

Connect Minnesota
**FEDERAL BROADBAND POLICY
UPDATE**
MAY 1, 2014



CONNECT
Minnesota®

FORMAT & AGENDA

- GUIDED DISCUSSION
 - Welcome
 - E-rate/ ConnectED
 - Connect America Fund
 - Rural Broadband Experiments Update
- OPEN DIALOGUE
- PLEASE ASK QUESTIONS!



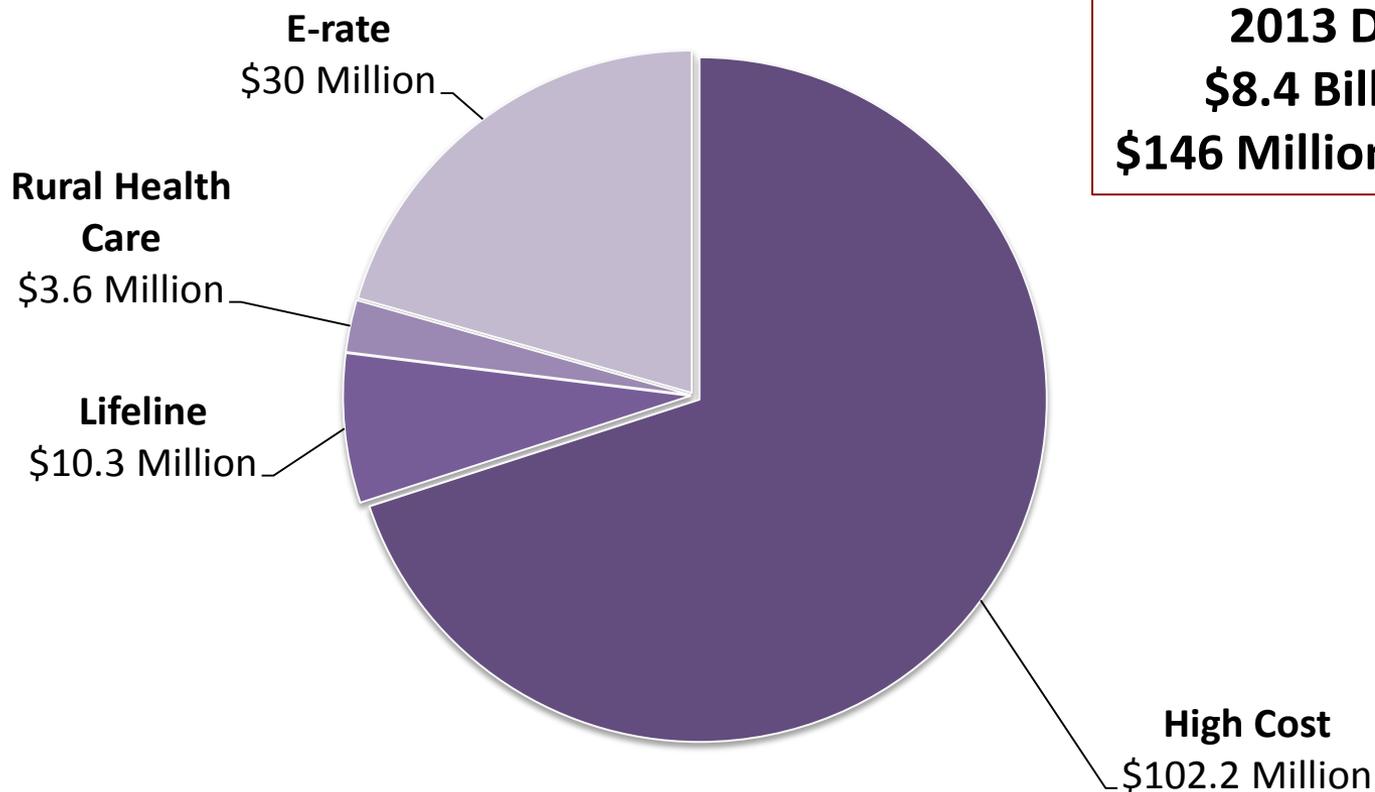
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CURRENT FEDERAL INITIATIVES

