

# **Connect America Fund Underway: Some Telephone Providers Commit to Broadband Deployments**

## **A Connected Nation Policy Brief**

### **July 26, 2012**



On July 24, 2012, several of the nation's larger telephone companies committed to the Federal Communications Commission ([FCC](#)) that they would build broadband to approximately 148,000 locations that are currently noted as "unserved" on the National Broadband Map. The FCC will provide \$775 in subsidies for each newly served location, resulting in a total one-time subsidy of \$114.8 million. These commitments are part of "Phase I" of the FCC's new Connect America Fund, which ultimately will subsidize broadband and voice networks in high-cost areas of the country.

Previous [Connected Nation Policy Briefs](#) have outlined the steps the FCC is taking to transform this existing subsidy regime to one that directly supports broadband service. Phase I of the Fund is a one-time injection of capital of up to \$300 million directed at subsidizing broadband build-out in very rural areas served by the nation's larger, price cap incumbent local exchange carriers, such as Frontier, CenturyLink, Windstream, ACS, AT&T, and Verizon. The FCC estimates that of the 18.8 million households that do not have broadband access today, 15.6 million are located in areas served by these larger, "price cap" local exchange carriers. As a group, these price cap providers receive approximately \$1 billion annually from the FCC's existing high-cost universal service fund subsidy program.

### **Phase I Allocation and Commitments**

In April of this year, the FCC apportioned the \$300 million sum between price cap providers based on mathematical algorithms developed by the Commission. These funds were made available to subsidize the build-out of broadband infrastructure to areas "unserved" by 768 kbps down/200 kbps up broadband according to the current version of the National Broadband Map. Broadband networks financed by these subsidies would need to meet service speeds of 4 Mbps down/ 1 Mbps up and be built within three years.

The FCC offered these providers \$775 to build out to any such "unserved" location, giving the companies the flexibility to use the funds in any "unserved" census block they so choose, up to their allocated amount. The providers had until July 24 to inform the FCC whether or not they would accept the subsidies and build-out commitments and, if so, to identify the "unserved" areas they will deploy broadband over the next three years with those subsidies.

Of the total \$300 million allocated to Phase I, collectively the providers accepted \$114.8 million in funding. AT&T, Verizon, and the Virgin Islands Telephone Company elected not to accept any Phase I funding and related build-out commitments. Frontier and others elected to take their full allocation.

The following table lists all providers eligible for Phase I funds, the maximum amount that the FCC allocated to each of them and the amount that each provider accepted on July 24.

PRICE CAP CARRIER	ALLOCATED AMOUNT OF FUNDING BY THE FCC	ACCEPTED SUBSIDY AMOUNT (PERCENTAGE)
Alaska Communications Systems (ACS)	\$4,185,103	\$4,185,103 (100%)
AT&T	\$47,857,148	\$0 (0%)
CenturyLink	\$89,904,599	\$35,098,975 (39%)
Cincinnati Bell	\$0	n/a
Consolidated Communications	\$421,247	\$421,247 (100%)
FairPoint Communications	\$4,856,858	\$2,025,075 (42%)
Frontier Communications	\$71,979,104	\$71,979,104 (100%)
Hawaiian Telecom	\$402,171	\$402,171 (100%)
Virgin Islands Telephone Company	\$255,231	\$0 (0%)
Micronesian Telecommunications	\$0	n/a
Puerto Rico Telephone Company (PRTC)	\$0	n/a
Verizon	\$19,734,224	\$0 (0%)
Windstream Communications	\$60,404,310	\$653,325 (1%)
<b>PRICE CAP INDUSTRY TOTAL</b>	<b>\$300,000,000</b>	<b>\$114,765,000 (38%)</b>

According to Phase I rules, these funds translate into a total of \$775 per newly served location where the provider builds broadband networks in the next three years. Hence, the commitments announced yesterday will result in broadband network expansion to approximately **148,000 currently unserved households and business locations by 2015:**

PRICE CAP CARRIER	PHASE I BUILD-OUT COMMITMENT – NUMBER OF LOCATIONS
Alaska Communications Systems (ACS)	5,401
AT&T	0
CenturyLink	45,289
Cincinnati Bell	n/a
Consolidated Communications	543
FairPoint Communications	2,613
Frontier Communications	92,876
Hawaiian Telecom	518
Virgin Islands Telephone Co.	0
Micronesian Telecommunications	n/a
Puerto Rico Telephone Company (PRTC)	n/a
Verizon	0
Windstream Communications	843
<b>Total</b>	<b>148,083</b>

Both CenturyLink and Windstream have filed waiver petitions before the FCC, asking that they be able to expand their commitments if the FCC were to change its Phase I rules as they apply to those carriers. The FCC has not acted on either petition for waiver. The above tables do not include any expanded commitment to which CenturyLink and Windstream would commit contingent upon those waivers.

### Phase I Distribution Among States

These Phase I deployment commitments span 37 states, but no territories. The last page of this brief contains a table that details the commitments between the 37 states and providers.

