

# FCC Proposes 5G Fund for Rural Wireless Networks, But Timing Remains Uncertain

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The FCC [plans](#) to create a new “5G Fund” offering up to \$9 billion over ten years to support the deployment of wireless broadband and voice services in rural and other hard-to-serve areas. Under a [Notice of Proposed Rulemaking](#) (“NPRM”) adopted at the FCC’s April meeting, the 5G Fund would operate as the wireless counterpart to the wireline-focused [Rural Digital Opportunity Fund](#) (“RDOF”) approved earlier this year and replace Phase II of the [Mobility Fund](#), which the FCC [mothballed](#) in 2018 after questions arose about reported coverage data. The NPRM proposes awarding funding through auction in two phases. 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. The 5G Fund would exclude areas covered by the recently-approved T-Mobile/Sprint merger, which included a commitment to serve 90% of rural Americans within six years. The NPRM is just the first step towards launching the 5G Fund and presents an opportunity for all stakeholders to provide their input on the fundamental policies and procedures the will govern the new program.

The main sticking point among the Commissioners is over when Phase I should begin, and on what basis. The NPRM seeks comment on two options. Under the first option, the FCC would initiate Phase I in 2021 and use existing data sources – 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 on their own. The FCC seeks comment on whether alternative data sources exist and whether a population density threshold may be more appropriate. The FCC plans to prioritize support to areas historically lacking 4G LTE (or even 3G) service. However, recognizing the deficiencies in existing wireless coverage data, the FCC asks for input on relevant information sources to make this historical determination. Under the second option, the FCC would postpone Phase I until at least 2023 in order to use more granular deployment data developed through its upcoming [Digital Opportunity Data Collection](#). The NPRM asserts that the delay stems from a lack of appropriations under the recent [Broadband DATA Act](#), which requires the FCC to significantly improve its broadband coverage maps. Without such appropriations, the FCC contends that it would need time to reallocate existing resources to broadband mapping that it would eventually use to determine rural areas lacking 5G service eligible for funding. Both options have their detractors, with critics of the first option noting that available census data already are almost ten years old as well as the importance of ensuring funding goes to areas actually lacking 5G service, and with detractors of the second option warning that funding delays would only widen the urban/rural digital divide. At the April Open Meeting, the two Democratic Commissioners dissented in part, suggesting that the NPRM presents a false choice between speed and accuracy.

Other key elements of the FCC’s 5G Fund proposal include:

- Auction Procedures: As with the RDOF, the FCC plans to award 5G Fund support through a “reverse” auction, where the provider offering to serve an area for the least amount of funding is the winner. Auction participants would bid by census tract (or a potentially larger area) and the FCC’s proposes applying an “[adjustment](#)” factor to increase the funding available for tracts with difficult terrain and other characteristics increasing service costs. The FCC plans to issue proposed adjustment factor criteria and seek comment on such criteria at a later date.
- Performance Requirements: The FCC proposes requiring 5G Fund support recipients to provide speeds of at least 35/3 Mbps, with potential increases over time to reflect service advancements. Support recipients would be required to provide a minimum cell-edge download speed of 7/1 Mbps, with a 90% coverage probability and 50% cell loading factor. The FCC also would cap supported service latency at 100 milliseconds per round trip. In addition, support recipients would be required to offer at least one service plan with a data allowance equaling the average U.S. subscriber’s data usage. As with prior high-cost programs, support recipients would 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 anticipates adopting escalating deployment milestones for 5G Fund support recipients. Specifically, support recipients would be required to offer service meeting the performance requirements to 40% of their service area by the end of the third full calendar year of funding, with the deployment requirement increasing to 60% by year four, 80% by year five, and 85% by year six as the final milestone. To avoid a repeat of the Mobility Fund Phase II coverage data issues, the FCC plans to impose strict reporting requirements on 5G Fund support recipients that include significant on-the-ground testing and standardized propagation modeling.
- Transitioning Legacy Support: The FCC seeks comment on how best to transition existing high-cost support to 5G Fund auction winners. In particular, the FCC proposes phasing down all legacy high-cost support over no more than five years, with legacy support recipients required to meet the same performance requirements as 5G Fund auction winners on an accelerated schedule to receive transition funding.
- ETC Designation and Application Requirements: Like the RDOF, the FCC plans to permit service providers to participate in the 5G Fund auction without first being designated as an eligible telecommunications carrier (“ETC”). However, winning bidders would be required to obtain an ETC designation in their supported service areas before receiving any funding. The 5G Fund application process also would mirror RDOF procedures, with service providers initially submitting a short-form application including basic information on their identity, ownership, and financial/technical qualifications followed by a long-form application for winning bidders providing detailed network information and deployment timeframes. Winning bidders also would be required to meet letter of credit requirements, which could be eased as the providers hit deployment milestones.

As with the RDOF, the FCC’s 5G Fund proceeding is sure to generate significant comment, with stakeholders already divided over the appropriate timeframes, performance requirements, and legacy transition procedures. With its 10-year budget term, the 5G Fund has the potential to significantly reshape the rural wireless competitive landscape and warrants close attention. Even at this early stage, the FCC’s 5G Fund proposals are complex and contain potential pitfalls for the unwary. As a result, advance preparation and sound counsel will be critical to the success of 5G Fund applicants.