- Expand **ACCESS** to Broadband
 - Connect America Fund
- Expand **ADOPTION** of Broadband
 - Lifeline broadband pilot projects
 - Public-Private Initiatives
- Expand **USE** of Broadband
 - ConnectED and E-Rate Reform
 - Rural Healthcare Connect Fund

THE UNIVERSAL SERVICE FUND IN MINNESOTA



2013 Disbursements
\$8.4 Billion across USA
\$146 Million across Minnesota



E-RATE MODERNIZATION

- Ensure that schools and libraries have affordable access to 21st century broadband that supports digital learning
- Meet or surpass the President's ConnectED broadband connectivity objectives of 100 Mbps per 1000 students and 1 Gbps per 1000 students within 5 years
 - High-speed connectivity **to** the school and library premise
 - Wirelessly **within** the school and library premise
- Maximize the cost effectiveness of E-rate funds
- Streamline the administration of the E-rate program

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- **President Obama's 2014 State of the Union Address:** "Last year, I also pledged to connect 99 percent of our students to high-speed broadband over the next four years...we've got a down payment to start connecting more than 15,000 schools and twenty million students over the next two years..."



- **FCC Chairman Wheeler:** "It isn't enough to simply emphasize the need for more broadband; the focus has to be on what high-speed Internet connections enable, whether in fully connected classrooms or after school in a library ... I am firmly committed to meeting the goal of connecting 99 percent of America's students to high-speed broadband within five years."

E-Rate Modernization Topics

- What are the goals of the E-rate program?
- How to prioritize limited E-rate funds to support digital learning?
- How to transition E-rate away from funding for legacy dialtone services?
- How can E-rate facilitate cost-effective purchasing decisions by schools and libraries?
- How can E-rate processes and data be simplified and more conducive to digital learning?



SAMPLE COMMENTS BY MINNESOTA SCHOOLS

- Delano Public Schools:
<http://apps.fcc.gov/ecfs/document/view?id=7520957019>
 - District uses mobile, digital devices to personalize learning, create, collaborate, and communicate with other learners in various parts of the world, provide online classes, administer assessments, and advance STEM education
 - Urge the Commission to increase E-rate funding cap to at least \$5 billion/ year
- St. Clair Public School:
<http://apps.fcc.gov/ecfs/document/view?id=7520943033>
 - Provide 7-12 grade students with a netbook and wireless connectivity; much of course content is provided online and frequently utilize flipped instruction
 - Elementary grades are piloting tablets for online textbooks
 - “The single most effective step the FCC can take to bolster E-rate’s current and future success is to provide \$5 billion in funding, an amount commensurate with current demand.”
 - Also encourage streamlining the application process



E-RATE TIMELINE

- July 2013: FCC launched comprehensive E-rate reform
- Fall 2013: Initial comments requested
 - Reply comments were due in early November
- March 6, 2014: FCC released public notice seeking further comment
- April 2014: Further Comments and Reply Comments filed
- May 6, 2014: FCC to Host Public Workshop on E-Rate Reform
<http://www.fcc.gov/document/fcc-announces-agenda-may-6-e-rate-modernization-workshop>
- June 2014: **FCC Target Date for E-Rate Modernization Order vote**
- 1Q 2015: **Applications for 2015/2016 school year funding taking advantage of new rules will be due**



CONNECT AMERICA FUND

FCC is proceeding along several parallel paths

- Connect America Fund Phase I: one-time funding has commenced (\$4M in Minnesota for 6600 locations)
- Connect America Fund Phase II: FCC state-level offer of subsidy to price cap companies imminent
- Rural Broadband Experiments: still in rulemaking stage
- Mobility Fund and Tribal Mobility Fund
- Connect America Fund for Rural Rate of Return Providers (proposed in April 2014)



