

New Broadband Funding Opportunity for Munis and Coops: FCC Rural Broadband Experiments

August 26, 2014

Overview

- First access to “high cost” FCC subsidies for entities who are not incumbent telcos
- Funding from unused subsidy funds-- \$100 million this year
- Eligible areas are rural and “unserved” (less than 3 mbps down/768 kbps up)
- Two-part application process
 - Bid by October 14
 - Financial and technical review for winners

What's Going On Here?

- Represents an effort to achieve more with less
- Recognizes that competition is one path to that
- Door opened to non-traditional providers, as means to competitive dynamic and cost-effectiveness through innovation, entrepreneurial approach

Goals

- To do more with less
- To bring competition into an inefficient funding program
- Assuming success and political will, opens the door to up to \$2 billion in annual funding

How It Works: 120 pmts

- High bandwidth
 - \$75M for 25/5
 - \$20M cap per project
- Lower bandwidth
 - \$15M for 10/1 service in high-cost areas
 - \$7.5M cap per project
- Extremely high
 - \$10M for 10/1 service in extremely high-cost areas
 - \$5M cap per project

Eligible Entities

FCC seeks wide range of participation, with no limitation

- Incumbents and competitive providers
- Coops
- Municipalities and tribes
- Partnerships

Following award, at least one involved entity will need to be Eligible Telecommunications Carrier (ETC) not necessary for bid

Funding Available

- Seeking bids below “cost model” based amounts
- What is the cost model?
- How can you determine at what level to bid based on the cost model?

Eligible Areas

- Unserved areas that lack access to 3 Mbps down/768 kbps up fixed broadband service
- Determined by census block
- Map of eligible census blocks is here:
<http://www.fcc.gov/maps/fcc-connect-america-fund-phase-ii-initial-eligible-areas-map>
- List of eligible census blocks is here:
<http://www.fcc.gov/encyclopedia/rural-broadband-experiments>

Technology choice: bias toward fiber

- Bandwidth
- Scalability
- Future proof
- But don't limit yourself if you are thinking of other technologies

Schedule

- **October 14:** Bidding deadline
- **October/November:** FCC will work with potential winners to verify capacity and capabilities
- **End of 2014:** Funding begins
- **Q1 2015:** Potential reopening of bidding process with larger pot of funds

Selection

- Bids will be ranked from most to least cost-effective w/in each funding category
- Most cost effective bids will win in each category until budget for category exhausted
- Winning bids will be made public (others remain confidential)
- Can submit multiple bids

Challenges

- Rewards cost-effectiveness and low-cost bidding
- Modest aggregate, per project, and per entity budgets
 - Hard to establish a new enterprise given fixed and start-up costs
- Note requirement to offer phone services (ETC)

Potential Scenarios

- Incremental expansion of existing enterprise
- Harder for new entrant, even with pole and ROW assets, utility operations
- Incremental expansion need not be geographically close, assuming middle mile assets
- May be optimal for partnerships between utilities in eligible areas and out-of-territory, experienced partners who can scale existing operations

Partnership Approaches

- Collaboration can enable scale
 - The funding opportunity rewards scale but does not enable it
 - Buying coops analagous to the G&T
- Partner with your counterparts and peers
 - Other municipal utilities
 - Electric and phone coops

A Few Cautions

- Be skeptical of rosy projections
- Be sure that risk as well as revenue are shared
- Be aware of dependencies and control
- Avoid snake oil (remember BPL?)

How to Bid

1. Fill out FCC Form 5610
2. File Form 5619 on FCC online auction system by 6pm ET October 14
3. Also submit proposal that identifies
 1. Census blocks you will serve
 2. Number of locations you will serve
 3. Category of funding
 4. Total funding request
 5. Services
 6. Technologies
 7. Lifeline and other discounts

Let us know if you have challenges with the online filing system. Our staff can do it for you.

