



Frontier Accepts Connect America Fund Phase II Subsidies to Upgrade Networks to Over 650,000 Locations

June 18, 2015

Earlier this week, Frontier Communications announced that it will accept the [Federal Communications Commission's](#) (FCC) offer of over \$1.7 billion over the next six years to upgrade its voice and broadband network to over 650,000 locations in 28 states. Frontier is the first provider to accept these Phase II funds from the FCC's Connect America Fund, and the acceptance is the largest single commitment of broadband network build-out ever in the United States.

As discussed in prior [Policy Briefs](#), as it is rolled out, the Connect America Fund will have a significant impact on the broadband landscape in rural America. Phase II of the program includes nearly \$10 billion in federal universal service fund subsidies over the next six years, targeted to areas of larger local telephone companies that do not have adequate broadband service today. In terms of funding and scope, Phase II is the largest single federal effort to expand broadband infrastructure, surpassing Recovery Act funding of the Broadband Technology Opportunities Program and the State Broadband Initiatives Program administered by the Department of Commerce and the Department of Agriculture, respectively.

Connect America Fund Phase II Subsidy Offers

On April 29, 2015, the FCC [offered](#) the nation's largest telephone companies, including AT&T, Verizon, Frontier, CenturyLink, FairPoint, and Windstream, collectively \$10 billion in subsidies to upgrade their networks serving over 4 million homes and businesses that do not have adequate fixed broadband service today.

The FCC calculated the amount of the subsidy offered with a cost model that has been in development by the FCC since 2011. These large local telephone companies have until August 27, 2015, to accept or reject these offers. Frontier's [press release](#) this week indicated that they have accepted the funding well in advance of that deadline "because we are eager to start building the infrastructure necessary to provide service to these markets as soon as possible."

As Connected Nation [Policy Briefs](#) have discussed, Connect America Fund Phase II commitments are accepted on a state-by-state basis. The FCC's cost model calculates subsidies based on the specific topography and physical characteristics of each census block that the National Broadband Map indicates does not have adequate broadband service. As a result, on a per-location basis, the subsidy offers will vary considerably from state to state. For example, in Ohio, Frontier will receive \$22.9 million in subsidies to upgrade service to 27,538 homes and businesses, an average of approximately \$840 per location per year. In Michigan, Frontier's subsidy will be \$21.7 million per year to upgrade networks serving 39,654 homes and businesses, an average of approximately \$550 per location per year.

State-by-State Summary and Maps

The following table indicates, for each of Frontier's 28 states, the number of subsidized locations, and total annual subsidy Frontier has accepted. States with Connected Nation broadband and community engagement programs are noted in red.



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State	Total Locations in Frontier Service Area	Locations Where Connect America Fund Phase II Subsidy is Targeted	Annual Connect America Fund Phase II Subsidy Offer
Alabama	31,113	7,376	\$2,998,480
Arizona	231,674	22,768	\$13,281,066
California	206,412	12,822	\$6,096,767
Connecticut	1,798,752	1,388	\$435,139
Florida	4,974	951	\$342,490
Georgia	23,918	1,105	\$375,826
Iowa	53,292	5,438	\$4,240,587
Idaho	180,587	10,012	\$5,223,121
Illinois	976,879	56,001	\$31,017,498
Indiana	956,257	59,894	\$22,815,087
Michigan	847,837	68,512	\$21,733,859
Minnesota	295,948	46,910	\$27,551,363
Mississippi	8,281	2,528	\$816,996
Montana	10,845	2,303	\$1,114,484
North Carolina	373,848	11,981	\$3,596,156
Nebraska	55,272	3,380	\$2,735,761
New Mexico	15,510	7,032	\$4,426,327
Nevada	58,450	2,970	\$1,379,494
New York	878,692	45,610	\$17,381,485
Ohio	925,428	66,592	\$22,927,850
Oregon	499,493	8,542	\$3,897,357
Pennsylvania	281,171	11,031	\$3,891,253
South Carolina	244,207	7,205	\$2,709,651
Tennessee	115,315	6,458	\$2,126,605
Utah	27,580	5,140	\$2,547,047
Washington	878,432	19,713	\$8,688,054
Wisconsin	490,891	76,735	\$30,983,715
West Virginia	988,427	89,190	\$38,068,337
28-State Total	11,459,485	659,587	\$283,401,855
CN State Total	2,540,477	204,085	\$82,669,409

Connected Nation has also [prepared maps](#) that detail Frontier’s Connect America Fund Phase II commitment in Iowa, Michigan, Minnesota, Nevada, Ohio, South Carolina, and Tennessee. In summary, over 200,000 locations in Frontier service territories in these states stand to receive network upgrades as part of the Connect America Fund Phase II program, with subsidies of nearly \$500 million.



Next Steps for Connect America Fund Phase II

Having accepted the Phase II subsidies, Frontier now will be required to build out fixed voice and broadband networks offering speeds of 10 Mbps down/1 Mbps up to the designated locations in these identified areas. Frontier will be subject to build-out commitments over the next six years.

These targeted areas and locations were identified through the State Broadband Initiative broadband mapping program and the National Broadband Map, subject to a challenge process described in prior [Policy Briefs](#). This broadband service must meet other quality and terms of service requirements, and the price of Frontier’s broadband and voice offerings in the subsidized areas must be within certain urban price benchmarks. In addition, Frontier will be required by the FCC to offer to provide 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.

The Connect America Fund Phase II program will have a significant impact on the broadband landscape in affected rural areas for the next decade. All price cap providers have until August 27, 2015, to accept the FCC’s offer of Connect America Fund Phase II subsidies.

Provider	Total Number of Locations in Service Territory	Locations where Connect America Fund Phase II Subsidy is Targeted	Annual Connect America Fund Phase II Subsidy Offer
AT&T	67,606,340	1,265,036	\$493,973,534
Cincinnati Bell	883,146	7,084	\$2,229,130
CenturyLink	27,673,706	1,190,016	\$514,334,045
Consolidated	515,475	24,698	\$13,922,480
FairPoint	1,978,318	106,380	\$38,193,437
Frontier	11,459,485	659,587	\$283,401,855
Hawaiian Telecom	606,068	11,081	\$4,424,319
Micronesian Telecom	21,790	11,143	\$2,627,177
Verizon	37,078,199	387,470	\$143,924,996
Windstream	4,251,768	413,345	\$178,779,068

Earlier this year, Frontier agreed to purchase all of Verizon’s wireline operations in California, Florida, and Texas, which collectively represent approximately one-third of the Connect America Fund Phase II subsidy offered to Verizon (\$49,358,975 per year to upgrade to 116,597 locations). That transaction is still pending approval before the FCC.

If the local telephone company declines the FCC’s offer in a state, the FCC will allow other providers, such as local cable companies and wireless ISPs that qualify, to request the subsidy to build a voice and broadband network in targeted areas. The FCC will award those subsidies to alternative providers through a reverse auction.

 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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