Connect America Fund Phase II

- FCC has budgeted \$1.75 billion per year for 10 years from universal service fund to support build-out integrated broadband and voice networks in service areas of larger “price cap” providers
- Of this, \$86M budgeted to the “unserved” service areas of CenturyLink, Frontier, and Windstream in Minnesota – apx. 167,000 locations
- Connect Minnesota/National Broadband Map (June 2013 data) used by FCC to help identify unserved areas but is not sole source of the FCC’s “unserved” decision
- Later this year, price cap companies will be offered “first refusal” right on build-out obligation to all state locations identified in their service territory
- If offer refused, FCC will award the subsidy to another provider through competitive mechanism



Connect America Fund Phase II: Nationally by Provider

Provider	Eligible Locations	Annual Offered Subsidy	Average Annual Subsidy/Location
ACS	69,119	\$21,407,243	\$309.72
AT&T	1,326,412	\$524,243,374	\$395.23
Cincinnati Bell	7,105	\$2,257,001	\$317.67
CenturyLink	1,113,798	\$497,331,812	\$446.52
Consolidated	9,548	\$4,506,251	\$471.96
FairPoint	103,948	\$37,540,461	\$361.15
Frontier	693,194	\$303,216,230	\$437.42
Micronesian Tel	11,163	\$2,662,785	\$238.54
Hawaiian Tel	11,949	\$4,701,485	\$393.47
Puerto Rico Tel	29,707	\$7,353,229	\$247.53
Virgin Isle Tel	16,471	\$3,519,446	\$213.68
Verizon	411,721	\$153,620,542	\$373.12
Windstream	416,613	\$187,634,422	\$450.38



Connect America Fund Phase II in Minnesota

Provider	Eligible Locations	Annual Offered Subsidy	Average Annual Subsidy/Location
CenturyLink	110,593	\$54,156,588	\$489.69
Frontier	53,364	\$31,776,538	\$595.47
Windstream	4,289	\$1,557,964	\$363.25
TOTAL	168,246	\$87,491,091	\$520.02



How was this calculated?

- FCC has developed a “cost model” to estimate costs of upgrading networks to support broadband
- Model adopted last week
www.fcc.gov/document/connect-america-fund-phase-ii-cost-model-order
- Model documentation of engineering assumptions available
http://transition.fcc.gov/Daily_Releases/Daily_Business/2014/db0417/DOC-326628A1.pdf
- Model designed to identify unserved and “high-cost” census blocks to which there is no business case for deployment -- but extremely high-cost locations will not be funded through Phase II
 - For this reason, the subsidy offer will **not** include all “unserved” locations in price cap areas
- Next Step: Challenge Process

CAF Phase II Challenge Process

- Purpose of Challenge Process
 - FCC does not want Phase II subsidy going to areas that already have service from an “unsubsidized competitor”
 - Therefore, public is given opportunity to challenge the Map and presence of providers in blocks
- “Unsubsidized Competitor”: a “facilities based provider of residential terrestrial fixed voice and broadband service that does not receive high-cost support” 47 C.F.R. 54.5
- An Unsubsidized Competitor must...
 - Offer 4 Mbps down/1 Mbps up fixed broadband to residents in block
 - Offer voice service to residents in block
 - Offer usage allowances that are reasonably comparable to what offered for terrestrial, residential service in urban areas
 - Have sufficient latency to allow for use of real-time applications like VoIP
 - Offer residential service at a price reasonably comparable to rates in urban areas for comparable service
- Issues of Contention
 - Offer both voice and broadband?
 - Residential?
 - Usage, Latency and Price?

Challenge Process “Timeline”

- FCC Publish Initial List of Potentially Eligible Census Blocks
- Challenges to be filed in 45 days (mid-June?)
- Bureau will review and publish a list of “challenged blocks” (July?)
- Responses due 45 days later (August?)
- FCC Staff will Review and Establish Final List (Fall?)
- Final Subsidy Offer Made (end of 2014?)

Some Important Details...

The FCC's Initial List of Potentially Eligible Census Blocks will not match up to June 2013 Map Dataset for a number of reasons, including...

