



## EXPLORING RURAL BROADBAND FUNDING OPPORTUNITIES

### Introduction

Closing the digital divide and bringing broadband to the underserved and unserved is a key priority for both state and federal policymakers all across the country. It's an admirable goal and a costly one. Building and maintaining broadband infrastructure requires significant and ongoing investment.

There are a range of available state and federal funding programs, utilizing subsidies, loans, and grants to assist service providers and other stakeholders in expanding the reach of broadband. Some of these programs enjoy a deep and rich history, while others are relatively new. This whitepaper explores these funding programs and provides background and context for them.

### Universal Service Fund / Connect America Fund

The Universal Service Fund (USF) is perhaps the oldest mechanism for funding telecom infrastructure in the U.S. Authorized by the FCC and administered by the Universal Service Administrative Company, USF provides a range of subsidies across a few different programs for the construction and ongoing maintenance of telecom networks. The initial focus of USF was telephone service and one of its goals was to ensure that rural residents in the U.S. had access to telecommunications services comparable to those enjoyed by urban residents. The primary vehicle for this is known as the High Cost fund, which targets rural areas that have high costs to build and operate telecom networks. Funding for USF primarily comes from a billing surcharge against interstate voice traffic billings. In 2018,

the USF High Cost program disbursed a total of \$4.8 billion in funding<sup>1</sup>. Telecom carriers, primarily traditional telcos, large and small, utilized the subsidies on a per line basis to help fund the delivery of telecom services to these high cost areas.

In recent years, the focus of the High Cost program has shifted from voice to broadband, and the newly named Connect America Fund (CAF) has been applied to portions of the High Cost program. Changes also have been made to how funding is distributed, including the use of cost models, such as the Alternative Connect America Model (ACAM) for Rate of Return carriers, which aims to incentivize efficiency and expand broadband capability through the use of forward-looking cost models. Traditionally, High Cost funding covered a portion of embedded costs or costs actually incurred by carriers.

The CAF has also introduced reverse auctions to determine who receives funding to deploy broadband and offer voice services. CAF funds were initially offered to Price Cap Carriers (large nationally operating telecom companies) in Phase I and Phase 2 amounts with differing deployment obligations. In areas where the Price Cap Carrier declined the Phase II funds, funding for the census blocks that met eligibility criteria were included in an auction for the support. This auction was a reverse auction and awarded funding for designated areas to the provider that commits to deploying broadband for the lowest level of support. Certain criteria, such as committing to faster speeds and lower latency, gave auction participants an advantage.

The first of these auctions was known as the CAF-II auction, completed in 2018. Close to \$1.5 billion was auctioned off, with payouts occurring over a ten-year period. One hundred three broadband providers were designated as winners in the auction by the FCC, and they have committed to connect over 700K rural locations to broadband. Winners of CAF-II funding included traditional rural telcos, electric cooperatives, wireless internet service providers (WISPs), and satellite broadband companies.

Winning bidders must complete 40% of the network's build within three years of being authorized to receive support. Service providers then have three additional years to complete the buildout, achieving a minimum of 20% each year.

The FCC has already signaled its intent to conduct another reverse auction for rural broadband funding called the Rural Digital Opportunity Fund (RDOF). If adopted as expected, the RDOF will focus on price cap territories and will auction just over \$20 billion, spread across a ten-year period. This funding will come from the pool of funds that traditionally was awarded to the price cap carriers. These are companies such as AT&T, Verizon, Frontier, and CenturyLink, which will now have to participate in this auction to gain access to these funds. Those companies will be joined by a host of others who will now compete with them through the auction process to gain the funding. At the time of this paper's publishing, the FCC was considering plans for the RDOF auction, which is targeted to take place in 2020. Winning bidders would be required to offer minimum broadband services of at least 25 Mbps downstream and 3 Mbps upstream. More details about the RDOF may be found [HERE>>>](#).

<https://www.fcc.gov/document/fcc-proposes-204-billion-rural-digital-opportunity-fund-0>

## US Department of Agriculture

As part of its mission to support the U.S. agriculture industry, the U.S. Department of Agriculture (USDA) offers a variety of programs targeting rural broadband. These programs are housed in the Rural Development division of USDA and include expansive loan and loan guarantee programs through the Rural Utilities Service (RUS), as well as a range of grant programs.

The Rural Broadband Access Loan and Loan Guarantee Program provides loans and loan guarantees and according to RUS, "provides funds for the costs of construction, improvement, or acquisition of facilities and equipment needed to provide service at the broadband lending speed in eligible rural areas." Both for-profit and non-profit entities can apply for these loans. Eligible organizations can include a:

- Corporation
- Limited liability company (LLC)
- Cooperative or mutual organization
- A state or local unit of government
- Indian tribe or tribal organization

More details about these loan programs may be found [HERE>>>](#).

<https://www.rd.usda.gov/programs-services/rural-broadband-access-loan-and-loan-guarantee>

## USDA Grant Programs

USDA also administers a variety of grant and grant/loan combination programs. The most recent is called the ReConnect Program. According to USDA's Rural Development (RD) division, "the Broadband ReConnect Program furnishes loans and grants to provide funds for the costs of construction, improvement, or acquisition of facilities and equipment needed to provide broadband service in eligible rural areas."

