

FCC Adopts Competitive Bidding Rules and Selective Criteria for Rural Broadband Experiments

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This past Friday, at its open meeting, the Federal Communications Commission (“FCC” or “Commission”) adopted a Report and Order and Further Notice of Proposed Rulemaking (FCC 14-98) establishing the method by which the FCC will solicit proposals for and award funds to support experiments in bringing robust broadband services to rural America’s high cost areas. As [reported earlier](#) on this blog, the FCC authorized these rural broadband experiments in the [Technology Transitions Order](#) it released in January of this year. The [News Release](#) issued after the Commission’s vote states that an ancillary purpose underlying the experiments is to test the competitive bidding process that the FCC will use to allocate funds in Connect America Fund (“CAF”) Phase II, which is expected to take place in 2015.

In Friday’s Order, the FCC establishes a \$100 million budget for the experiments and sets the criteria for selecting which proposals to fund. Funding will be made available for three categories of projects in areas where the incumbent is a price cap carrier:

- \$75 million for projects delivering service at 25 Mbps downstream and 5 Mbps upstream in high cost areas for the same or lower amount of support than will be offered to carriers in CAF Phase II
- \$15 million for projects delivering service at 10 Mbps downstream and 1 Mbps upstream in high cost areas
- \$10 million for projects delivering service at 10 Mbps downstream and 1 Mbps upstream in extremely high cost areas

Applicants will compete nationwide for access to funding in a single-round auction, and funds will be awarded by the Commission to those proposals that are deemed most cost effective based on a numerical score. Commission staff has indicated that cost effectiveness will be based on a proposal’s per-connection cost compared to the CAF cost model amount for the area to be served.

The Commission invites proposals utilizing a diverse array of technologies, including fiber and wireless networks, and will be open to non-traditional providers, such as electric utilities and wireless broadband providers. The Order establishes rigorous buildout milestones, with strong enforcement mechanisms to ensure compliance. In addition, the proposals will be required to identify whether the applicant will offer a low-income broadband plan, and further requires awardees to offer Lifeline service once they have been designated as an eligible telecommunications carrier (“ETC”). The

Commission also will provide entities seeking to serve tribal areas with a 25% bidding credit. However, the Order also sets limits on funding available. Specifically, in order to ensure a diversity of experiments, the Order caps the size of projects and the amount of funding that a carrier may accept.

Final applications are due 90 days after the release of the Order, and the Commission expects to make its selections by the end of the year. The Order also includes a Further Notice of Proposed Rulemaking, which seeks comments on how the CAF Phase II competitive bidding process can offer bidding credits in situations where states have agreed to provide matching funds to expand rural broadband.

The text of the Order and rules have not yet been released, although Commission staff has given indication the release will be prompt. When the Order becomes available, we will provide additional details.