- FCC has decided whether particular broadband provider also offers “residential voice” service
 - FCC Form 477 data used to see if the provider in question offers voice in the state where census block located
- Not every “unserved census block” is eligible for CAF Phase II
 - It must be in territory of a price cap company
 - It must be a “high cost” census block (a block without service that the FCC believes will require a subsidy of more than \$52.50/mth per location to justify build-out)
 - It must not be an “extremely high cost” census block (a block without service that the FCC believes will require a subsidy of \$207.81/mth per location to justify build-out)
- Partially-served blocks treated as 100% served for Phase II

Challenge Filing Requirements

- FCC Form 505 must be filled out by a Challenger
 - Net yet posted – will be released when block list released
 - Contents include name, address, and certification of data, FIPS code, and columns for reason of failure
 - Must include supporting evidence
 - All challengers must attempt good faith service on “all interested parties”
- Basis for a Challenge
 - Speed: No provider in block is offering 4 Mbps/1 Mbps residential service
 - Usage: No provider in block is offering usage allowance reasonably comparable to urban areas
 - Latency: All Providers in block have insufficient latency
 - Price: Prices of all providers in block are not reasonably comparable to urban areas for service
 - Voice: No broadband provider in block offering its own PSTN voice service
 - Competitor: A location in block is already served by an unsubsidized competitor
- Challenge Responses also must use Form 505 to rebut



For more information on CAF...

FCC Challenge Process Order:

<http://www.fcc.gov/document/phase-ii-challenge-process-and-state-level-commitment-order>

FCC CAF Service Obligation Order:

<http://www.fcc.gov/document/connect-america-fund-phase-ii-service-obligations>

FCC Form 505 and Instructions for Challenges:

http://www.reginfo.gov/public/do/PRAViewIC?ref_nbr=201305-3060-034&icID=207150

FCC List of Phase II Potentially Eligible Census Blocks:

<http://www.fcc.gov/wcb/SS20140414CAM411%20Support%20LocationS.CSV>



Further FCC Connect America Fund Actions (April 2014)

At April 23, 2014 meeting, FCC voted on several additional changes to Connect America Fund program, including

- Establish voice service “benchmark rate” for rural providers
- Eliminate “quantile regression analysis” for rural rate-of-return providers
- Streamline “eligible telecommunications carrier” process for non-incumbents interested in CAF subsidies
- Proposal to increase download target speed from 4 Mbps to 10 Mbps
- Proposal to create Connect America Fund for rural providers
- Proposal to re-focus Mobility Fund to areas without 4G LTE service

Text of FCC action not yet released – so details forthcoming – watch <http://www.connectednation.org/data-center-policy>



Rural Broadband Experiment Update

Purpose: started this year by FCC to aide in developing a “competitive mechanism” for awarding Connect America Fund subsidies to non-incumbents

- How should subsidies be awarded?
- How judge or assess higher levels of service that exceed 4 Mbps download/ 1 Mbps upload or scalable technology?
- Should service offers to community anchors like schools and libraries play a role in the competitive award process?
- Rural Broadband Experiment marks the first opportunity for providers that are not the incumbent local telephone company to receive CAF subsidies
- Over *1,000 submissions* filed at FCC so far, including 62 in Minnesota
- This Summer, FCC is expected to release an Order regarding available funds, eligible areas, and project rules; however no clear timeline



Minnesota Expressions of Interest

- A total of 62 Expressions of Interest were submitted from Minnesota
- Submissions were received from a variety of applicants including:
 - ILECs
 - CLECs
 - Community technology committees
 - Electric utilities
 - Rural township partnership
 - Telephone cooperatives
 - WISPs
 - County government
 - Fixed wireless providers

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



Minnesota Proposed Solutions

- Include multiple platforms including fiber, fixed wireless, white space technology, DSL, IP voice networks, and LTE
 - Majority of proposals include in part or in full deployment of fiber to the premise and fixed wireless networks
- Proposed project scopes range from county-level deployment to serving large, ten-county regions
- Example: Cloquet Valley Internet Initiative and Lake County
 - 3,155 locations, requested funding of \$14M
 - <http://apps.fcc.gov/ecfs/document/view?id=7521089227>
- Minnesota project funding requests range from \$35,550 - \$58M
 - Overall budget for all 62 proposed projects is \$526 million

