

Help Is on the Way: Rural Broadband Funding Update

The USDA's ReConnect Program and the FCC's Rural Digital Opportunity Fund will help bridge the digital divide and drive the community broadband movement.

By Kara Mullaley / *Corning Optical Communications*

Renewed interest in bridging the digital divide is helping create more rural broadband funding opportunities. This is welcome news because building and operating rural broadband networks is costly. Without government-sponsored funding support, it's unlikely the digital divide can be completely eradicated.

Two recent programs take direct aim at this important national priority: the U.S. Department of Agriculture's (USDA) ReConnect Program and the Federal Communications Commission's (FCC) upcoming Rural Digital Opportunity Fund (RDOF). Together, these programs have budgeted more than \$21 billion to help close the digital divide and will provide a real boost to the community broadband movement.

USDA RECONNECT PROGRAM

The USDA Rural eConnectivity Pilot Program (ReConnect) was authorized by Congress in March 2018 and provides a variety of funding programs targeting unserved and underserved rural communities. Two phases of the program have been announced. The first phase began in 2019 and is well underway, authorizing more than \$600 million in the form of grants and loans. The funding includes \$200 million in grants, \$200 million in loans and \$200 million in grant/loan combinations.

The USDA reports that between April 23 and July 12, 2019, phase I of the program received 146 applications for \$1.4 billion in funding. The first award was announced in October 2019, with Forked Deer Electric Cooperative in Tennessee receiving a \$2.85 million grant to make broadband at speeds of at least 100 Mbps available to 347 households and one critical community facility spread over 435 square miles.

Through January 2020, the USDA had announced much more than \$500 million in funding from the \$600 million phase I budget to a variety of projects and providers. The initial 54 winning applicants intend to bring broadband to rural areas across 27 states. Winning bidders (www.usda.gov/reconnect/awardees) include telcos, electric cooperatives, government entities, a tribal authority and fixed wireless providers.

Eligible service areas for both phases of ReConnect must meet the following criteria:

- Lack sufficient access to broadband: At least 90 percent of households in the proposed funded service area (PFSA) must lack access to fixed, terrestrial broadband service of at least 10 Mbps downstream and 1 Mbps upstream.
- Be in a rural area: A rural area is any area not located in a city, a town or an incorporated area that has a population of greater than 20,000 inhabitants or an

urbanized area contiguous and adjacent to a city or town that has a population of greater than 50,000 inhabitants. If an applicant is applying for multiple PFSAs, each service area will be evaluated on a stand-alone basis.

The USDA has established a ReConnect Program eligibility mapping tool to assist applicants in determining service area eligibility: <https://tinyurl.com/vn7udeo>.

The next phase of ReConnect is also underway. It has a budget of \$550 million, and the application window opened January 31, 2020. According to the USDA, several rule changes from the first phase of the program are now applied to the second phase. They include

- 1 The application window for the three categories of funding is from January 31, 2020, through March 16, 2020 (now extended to April 15).
- 2 Definitions were added for health care and educational facilities, and the name for critical community facilities was changed to essential community facilities.
- 3 For projects supported 100 percent by grants, 90 percent of the proposed funded service area must lack sufficient access to broadband, as opposed to 100 percent under round one.
- 4 The requirement for two years of unqualified, comparative, audited financial statements was changed to unqualified, comparative, audited financial statements for the previous year from the date the application was submitted.
- 5 The requirement that applicants submit certifications from the appropriate state or tribal broadband office was changed to a voluntary request.
- 6 Pre-application expenses incurred for round one that benefit an application for round two may be funded up to 5 percent of the total award in round two.
- 7 Under certain conditions, a subsidiary can use the unqualified, comparative, audited statements to meet certain eligibility requirements.

Phase I of the RDOF will target areas that are defined as wholly unserved with 25/3 Mbps service. Phase II will target rural territories that are identified as partially served.

- 8 The scoring criteria for farms changed. Applicants will receive one point for every 10 farms served up to a maximum of 20 points. Farms will be counted using 2017 Census of Agriculture data.
- 9 Tribal leaders may submit documentation supporting scoring points for the number of health care, educational and essential community facilities.
- 10 The time incumbent service providers can challenge whether an applicant's proposed funded service area lacks essential broadband increased from 30 days to 45 days. Eligible entities for phase 2 include
 - States, local governments or any agency, subdivision, instrumentality or political subdivision
 - A territory or possession of the United States
 - A Native American tribe (as defined in Section 4 of the Indian Self Determination and Education Assistance Act [25 U.S.C. 450b])
 - Nonprofit entities
 - For-profit corporations
 - Limited liability companies
 - Cooperative or mutual organizations.

The USDA has established evaluation criteria to select winning applicants. It evaluates a variety of factors and puts more weight on certain aspects. Criteria include the rurality of the service territory; the number of businesses, farms, health care facilities and other important anchor institutions; and rural broadband network performance.

RURAL DEVELOPMENT OPPORTUNITY FUND

The FCC announced another promising rural broadband funding

program in 2019. The RDOF will make \$20.4 billion available, over a 10-year period, to fund rural networks that offer both broadband and voice services. The funding will be disbursed through a reverse auction, closely following the auction process of the Connect America Fund Phase II auction (CAF-II) of 2018.

RDOF funding is derived from traditional high-cost universal service funding previously allocated to territories served by large price cap telcos, including Frontier, CenturyLink and AT&T. The FCC has decided to move away from the traditional method of disbursing Universal Service Fund (USF) support to incumbent carriers and award it through a reverse auction. Winning bidders for RDOF funds will have to commit to deliver broadband and voice services at the specified service level speeds to those same territories.

The FCC approved RDOF rules at its January 30, 2020, open meeting. The FCC proposes a two-phased approach for RDOF. Phase I will target areas defined as wholly unserved with 25/3 Mbps service, offering \$16 billion in funding. Phase II will target rural territories identified as partially served, and as any areas not won in the first phase. Phase II will have a budget of \$4.4 billion (plus any remaining funds from Phase I).

A wide range of service providers, including telcos, telecom and electric cooperatives, WISPs and competitive broadband operators can participate in the auction. The FCC will use a weighting system to favor bids to deploy service at higher speeds up to 1 Gbps downstream and with lower latency, meaning fiber broadband should be well represented.

RURAL BROADBAND

The FCC defines these service levels as:

- Minimum performance tier means 25/3 Mbps speed with a 250 gigabyte monthly usage allowance or a monthly usage allowance that reflects the average usage of most fixed broadband customers, whichever is higher.
- Baseline performance tier means 50/5 Mbps with the same monthly usage allowance as the minimum tier.
- Above-baseline performance tier means 100/20 Mbps speeds with 2 terabytes (TB) of monthly usage.
- Gigabit performance tier means 1 Gbps/500 Mbps speed with a 2 TB monthly usage allowance.

The latency tiers are defined as:

- Low latency means 95 percent or more of all peak period measurements of network round-

For more information about the ReConnect Program, usda.gov/reconnect.

For more information about the RDOF, fcc.gov/rural-digital-opportunity-fund.

- trip latency are at or below 100 milliseconds.
 - High latency means 95 percent or more of all peak period measurements of network round-trip latency are at or below 750 milliseconds, and voice service receives a score of four or higher using the Mean Opinion Score.
- These two programs are encouraging news for the rural broadband community. Although much has been accomplished in the past few years, there is still a lot of work

to do. These funding programs will go a long way toward helping expand rural broadband access and contribute to closing the digital divide. Rural communities across the country deserve access to this utility and much more. ❖

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