$7,226,602	2	1,603
NE	\$41,117,139	4	8,900
NH	\$0	0	0
NJ	\$1,621,782	1	510
NM	\$26,232,783	5	12,452
NV	\$29,322,147	4	14,235
OH	\$13,186,434	3	6,420
OK	\$113,599,114	12	70,727
OR	\$13,730,297	2	10,479

State	Total Assigned Support	Winning Bidders	Locations Assigned
PA	\$56,831,061	5	54,812
RI	\$475,303	1	165
SC	\$233,490	1	80
SD	\$5,086,429	2	927
TN	\$8,457,337	5	3,290
TX	\$82,420,436	4	35,933
UT	\$6,330,099	2	3,817
VA	\$108,923,613	5	39,896
VT	\$0	0	0
WA	\$19,943,507	4	16,644
WI	\$4,709,505	4	7,789
WV	\$11,997,199	3	7,962
WY	\$30,652,957	7	16,646
<b>Total</b>	<b>\$1,488,329,864</b>		<b>713,176</b>

*Note: Alaska, New York, Puerto Rico, and the U.S. Virgin Islands were not included in the auction.*

For more information on the CAF II Auction, see the FCC's site [here](#).

Last week's announcement adds to the previous allocation of CAF II model-based support to price cap carriers. In 2015, ten price cap carriers accepted CAF II subsidies in exchange for deploying voice and broadband service in high-cost areas. The CAF II Auction discussed in this policy brief includes areas for which the price cap carriers declined model-based support, plus other areas deemed unserved or underserved by the FCC.

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