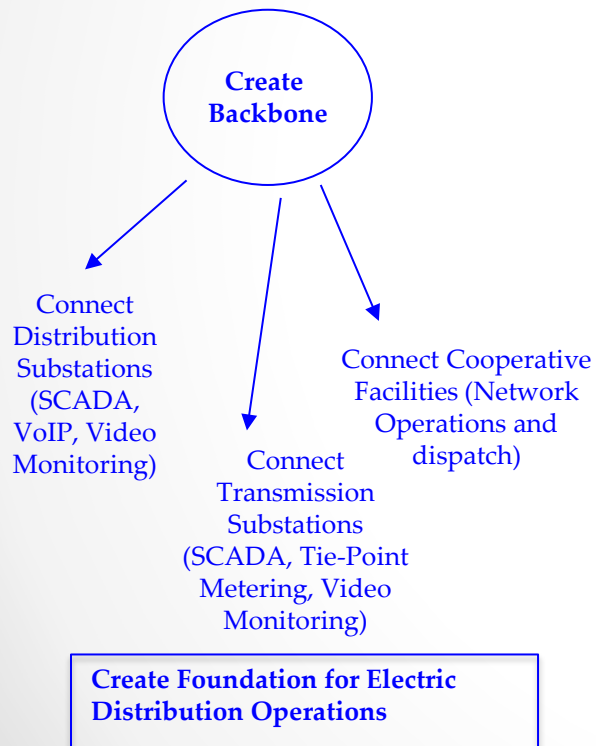
Recommended Analysis

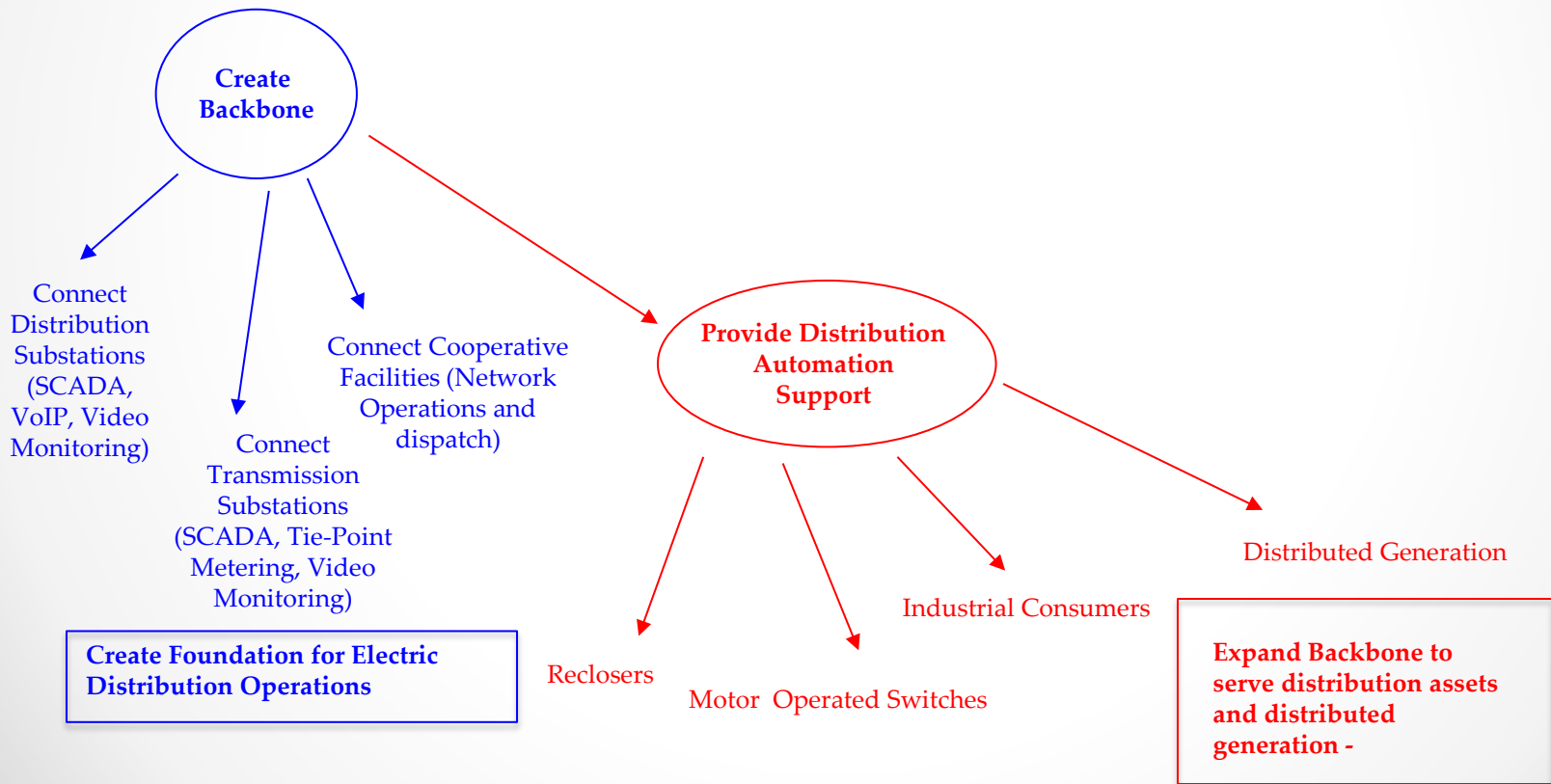
- If you are not already in the communications business, essential to assess feasibility in advance of this bid—hold off for next year if necessary
- Key is to understand cash flow over time (costs, including financing, and likely revenues) so as to determine how much federal support is necessary for cash flowing, stand-alone enterprise
- Low bids will win, but also expose you to great risk
- Reasonable cost estimation, market assessment, and financial analysis necessary in advance of bid