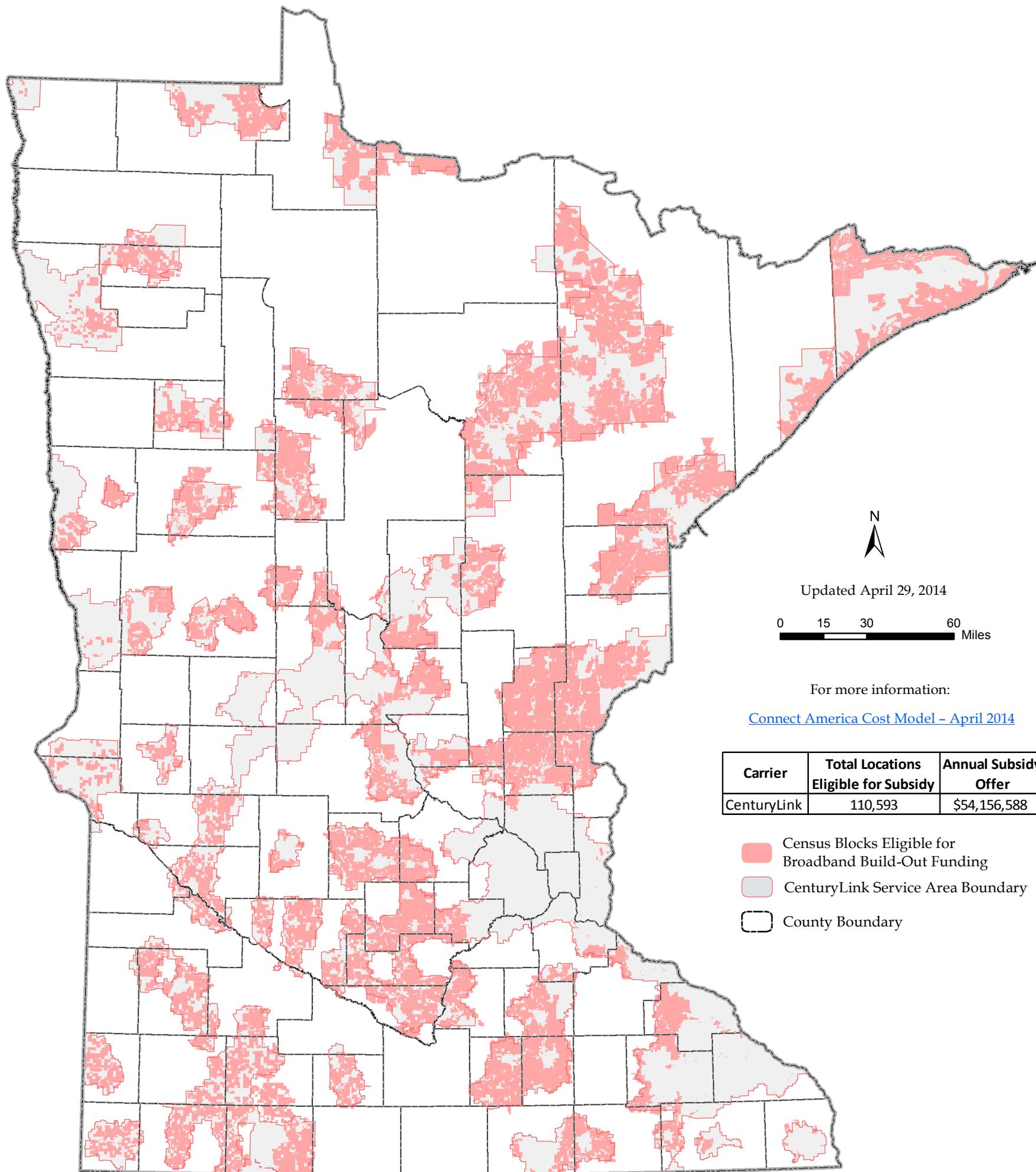
For more information

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

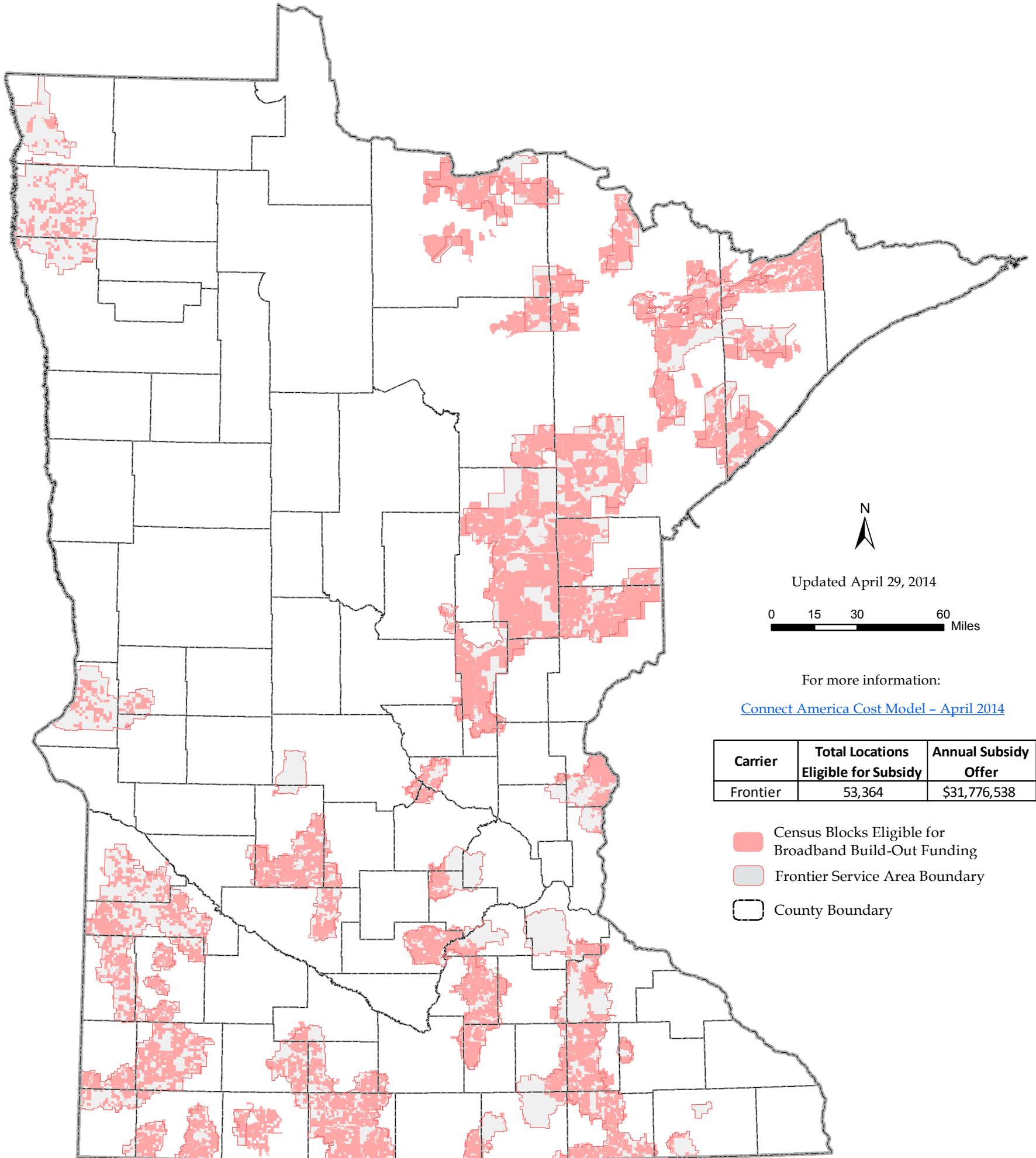
Connect America Cost Model - Phase II (April 2014)

CenturyLink Census Blocks Eligible for Funding



Connect America Cost Model - Phase II (April 2014)

Frontier Communications Census Blocks Eligible for Funding



Connect America Cost Model - Phase II (April 2014)

Windstream Communications Census Blocks Eligible for Funding