Congress allocated \$635 million for the initial ReConnect program with funding divided into three categories, including \$200 million in grants, \$200 million in loan and grant combinations, and \$200 million in low-interest loans. At the time of this paper's publishing, the USDA was evaluating 131 applications totaling \$1.157 billion in broadband investment for 100% Grant and Loan-Grant funding categories with two grant program applications receiving funding. According to RD, "funds will be awarded to projects that have financially sustainable business models that will bring high-speed broadband to rural homes, businesses, farms, ranches and community facilities, such as first responders, health care sites and schools."

Congress has already signaled it intends to do additional funding rounds for the ReConnect Program. More details on the program may be found [HERE>>>](#).  
<https://www.usda.gov/reconnect>

The USDA also provides grant funding through other programs including its Community Connects Grant program. This program specifically targets rural areas that lack any existing broadband speed of at least 10 Mbps downstream and 1 Mbps upstream. The most current USDA budget shows a Community Connects Grant budget of \$34 million for 2018 and \$30 million for 2019. Grant awards for the program are valued between \$100,000 and \$3 million, and matching funding of at least 15% from the applicant is required. More information about this program may be found [HERE>>>](#).  
<https://www.rd.usda.gov/programs-services/community-connect-grants>

There is potentially more rural broadband funding coming from the federal government. Perhaps a lot more. Both Congress and the Trump Administration have floated ideas for rural infrastructure funding that would include rural broadband. The Trump Administration has proposed a \$50 billion Rural Infrastructure Program, which would feature block grants

to states<sup>3</sup>. The current political climate in Washington has stalled this initiative, but it may gain some momentum in the future.

The **BroadbandUSA program**, which is a part of the Department of Commerce's National Telecommunications and Information Administration (NTIA) provides a great database of broadband-focused federal government programs and resources. Examples include the Appalachian Regional Commission and the Community Development Block Grant (CDBG) Program. The database can be found [HERE>>>](#).  
<https://www.broadbandusa.ntia.doc.gov/new-fund-search/>

## State Programs

Many states offer broadband funding programs of their own, independent of the federal government. In fact, many states have launched broadband agencies that are tasked with coordinating broadband efforts within the state. Some of these programs also offer funding.

A couple examples of states with active grant programs for several years are included below:

### Minnesota (Border to Border Broadband Development Grant Program)

<https://mn.gov/deed/programs-services/broadband/grant-program/>

The Border to Border Grant Program in Minnesota started in 2014. The program aims to stimulate the building of broadband infrastructure in unserved and underserved areas of the state. In 2019, the program allocated \$20 million for each of the next two years. The funding provides up to 50 percent of a project's infrastructure costs, with a maximum grant award of \$5 million.

The Border to Border Grant Program is one of the most successful broadband grant programs in the country. So much so that staff from the Finley's Minnesota broadband office have consulted with over 25 other states to help them with their proposed broadband grant programs and processes.

## Colorado (Department of Regulatory Agencies Broadband Fund)

<https://www.colorado.gov/dora-broadband-fund>

The DORA Broadband Fund in Colorado was authorized by the Colorado General Assembly in 2014 and first disbursed funds in 2016. The program aims to stimulate the building of broadband infrastructure in unserved and underserved areas of the state. Since 2016 the program has awarded \$19.6 million to 29 projects.

The Pew Charitable Trusts maintains a comprehensive database of statewide broadband activities, including both policy and funding initiatives. The database can be found [HERE>>>](https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2019/state-broadband-policy-explorer).

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## Summary

As policymakers continue to explore methods for conquering the digital divide, providing corresponding funding is key. A number of funding opportunities exist at both the federal

and state level. Some of these programs, such as USF/CAF, have a long and deep history but are seeing some changes.

The USDA is a great source of funding as well. Its recent ReConnect Loan and Grant program is just getting started and will more than likely be extended into future years. The federal government is exploring other rural infrastructure funding programs, but the current political climate in Washington may delay or curtail some of the bolder ideas.

When exploring rural broadband funding programs, don't forget about state programs as well. Finley Engineering can be of great assistance in helping clients secure rural broadband funding. We've helped secure tens of millions of dollars on our clients' behalf and look to continue to be a resource for service providers that want to build and operate rural broadband networks.

**For more information on this topic and other services, contact [Finley Engineering](mailto:finley@finleyusa.com) 800-225-9716 and ask for one of the following, or visit [FinleyUSA.com](http://FinleyUSA.com)**

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1. Congressional Research Service, Broadband Internet Access and the Digital Divide: Federal Assistance Programs

2. <https://www.telecompetitor.com/usda-accepting-community-connect-grant-applications/>, USDA Accepting Community Connect Grant Applications, Up to \$3M Each Available for Rural Broadband Projects,

3. Congressional Research Service, Broadband Internet Access and the Digital Divide: Federal Assistance programs