

## **Frequently Asked Questions About Federal and State Broadband Subsidy Programs**

The federal government and many state governments have established programs that provide subsidies, grants, and loans to broadband service providers to build out broadband networks and to provide service in unserved and underserved communities. Related programs provide discounts to make broadband service and connected devices more affordable for low-income households and to defray the costs of providing telehealth services. Below we answer some common questions about these programs.

### ***What are the federal programs for broadband service providers?***

The Federal Communications Commission (FCC), the U.S. Department of Agriculture (USDA), and the National Telecommunications and Information Administration (NTIA) at the U.S. Department of Commerce administer significant subsidy programs.

FCC programs include the Rural Broadband Opportunity Fund (RDOF), the E-Rate Schools and Libraries Program (E-Rate), the Emergency Broadband Benefit program, the Emergency Connectivity fund, and the Covid-19 Telehealth Program.

USDA programs include the ReConnect Pilot Program, the Community Connect Grants Program, the Rural Broadband Access Loan and Loan Guarantee Program, Telecommunications Infrastructure Loans and Loan Guarantees Program, and the Distance Learning and Telemedicine Program.

NTIA programs include the Tribal Broadband Connectivity Program, the Broadband Infrastructure Program, and the Connectivity for Minority Institutions Pilot Program.

Pending federal legislation may result in additional funds to be administered by the FCC and USDA.

### ***What is the FCC's RDOF program?***

RDOF will provide a total of \$20.4 billion to broadband providers that build out networks to provide services in unserved and underserved areas.

The Phase I RDOF reverse auction closed in November 2020 with auction winners eligible for \$9.2 billion in subsidies.

The second RDOF auction, for which rules have not yet been adopted, is expected to allocate \$11.2 billion in subsidies for broadband network build out in census block groups that are underserved, as well as to unserved locations that were not funded in the Phase I auction.

### ***What is an unserved area and an underserved area?***

In the RDOF program, an "unserved area" is a census block group where no service provider is offering a fixed voice service and a broadband service with speeds of at least 25/3 Mbps (download/upload), and no service provider has committed to offer such service under another federal or state broadband subsidy program. An "underserved area" is a census block group where one or more providers offer voice and broadband service in part, but not all, of the area.

For the Phase I auction, the FCC used data collected from its existing broadband subsidy programs for incumbent telephone companies, the annual reports filed by fixed voice and broadband service providers (FCC Form 477), as well as other data, to determine the extent to which fixed voice and broadband service is not available and cannot be provided without subsidies in a given census block. For the Phase II auction, the FCC will develop other, more granular, data collection methods to determine underserved and unserved areas.

### ***What are the FCC's reverse auctions for broadband subsidies?***

While each FCC broadband subsidy program has its own rules and procedures, the FCC typically uses a nationwide, multi-round, descending bid reverse auction to allocate subsidies among participating bidders.

Bids consist of two parts: the subsidy amount and a performance commitment. The performance commitment "tiers" obligate the winning bidder to deliver service with specific broadband download and upload speeds, latency, and data usage allowances. Using a bid weighting scheme, the FCC gives a preference to a bid with a higher performance tier commitment over a bid with a lesser commitment.

Companies participating in reverse auctions typically must meet financial and technical requirements. To participate in the RDOF auctions, a company must provide certain financial statements and, in some cases, a bank letter of intent whereby the bank agrees to provide the FCC with a letter of credit if the bidder wins subsidies in the auction. The bidder must also provide a general technical description of the network it plans to deploy.

Once the auction closes, each winning bidder must file a more detailed application demonstrating it meets additional FCC technical, financial, and legal requirements. These requirements include filing: (i) audited financial statements, (ii) a bank letter of credit in an amount reflecting the subsidies won, (iii) a detailed technical plan of the network buildout, and (iv) documents demonstrating the winning bidder is an approved "eligible telecommunications carrier" in the market. Winning bidders must also commit to provide service at reasonable rates, as determined by certain FCC urban rate benchmarks.

### ***How does the RDOF payment process work?***

Subsidies are provided for ten-year periods, with payments disbursed pro-rata each month. The payment process is administered by the Universal Service Administrative Company (USAC).

### ***What are the FCC's programs for Schools and Libraries?***

The FCC's E-Rate Schools and Libraries Program allows schools, school districts, libraries, and consortia to receive discounts ranging from 20% to 90% of the pre-discount rates for category one services (consisting of telecommunications, telecommunications services (including data transmission services), and Internet access) and category two services (consisting of internal connections, basic maintenance services, and managed internal broadband network services). Service providers are chosen through a competitive bidding process. USAC pays the discount to either the school or library directly if it pays for the pre-discount rates of the services, or USAC pays the selected service provider if the school or library is billed for the discounted rates for the services. The discount percentages are based on the level of poverty in the community and whether the school or library is located in an urban or rural area.

Under the FCC's Emergency Connectivity Fund (ECF), qualifying schools and libraries may obtain funding of up to 100% of the costs of eligible equipment and/or advanced telecommunications and information services, except that reimbursement may not exceed a reasonable amount as determined by the FCC. Eligible equipment includes Wi-Fi hotspots, modems, routers, and connected devices (laptops, tablets, and similar end user devices). Eligible equipment and services may be used on school premises as well as other locations, and libraries may use eligible equipment and services for patrons on library premises or at other locations. On May 10, 2021, the FCC adopted final rules to implement the ECF program, which will end on the June 30<sup>th</sup> one year after the U.S. Department of Health and Human Services determines that the COVID-19 pandemic emergency has terminated.

