

FCC Creates Framework to Fund 5G Deployments in Rural Areas

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The FCC recently took a major step in promoting deployment of 5G networks in rural and hard-to-serve areas by adopting a [Report and Order](#) establishing the 5G Fund for Rural America (5G Fund) support program. The program, which is effectively the wireless counterpart to the wireline-focused [Rural Digital Opportunity Fund \(RDOF\)](#), will offer up to \$9 billion over ten years to support the deployment of mobile voice and 5G broadband in these areas. It replaces Phase II of the Mobility Fund, which the FCC [mothballed](#) in 2018 after questions arose about the accuracy of wireless coverage data reported by carriers, which was meant to determine which areas are eligible for funding. Half of the 5G Fund budget also comes from repurposing the \$4.53 billion that the Commission had originally allotted for 4G LTE deployments under Mobility Fund Phase II. The 5G Fund auction may not occur until 2023 because the Commission opted to wait until it can collect new data on existing deployments to identify areas eligible for support. In the meantime, recipients of legacy mobile high-cost support will be required to start using those funds for 5G networks beginning in 2021.

When the FCC proposed the 5G Fund last May, the biggest sticking point concerned when the Commission would aim to start the auction, which hinged on a decision about what data the FCC would use to identify the areas eligible for support. In the 5G Fund NPRM, the Commission set forth two options. Under the first option, the FCC would initiate Phase I of the auction in 2021 using 10-year old data – primarily census information – to determine rural areas eligible for funding by population (*i.e.*, less than 2,500 people), and then prioritize support to those areas “unlikely” to see 5G deployment absent such investment. Under the second option, the FCC would postpone Phase I until at least 2023 so that it could develop the [Digital Opportunity Data Collection \(DODC\)](#) to collect more granular deployment data. Option 1 had the potential to be both over and under inclusive of eligible areas while option 2 would significantly delay the auction start date. During the proceeding, some commenters urged the Commission to use new Form 477 self-reported data from carriers, as it had tried to do for Mobility Fund Phase II. Ultimately, the Commission selected option 2, prioritizing accuracy and efficient use of funds over speed and declining to use new Form 477 data because the Commission was not convinced it could ensure the data was reliable in a shorter timeframe than using the DODC information.

The Report and Order also places a few other conditions on the selection of eligible areas. First, an area will only be eligible for Phase I of the auction if the DODC shows that there is not already at least one service provider offering unsubsidized 4G LTE or 5G broadband service. Given existing market competition, the Commission thinks that providing support to areas with unsubsidized 4G LTE service could preempt near-term 5G deployments that would already be expected in those areas. Second, the 5G Fund will exclude areas covered by the T-Mobile/Sprint merger. Since new T-Mobile committed to serve 90% of rural Americans within six years as part of the merger agreement, the

Commission said providing support to those same areas would be a waste of the limited funds. As a related limitation, while T-Mobile can participate in the auction, it cannot use any 5G Fund awards to support 5G buildouts in areas where it has already committed to deploy under the merger agreement.

Other key elements of the Report and Order include:

Auction Procedures – The FCC will award the funds using a two-phase reverse auction, where the provider offering to serve an area for the least amount of funding is the winner. Phase I would provide up to \$8 billion in support, with \$680 million reserved for deployments on Tribal lands. Phase II would provide up to \$1 billion, plus any funding remaining after Phase I, for deployments for precision agriculture and particularly hard-to-serve areas like farms and ranches. Geographic bidding areas will range from census block groups to census tracts, with the exact grouping of eligible areas to be determined during the pre-auction process. The FCC also adopted an “adjustment factor” that will assign weights and increase support for geographic areas with difficult terrain and other characteristics that make them more costly or less profitable to serve. The exact application of the adjustment factor will also be decided during the pre-auction process.

Performance Requirements – 5G Fund recipients will be required to deploy networks that meet 5G-NR (New Radio) technology standards and provide median speeds of at least 35/3 Mbps. Minimum cell edge speeds must be at least 7/1 Mbps. Round-trip latency on supported services cannot exceed 100 milliseconds. In addition, support recipients would be required to offer at least one service plan with a monthly data allowance equaling the average U.S. subscriber’s data usage. As with prior high-cost programs, support recipients will be required to offer their services at rates “reasonably comparable” to those offered in urban areas and be subject to collocation and roaming obligations.

Deployment Milestones – The FCC adopting escalating deployment milestones for 5G Fund support recipients. Specifically, support recipients will need to offer service meeting the performance requirements to 40% of their service area by the end of the third full calendar year of funding, 60% by year four, 80% by year five, and a final milestone of 85% by year six. To avoid a repeat of the Mobility Fund Phase II coverage data issues, the FCC has imposed strict reporting requirements on 5G Fund support recipients that include on-the-ground testing for each milestone.

ETC Designation and Application Requirements – Like the RDOF, service providers will be able to participate in the 5G Fund auction without first being designated as an eligible telecommunications carrier (ETC), but winning bidders will need to secure such designations in their supported service areas with 180 days to receive funding. The 5G Fund application process also mirrors the RDOF procedures, with service providers initially required to submit a short-form application that includes basic business, financial, and technical information followed by a long-form application for winning bidders with detailed network information and deployment timeframes. Winning bidders also will have to meet letter of credit requirements that are eased as providers hit deployment milestones.

Transitioning Legacy Support – All competitive ETCs receiving legacy high-cost support for 4G LTE mobile wireless service will be required to use an increasing percentage of their support toward the deployment, maintenance, and operation of 5G networks that meet 5G-NR standards. The change will be phased in, with one-third of the support required for 5G in 2021 and two-thirds in 2022. These competitive ETCs will also be required to meet the same speed, latency, data allowance, and “reasonably comparable” rate requirements as 5G Fund recipients.

While the Report and Order solidifies many aspects of the 5G Fund, the Commission will seek additional input on specific auction procedures and eligible area determinations once it starts collecting mapping data through the DODC. That could happen sooner following the change in Administration – the two Democratic commissioners have long advocated that the Commission make a bigger effort to get more precise deployment data and could push harder to get funding from Congress for the DODC or for reallocating existing funds toward the effort.