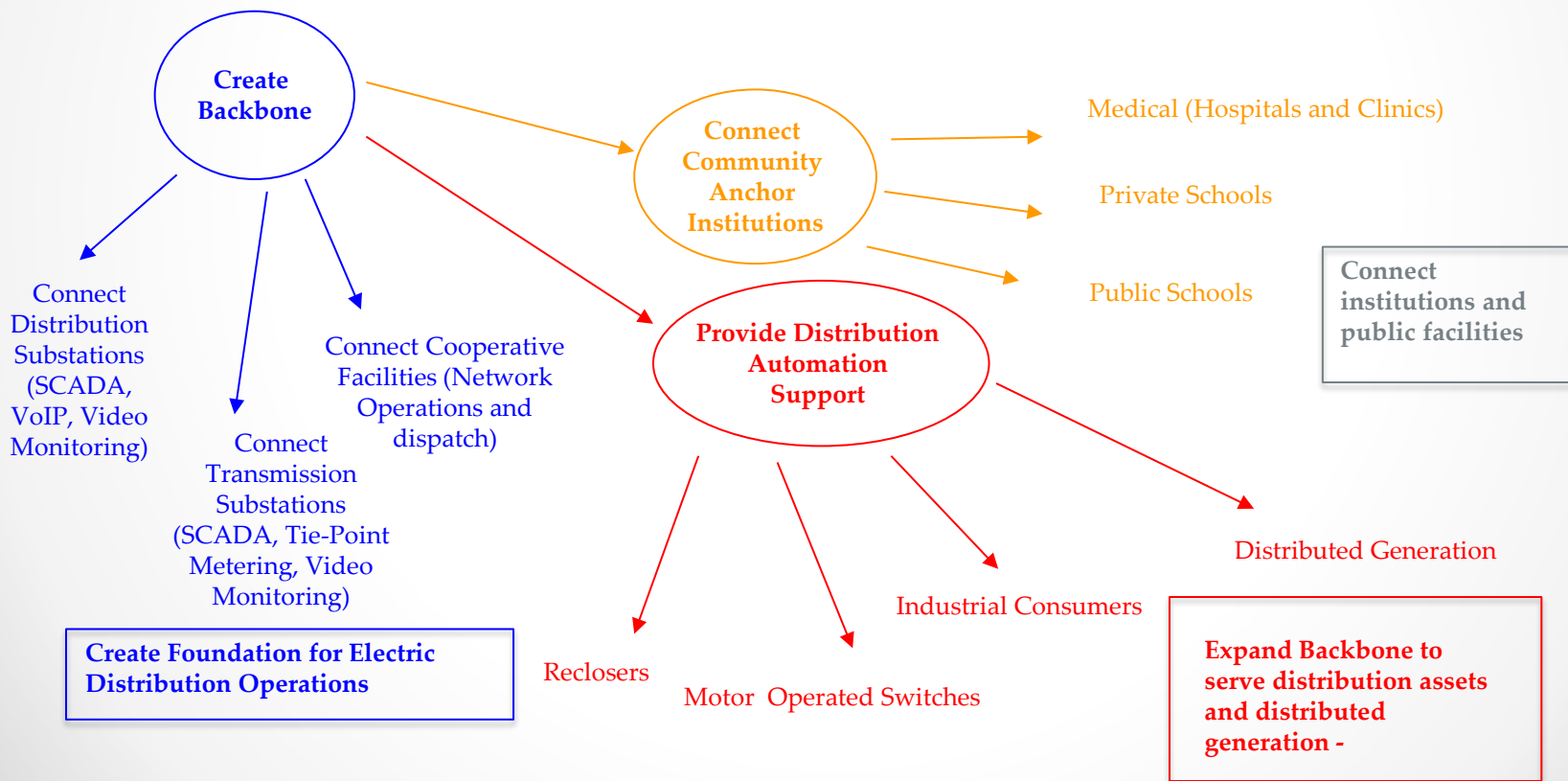
Funding Sources

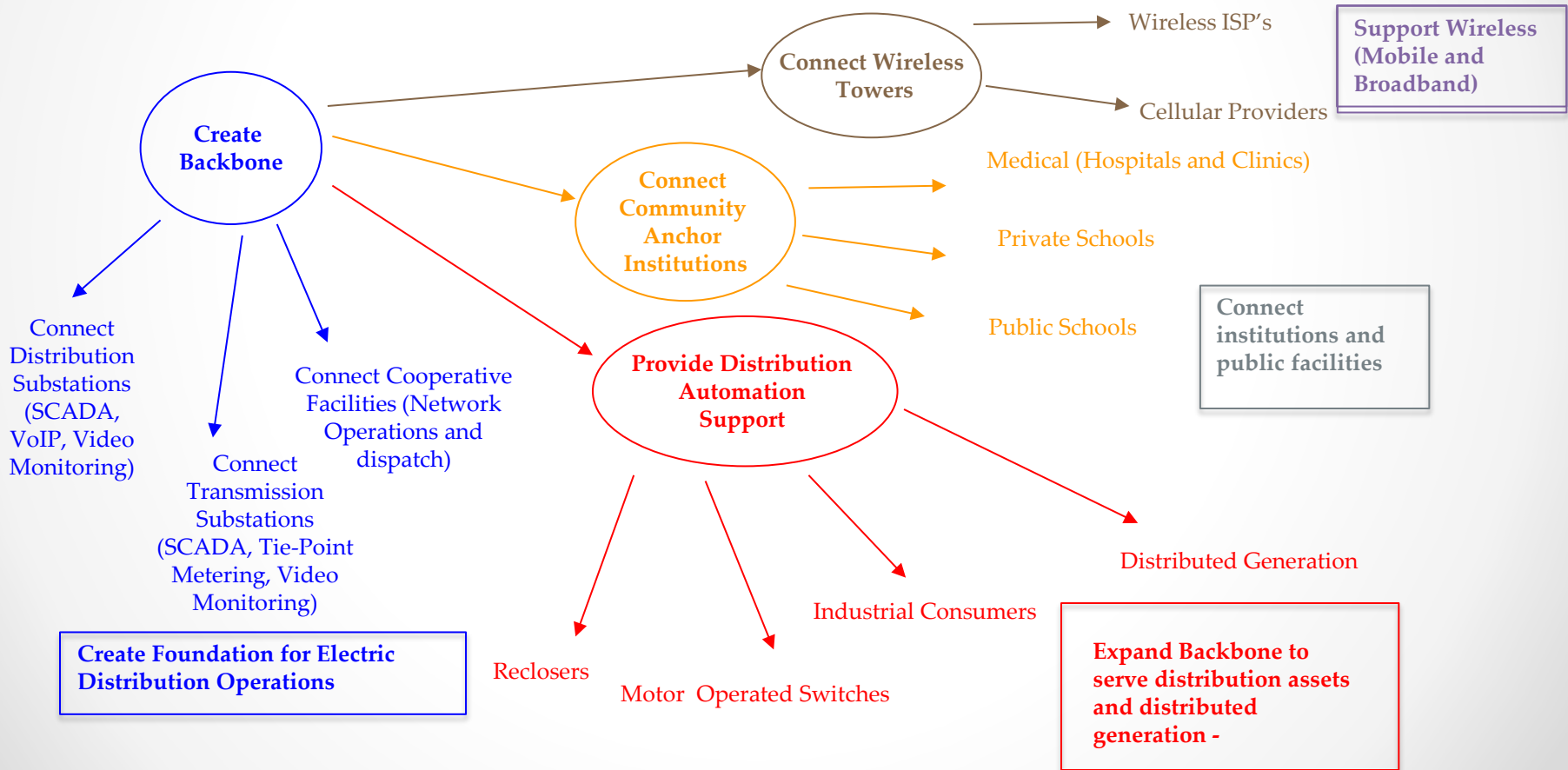
- Subscriber revenues
- Federal programs
 - Health connect
 - e-rate
- Grants
 - Capital
 - Ongoing O&M
- Bonding
- Internal loans
- Consumer payments
- Electric allocations
 - Capital
 - Ongoing O&M