### ***What is the FCC's Emergency Broadband Benefit program?***

The Emergency Broadband Benefit (EBB) Program reimburses service providers that furnish discounted broadband service and devices to low-income and Tribal area households. The EBB program subsidizes: (i) up to a \$50 per month discount for broadband services to low-income households; (ii) up to a \$75 per month discount for broadband services for households on Tribal lands; and (iii) up to a \$100 one-time discount for a laptop, desktop computer, or tablet. To be eligible, a broadband provider must have offered broadband service on December 1, 2020, and either has been designated as an "eligible telecommunications carrier" (ETC) or obtained FCC approval to participate in the program. Eligible providers must then file an election to participate in the EBB program with the Universal Service Administrative Company. Participating providers must also meet a number of ongoing regulatory obligations of the program, including those related to marketing, subscriber notifications, and verification of a household's eligibility. The EBB program commenced on May 12, 2021 with over 800 participating providers. It will end six months after the U.S. Department of Health and Human Services determines that the COVID-19 pandemic emergency has terminated.

### ***How does the FCC's COVID-19 Telehealth Program work?***

The COVID-19 Telehealth Program provides funding to eligible health care providers for the purchase of telecommunications and information services and certain devices necessary to provide telehealth services to their patients in response to the COVID-19 pandemic. An eligible health care provider must file an application with the FCC and, if the application is granted, the provider must submit invoicing forms and documentation to receive reimbursement. The Program will reimburse participating eligible health care providers their costs for broadband connectivity, network equipment, and information services necessary to provide connected care to patients in their communities. The application window for Round 2 of the Program for \$250 million opened on April 26 and closed on May 6, 2021.

### ***What are the USDA's programs for broadband service providers?***

The USDA has several programs for service providers to deliver broadband to communities in rural and unserved areas.

- The [Rural eConnectivity Pilot Program](#) (also called the ReConnect Pilot Program) provides low-interest loans, grants, and 50% loan-50% grant combinations to service providers, states, and non-profits for the construction, improvement, or acquisition of broadband networks in eligible areas. Eligible areas are defined as rural areas where at least 90% of households lack access to fixed broadband (10 Mbps down/1 Mbps up), except that areas where the USDA or the FCC already provides funding for broadband buildout are excluded from eligibility.

- The Community Connect Grants Program provides funding for the construction, acquisition, or leasing of facilities, spectrum, land, or buildings used to deploy broadband service to residential and business customers and to critical community centers. Grants are provided only for rural areas without an existing broadband service offering of 10 Mbps (downstream)/1 Mbps (upstream), and at least 15% of the funding must be from non-federal sources.
- The Rural Access Loan and Loan Guarantee Program provides low-interest loans and loan guarantees to finance the costs of construction, improvement, lease, or acquisition of broadband networks in rural areas where 15% or more of the households are unserved.
- The Telecommunications Infrastructure Loans and Loan Guarantees Program offers low-interest loans and loan guarantees for the construction, maintenance, acquisition, refinancing, and expansion of networks that provide telephone and broadband services. Eligible providers must serve a rural area or town with a population of 5,000 or less.
- The Distance Learning and Telemedicine Program provides grants and low-interest loans for providers to deliver broadband service and computer equipment, inside wiring, and software to connect households in rural areas with schools and medical facilities. Grant recipients must provide at least 15% of the project costs.

***What are the NTIA's grant programs for broadband service providers?***

The NTIA administers three broadband programs:

- The Tribal Broadband Connectivity Program provides grants totaling \$1 billion for projects that expand access to and adoption of fixed broadband service, remote learning, telework, or telehealth. While only Tribal organizations are eligible for the grants, they may sub-contract with non-Tribal commercial entities.
- The Broadband Infrastructure Program provides \$300 million to partnerships between state or local governments and fixed wireless broadband providers to deploy broadband networks in rural and unserved areas.
- The Connectivity for Minority Institutions Pilot Program provides a total of \$285 million to fund pilot programs for historically Black or Tribal colleges and universities to purchase broadband service or IT-related expenses.

***Are there also state broadband subsidy programs?***

Yes. Many states have broadband subsidy programs. The programs and the level of subsidies from one state to another. Here are a few examples:

- The California Advanced Services Fund a grant program of \$575 million, of which approximately \$275 million is currently available, for telecommunications companies to provide broadband to unserved and underserved areas. The program is administered by the California Public Utilities Commission.
- The Colorado Broadband Fund is an ongoing grant program that has distributed almost \$20 million since 2016 for the buildout of new broadband networks in unserved areas. Applications are due each year by January 15 and June 15. The program is administered by the Colorado Broadband Deployment Board.

- The Connecting Michigan Communities Grant Program is a \$30 million grant program for the buildout of broadband networks in unserved communities. Grants are expected to be announced in September 2020. The program is administered by the Michigan Department of Technology, Management, and Budget.
- The Mississippi COVID 19 Broadband Provider Grant Program is a \$10 million grant program for broadband providers to deliver service to unserved and unserved areas. Applications were due in June-July 2020, funds were disbursed in July-August 2020, and all funds must be spent by December 2020. The program is administered by the Mississippi Public Utilities Commission.
- The New Hampshire Emergency Broadband Expansion Program was announced in July 2020, and will provide funding of \$50 million for the buildout of broadband networks in unserved areas. Grant funds must be spent by December 2020.

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