

**STATEMENT OF  
CHAIRMAN AJIT PAI**

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

Last September, I visited the outskirts of Mandan, North Dakota—which is west of Bismarck—where BEK Communications was deploying fiber broadband as part of its Connect America Phase II auction deployment.

That afternoon, I met Jamie Wetsch, Erica Hagar, and Cullen Quill. Jamie and Erica had recently gotten high-speed Internet access; Cullen was getting access to gigabit fiber that very day. Jamie is a software engineer. He told me he's now able to work from home and spend more time with his family. Speaking of, he also said he no longer has to use the phrase “[Get] off the Internet, kids, we’re using it.” Erica is a self-made entrepreneur. She started an online infant-clothing store, Bison Booties, after her daughter was born. Now, she can finish orders and respond to customers more quickly, and otherwise grow her business. I asked Cullen how he was planning on using the new service. He said he'd never had a problem like that, but after thinking about it, he said he and his wife now wouldn't have to drive to Bismarck so their kids could upload their homework using a fast-food restaurant's Wi-Fi connection.

Stories like Jamie's, Erica's, and Cullen's illustrate how broadband access can improve the lives of American families and the strength of America's rural communities. And they explain why closing the digital divide is my top priority as Chairman. Millions of rural Americans like these three North Dakotans want to participate in the digital economy.

Over the last three years, we've done a lot to make that happen, and the evidence is clear that that we're making incredible strides toward that goal. Through 2018's successful Connect America Phase II auction, we are supporting the deployment of broadband networks to more than 713,000 unserved rural homes and businesses. And through other Universal Service Fund reforms, small, rural telephone companies in the rate-of-return program have committed to serving 25/3 Mbps broadband to more than 940,000 locations in their service areas. These steps, together with our efforts over the last three years to remove unnecessary barriers to broadband deployment and modernize our regulations, are helping to rapidly close the digital divide. In the first two years of this Administration, the number of Americans lacking access to 25/3 Mbps broadband fell by 30%, and the number of Americans lacking access to 250/25 Mbps broadband plummeted nearly 75%. Fiber was deployed to a record 7.2 million new homes in 2019, smashing 2018's then-record of 5.9 million homes.

But there's more to do. FCC data show there are still millions of American homes and businesses in rural areas completely lacking broadband at the 25/3 Mbps standard. Many of these locations can't even get a 10/1 Mbps connection, and right now there simply is no business case for deploying broadband there. This means that millions of Americans can't start a business, advance their children's and their own education, use precision agriculture, access telemedicine, or benefit from the digital economy. This demands the Commission take immediate, concrete action.

And today, we proceed to do just that with our boldest step yet to ensure that digital opportunity reaches all Americans, no matter where they live: the Rural Digital Opportunity Fund, a \$20 billion initiative that targets \$16 billion in just the first phase for deploying up to gigabit speed broadband to as many as six million American homes and businesses we already know are unserved.

The Rural Digital Opportunity Fund is building on the success of the Connect America Phase II auction. For instance, we're going to use a reverse auction format that will rely on market forces to direct subsidies to the provider willing to build the fastest network at the lowest cost.

But we're also making some significant changes to our CAF II approach—changes that will mean better networks covering more Americans. We're more than doubling the minimum speeds that the auction will support from 10/1 Mbps in CAF II to 25/3 Mbps. We're increasing the weights on bids to favor higher speeds and lower latency. We'll assign support to the bidder offering the best combination

of speed and latency, once the combined price of bids in each area in the auction falls below the available budget.

We're also making changes that will help ensure maximum participation—and therefore maximum broadband deployment—in the auction. In response to concerns about the financial strain some carriers might face, we're changing the letter of credit requirement to reduce costs to carriers by up to 80% in a given year from those initially proposed—while still protecting these scarce federal funds. At the same time, we're giving bidders an all-new incentive to deploy their networks more quickly than ever. This will ensure that more carriers can participate in the auction while both safeguarding taxpayer funds and getting rural Americans connected as soon as possible.

And those aren't the only improvements. We're including in the auction many areas that were previously excluded from some of our rural broadband programs but where market forces alone still have not brought about broadband deployment. We're increasing support to bidders serving Tribal lands, where deployment is often especially challenging. And we're adding a new, intermediate speed tier of 50/5 Mbps to the auction that will give bidders greater flexibility to design networks and use technologies that make sense for the area where they're bidding.

Together, these changes mean that we're more likely to have greater eligibility for rural areas to get funding through the auction; stronger participation among bidders in the auction; faster, future-proofed networks that will support not only today's Internet applications, but tomorrow's, too; and better (and quicker) bang for the buck. In other words, better, faster, cheaper broadband for more Americans.

Indeed, our approach has won widespread support from those representing rural America, from the National Grange to the Rural & Agricultural Council of America, from the National Association of Wheat Growers to the U.S. Cattlemen's Association, from Republican North Dakota Governor Doug Burgum to Democratic Kansas Governor Laura Kelly, from Congressman Bill Johnson to Congressman Tim Walberg. I could go on, but you get the point. Those who know rural America best support the Rural Digital Opportunity Fund.

We also know there are Americans living in areas where some, but not all, homes have service. How do we determine who those Americans are and where they live? Well, last August, the FCC adopted the Digital Opportunity Data Collection, a fresh new look at broadband mapping that will collect granular, precise, and crowdsourced broadband coverage data so that we can target support to those Americans in partially served areas in Phase II of the Rural Digital Opportunity Fund. Today, we allocate \$4.4 billion to Phase II, plus any of the Phase I budget that remains after competitive bidding drives down costs, to target those additional homes and businesses. Now, we recognize that once we know precisely how large this part of the job is, we may need to revisit the Phase II budget. But none of these questions—who is in Phase II or how much it'll cost to serve them—undercuts our obligation to ensure that the millions of Americans who we *know* are completely unserved have access to broadband as soon as possible through Phase I.

While the details may be complicated, our goal here is pretty simple: We want every rural American who for too long has been on the wrong side of the digital divide to benefit from broadband, as Jamie Wetsch, Erica Hagar, and Cullen Quill have. I believe the Rural Digital Opportunity Fund will permanently change the broadband landscape in America for the better. I can't wait to see the auction begin later this year and see its impact on the digital divide.

I would like to thank the many dedicated staffers who contributed to this item, including Talmage Cox, Ian Forbes, Lauren Garry, Trent Harkrader, Jesse Jachman, Katie King, Heidi Lankau, Sue McNeil, Alex Minard, Kris Monteith, and Ryan Palmer from the Wireline Competition Bureau; Kirk Burgee, Nathan Eagan, Michael Janson, and Jonathan McCormack from the Rural Broadband Auctions Task Force; Valerie Barrish, Jonathan Campbell, Audra Hale-Maddox, Eliot Maenner, Kate Matraves, Giulia McHenry, Murtaza Nasafi, Jeffrey Prince, Kelly Quinn, Steve Rosenberg, Patrick Sun, and Margy Wiener from the Office of Economics and Analytics; and Malena Barzilai, Neil Dellar, Tom Driscoll, Richard Mallen, and Linda Oliver from the Office of General Counsel.