Rural Broadband Acceleration Act—H.R.7022

The Covid-19 crisis has exposed the severity and magnitude of the rural/urban digital divide. Rural America cannot participate in modern life without high-speed broadband internet service. The federal government must act immediately to spur broadband deployment in rural America.

The Clyburn-Upton (Rural Digital Opportunity Fund) RDOF language directs the Federal Communications Commission (FCC) to accelerate the deployment of funds to bidders that commit to: 1) build a gigabit tier broadband network; 2) begin construction within 6 months; and 3) provide service within a year. A more detailed explanation of the mechanics of this proposal is below.

Last month in an open letter, the CEOs of more than 70 rural electric cooperatives committed to fiber-to-the-premise construction projects if the Clyburn RDOF language were approved. In recent weeks, others electric co-ops have also expressed support. More co-ops than those who signed the letter would also apply, and other entities and firms separate and apart from rural electric co-ops could participate, so the actual number of new projects is likely to be 150 to 200. **All this at zero cost to the taxpayer.**

The Congressional Research Service has provided a legal opinion that the "FCC likely would not have to undertake notice-and-comment rulemaking to implement the provisions" and that the RDOF auction would proceed on its current schedule.

Industry Estimates

- One hundred co-op fiber projects would result in 300,000 miles of fiber construction, passing more than 2 million rural homes, and 5 million rural residents.
- The economic impact is projected to be $8.25 billion of construction, approximately half of which would come from RDOF and half from the co-ops investing in their communities.
- At one hundred new projects, this initiative would lead to 240,000 new construction jobs, plus years of attendant economic activity from these construction workers living and working in these areas.

How it works:

First, the FCC would use its March 17 published list of areas eligible for funding, and the amount of funding that is based on the FCC's fiber-to-the-premise cost model. The FCC did not use a challenge process in the CAF II auction, in part because past challenge processes have taken 6 months to 2 years in order to resolve the back and forth between parties. Using the March 17 list would also mean that state broadband programs would not result in the removal of otherwise eligible areas (solving the concerns raised by New York state, California, and others).

Second, the FCC would maintain the short-form application process for those seeking to bid in the auction and add an accelerated option for those who would begin fiber construction this year and meet the requirements of the Gigabit performance tier. Under the CAF II auction and the current FCC auction rules, fiber bidders are the only type of bidder eligible to bid at the Gigabit tier.

Gigabit tier bidders would win in the auction automatically at the clearing round in areas where there is no other Gigabit tier bidder. Since these bidders will win anyway, it is sensible to allow those with shovel-ready projects to jump the line so that they could begin construction as soon as possible.

<u>Third</u>, the FCC would separately evaluate these shovel-ready fiber applicants, while continuing its established process for qualifying bidders for the auction. The long-form application process under CAF II for fiber projects was a far more straightforward process than it was for every other transmission medium. The fiber long-form applications were processed quickly, in a period of weeks, as compared to some of the fixed wireless and satellite applications, which took over a year.

<u>Fourth</u>, successful fiber applicants would be awarded geographic areas by September at the reserve price, those areas would be removed from the auction, while all other geographic areas would remain in the auction to take place in October. The reserve price is the amount of support the FCC has calculated to build, operate and maintain a Gigabit Passive Optical Network (GPON) fiber-to-the premise network. The price is derived from the Connect America Model (CAM).

<u>Fifth</u>, the amount of funding removed from the RDOF Phase I budget (75%) would be commensurate with the clearing round price point of the CAF II auction (78.35%), while the remaining award would reduce the RDOF Phase II budget by 25%. In that way, the remaining budget for the RDOF auction will be in line with the FCC's original projections.

<u>Lastly</u>, the FCC should condition those awards on an accelerated construction timetable, such as initial construction within six months and initial service availability within one year. All other FCC milestones would remain in effect.