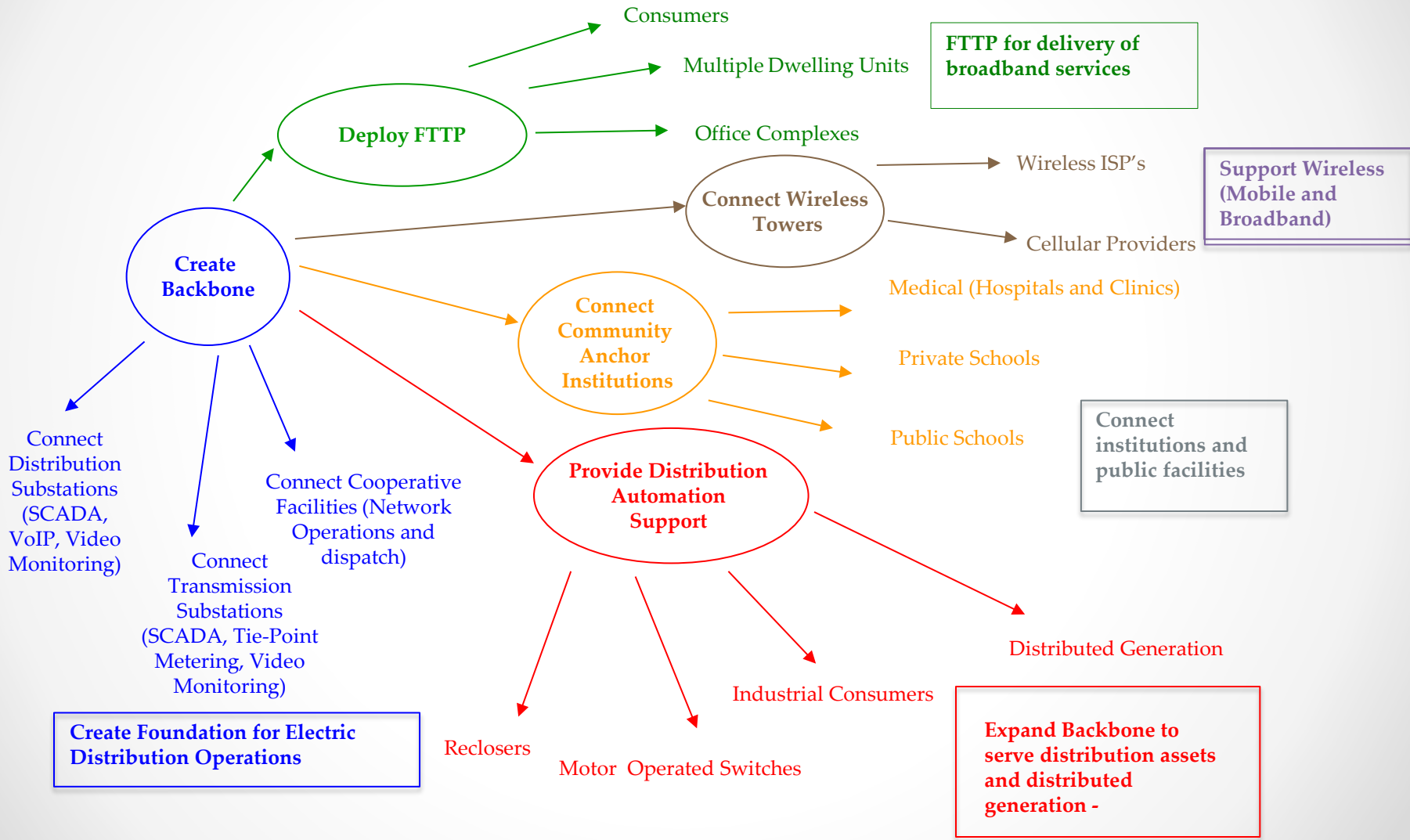
Fiber Deployment – Potential Phases











Joanne Hovis

- 410.980.8378
- jhovis@CTCnet.us
- Further resources:
www.CTCnet.us/library/