

**STATEMENT OF
COMMISSIONER MICHAEL O'RIELLY**

Re: *Rural Digital Opportunity Fund*, WC Docket No. 19-126; *Connect America Fund*, WC Docket No. 10-90.

I applaud the Chairman and staff for their extremely hard work in pushing forward with the Rural Digital Opportunity Fund (RDOF) auction. While there is a long road ahead, especially in terms of finalizing auction procedures, this Report and Order makes considerable progress in the effort to bring broadband to unserved Americans. And, to make clear at the outset, by limiting Phase I eligibility to those census blocks that have no broadband whatsoever and targeting those consumers truly deserving of FCC assistance, our action should not in any way trigger or exacerbate the rightful concerns raised over our broadband mapping procedures.

This item also attempts to correct errors of the past, including the decision to offer price cap carriers a right of first refusal to \$9 billion in Connect America Fund Phase II funding. That policy resulted in tremendously poor incentives for funding recipients and left millions of rural Americans without service. It is also no secret that I would have preferred to implement the Remote Areas Fund (RAF) auction at the outset. After all, it is easier to serve the less challenging areas once the more challenging areas have service, than vice versa.

Since we can't reverse the past, I am encouraged that the RDOF may very well bring service to those locations that otherwise would have comprised the RAF. The mechanism to incentivize bidding on areas entirely lacking 10/1 Mbps service should be helpful to that end, and I applaud the Chairman for including it in this item. According to our most recent Form 477 Data, which is profoundly underinclusive, approximately 8.4 million Americans, living in over 2.7 million census blocks, still don't even have access to 10/1 Mbps service, and I believe those consumers have waited long enough and deserve to be prioritized.

At the same time, I am hopeful that service to the RAF areas won't be undermined by various measures to prioritize fiber-based technologies. Don't get me wrong: fiber-based broadband is an incredible technology, and, in an ideal world, every American would have access to fiber-to-the-home or something even better. However, our funds are limited, and it's unfair to leave unserved areas in the dust in order to upgrade service in areas that already have broadband. I do worry that the decision to effectively end bidding after the budget clears could result in spending more than necessary on areas that are easier to serve and leave the harder to serve areas behind. I have observed that we tend to be somewhat erratic when it comes to trusting free market mechanisms and seem to embrace competitive forces unevenly. Given the success of our reverse auction mechanism in CAF II, I am hopeful that our intervention in the process won't prove detrimental to the overall program.

By tilting the scales against certain technologies, through both the increased latency penalty and the new bid assignment system, we should be concerned that these steps undermine the sound principle to operate in a technology neutral manner. I would have preferred to allow the private sector's engineers to prove what various technologies are capable of before indiscriminately confining certain providers to particular service tiers. I hope these decisions won't disrupt competition by unduly discouraging the participation of certain technology sectors.

Speaking of stretching scarce USF dollars as far as possible, I applaud the Chairman for rejecting demands from certain self-serving politicians to use RDOF funds to overbuild areas in the New NY Broadband Program, as well as other areas in New York subject to enforceable deployment obligations. While I never quite loved the decision to undermine inter-area competition in the CAF II auction by reserving special funding for New York, backtracking on our previous agreement and including funded areas in Phase I would have been beyond foolish and incredibly wasteful, and undermined longstanding Commission policy against awarding duplicative support in areas already served by an existing provider. Back in 2016, the governor of New York represented to this agency that allocating the full \$170 million

in CAF II support to the state broadband program would allow full broadband buildout throughout the Empire State, when combined with the state's own funding. The Commission granted that request even though much of the funding likely would have gone elsewhere, and been spent in a more efficient manner, in the absence of New York's special treatment. To now claim that New York is being shortchanged is completely ludicrous.

As further efforts to guard against waste, I also support the Chairman's decision to expand the scope of the Phase I challenge process, and to maintain the Letter of Credit obligation for auction winners. While I certainly want as much funding as possible to be spent on deployment, some of the potential bidders are in precarious financial situations, and it would be highly irresponsible to totally eliminate this important safeguard and put our precious funding at risk. At the same time, I recognize the interest in minimizing the requirement's impact on potential participation and buildout. While the final landing spot may not be ideal to everyone, it promotes these fundamental goals.

Despite some concerns, I am hopeful the decisions we make today result in a successful auction and look forward to further implementing the process in an expeditious manner. I approve.