All providers have filed detailed, census block information on the areas in which they commit to serve; however, many providers, including Frontier, Windstream, Hawaiian Telecom, ACS, and Consolidated have requested that the FCC treat that information as confidential. CenturyLink and FairPoint have made their complete commitments available to the public.

Connected Nation will map and analyze these filings across selected states as geographic data on build-out commitments becomes public.

### What's Next?

Connected Nation will keep state stakeholders fully apprised of any developments as the Connect America Fund transformation progresses. In September, the FCC will host the first-ever Mobility Fund auction, which will allocate \$300 million in funding to qualified wireless providers willing to commit to build 3G and 4G networks across unserved areas.

We will also keep state stakeholders fully apprised of any action related to these Phase I commitments and the ongoing Phase II process for these price cap providers (for more information see our [Policy Brief](#) on this topic). Indeed, the CenturyLink and Windstream petitions have highlighted the importance of a strong mapping process. It is clear from the Phase I filings that the Connect America Fund transition is far more likely to be successful in states that have a solid, active mapping verification program in place. In particular, CenturyLink specifically stated that it was unable to take Phase I support in areas in which the [National Broadband Map](#) contained unverified availability for fixed wireless service. None of those areas are in Connected Nation states, as we have a solid, independent field validation process in place for fixed wireless providers. Similarly, the Virgin Islands Telephone Company said that it was forced to decline Phase I support for the Virgin Islands because the unverified map indicates that fixed wireless service was “ubiquitously available” – data that conflicted directly with the FCC’s own availability data and the company’s experience.

Stated simply, accurate and verified maps matter, and as the FCC continues to use the National Broadband Map to guide its Connect America Fund disbursements, states and territories that do not have robust mapping programs are likely to see slower broadband deployment.

If you are interested in learning more about these developments, please do not hesitate to contact us. To further examine the FCC’s documents and resources related to the Connect America Fund, visit the following section of the FCC’s website at: <http://www.fcc.gov/encyclopedia/connecting-america>.

STATE	PRICE CAP CARRIER	ACCEPTED SUBSIDY AMOUNT PER STATE PER CARRIER	BUILD-OUT COMMITMENT PER STATE PER CARRIER – NUMBER OF LOCATIONS
Alabama	Windstream	\$27,125	35
Alaska	ACS	\$4,185,103	5,401
Arizona	CenturyLink	\$509,175	657
	Frontier	\$254,200	328
California	Frontier	\$227,775	294
Colorado	CenturyLink	\$6,279,050	8,102
Florida	CenturyLink	\$307,675	397
	Frontier	\$414,000	534
Georgia	Windstream	\$41,850	54
Hawaii	Hawaii Telecom	\$402,171	519
Iowa	CenturyLink	\$1,918,125	2,475
Idaho	CenturyLink	\$1,029,200	1,328
	Frontier	\$4,695,000	6,058
Illinois	Consolidated	\$110,925	143
	Frontier	\$4,575,000	5,903
Indiana	CenturyLink	\$41,075	53
	Frontier	\$96,800	125
Maine	FairPoint	\$4,650	6
Michigan	Frontier	\$7,470,000	9,639
Minnesota	CenturyLink	\$10,956,175	14,137
Missouri	CenturyLink	\$379,750	490
	Windstream	\$30,225	39
Montana	CenturyLink	\$1,879,375	2,425
Nevada	Frontier	\$1,395,000	1,800
New York	Frontier	\$479,000	618
North Carolina	CenturyLink	\$775,000	1000
	Frontier	\$258,000	333
	Windstream	\$44,175	57
North Dakota	CenturyLink	\$64,325	83
Nebraska	CenturyLink	\$1,134,600	1,464
New Mexico	CenturyLink	\$2,206,425	2,847
	Windstream	\$107,725	139
Ohio	CenturyLink	\$65,100	84
	Frontier	\$1,749,000	2,257
Oklahoma	Windstream	\$29,450	38
Oregon	CenturyLink	\$942,400	1,216
	Frontier	\$1,189,000	1,534
South Carolina	CenturyLink	\$335,575	433
South Dakota	CenturyLink	\$139,500	180
Tennessee	Frontier	\$321,775	415
Texas	CenturyLink	\$266,600	344
	Consolidated	\$310,322	400
	Windstream	\$372,775	481

STATE	PRICE CAP CARRIER	ACCEPTED SUBSIDY AMOUNT PER STATE PER CARRIER	BUILD-OUT COMMITMENT PER STATE PER CARRIER – NUMBER OF LOCATIONS
Utah	CenturyLink	\$62,000	80
Vermont	FairPoint	\$2,020,425	2,607
Virginia	CenturyLink	\$2,122,725	2,739
Washington	CenturyLink	\$3,610,725	4,659
	Frontier	\$5,789,000	7,470
Wisconsin	Frontier	\$38,472,158	49,641
West Virginia	Frontier	\$4,593,396	5,927
Wyoming	CenturyLink	\$74,400	96
<b>PRICE CAP INDUSTRY TOTAL</b>		<b>\$114,765,000</b>	<b>148,083</b>