In the Matter of

Connect America Fund: A National Broadband Plan for Our Future High-Cost Universal Service Support

ETC Annual Reports and Certifications

Telecommunications Carriers Eligible to Receive Universal Service Support

Connect America Fund – Alaska Plan

Expanding Broadband Service Through the ACAM Program

ORDER

Adopted: August 30, 2023
Released: August 30, 2023

By the Chief, Wireline Competition Bureau:

I. INTRODUCTION

1. On July 23, 2023, the Commission adopted the Enhanced A-CAM Order, establishing the Enhanced Alternative Connect America Cost Model (A-CAM) program as a voluntary path for supporting 100/20 Mbps broadband deployment throughout the rural areas served by carriers currently receiving A-CAM support and in areas served by legacy rate-of-return support recipients. In that Order, the Commission adopted requirements to ensure that the Enhanced A-CAM program would complement existing federal, state, and local funding programs so that broadband funding can be used efficiently to maximize the deployment of high-quality broadband service across the United States.

2. In this Order, we act on the delegated authority set forth in the Enhanced A-CAM Order to establish: (1) the specific parameters for determining Enhanced A-CAM support offers; (2) a methodology for adjusting support when updated deployment obligations increase or reduce the number of locations a carrier is obligated to deploy to; and (3) further details regarding Enhanced A-CAM carriers’ performance measures testing requirements.

II. BACKGROUND

3. Beginning with the 2016 Rate-of-Return Reform Order, the Commission provided rate-of-return carriers a voluntary path from traditional rate-of-return support, based on the carrier’s costs, to

1 See generally Connect America Fund; ETC Annual Reports and Certifications; Telecommunications Carriers Eligible to Receive Universal Service Support; Connect America fund – Alaska Plan; Expanding Broadband Service Through the ACAM Program, WC Docket Nos. 10-90, 14-58, 09-197, and 16-271; RM-1168, Report and Order, Notice of Proposed Rulemaking, and Notice of Inquiry, FCC 23-60 (July 24, 2023) (Enhanced A-CAM Order).

2 See id.
model-based high-cost universal service support (A-CAM I) tailored to reflect the specific characteristics of rate-of-return areas. The A-CAM model was used to establish fixed monthly support amounts over a 10-year term in exchange for broadband deployment to a pre-determined number of eligible locations. The Commission directed the Bureau to calculate support as model-estimated costs for eligible census blocks in excess of the funding threshold of $52.50 per location per month up to a cap of $200, subject to a budget set by the Commission. Carriers were obligated to deploy broadband at speeds of at least 25/3 Mbps or 10/1 Mbps to a number of locations equal to the number of fully funded locations (i.e., locations in eligible census blocks which the model determined could be served for costs at or below the funding cap), and at least 4/1 Mbps or service on reasonable request to a number of locations equal to the number of capped locations (i.e., locations in eligible census blocks which the model determined could be served for costs above the funding cap). Carriers that elected A-CAM I were required to elect for all affiliated study areas in the state.

4. In the December 2018 Rate-of-Return Reform Order, the Commission adopted an additional offer for carriers that had previously elected A-CAM Revised A-CAM I increasing the funding cap to $200 per location per month for all electing carriers and extending the term of support by two years, through 2028, in exchange for increased 25/3 Mbps deployment obligations. In the same Order, the Commission also adopted a new model offer (A-CAM II) for carriers still receiving support pursuant to legacy support mechanisms based on historical costs, including carriers not previously eligible for A-CAM I. Consistent with Revised A-CAM I, the Commission set the per-location cap for A-CAM II at $200.

5. With the Enhanced A-CAM Order, the Commission extended the A-CAM program by 10 years for a total of 15 years, for electing carriers, to promote the widespread deployment of 100/20 Mbps broadband across areas served by A-CAM recipients and rate-of-return carriers eligible to receive legacy support. Using an updated version of the A-CAM, the Commission set a potential budget of no more

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4 Id. The Commission noted that it expected that it would conduct a rulemaking to determine support after the end of the term during year eight of the term, which is 2024. Id. at 3097, para. 22.

5 Id. at 3102, para. 37. The $52.50 funding threshold is based on the Bureau’s prior estimate of the reasonable amount of monthly end-user revenues. See CAM Inputs Order, 29 FCC Rcd at 4035-41, paras. 170-82. In the December 2016 A-CAM Revised Offer Order, faced with the substantial carrier interest in the offer and demand beyond the Commission-approved budget, the Commission allocated an additional $50 million annually to the A-CAM budget and adopted other measures to ensure that the model-based support stayed within the revised budget, including a reduced funding cap below $200 per location for most carriers. See Connect America Fund, WC Docket No. 10-90, Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 13775, 13776-80, paras. 5-16 (2016) (A-CAM Revised Offer Order and/or FNPRM). Carriers whose original A-CAM offer was less than the amount of legacy support they received in 2015 (“glide path carriers”) retained a $200 per location per month funding cap, while other carriers received revised offers with funding caps that varied based on the percentage of locations lacking 10/1 Mbps service, up to $146.10 per location. Id.

6 2016 Rate-of-Return Reform Order, 31 FCC Rcd at 3113, para. 65.


8 December 2018 Rate-of-Return Reform Order, 33 FCC Rcd at 11903-15, paras. 31-69.

9 Id. at 11904-05, para. 37.

10 See Enhanced A-CAM Order at 9, para. 19.
than $1.27 billion annually but delegated to the Wireline Competition Bureau (Bureau) “the ability to increase the budget up to an additional $1 billion over the term of support,” or up to $1.33 billion annually, “if it finds doing so will improve significantly the amount of deployment that would be expected to occur through Enhanced A-CAM.”

The Commission also permitted the Bureau to reserve a portion of such an increase in the Enhanced A-CAM budget to provide additional support in situations where updates to the National Broadband Map increase the number of locations to which an Enhanced A-CAM carrier must deploy. Likewise, while outlining the overall methodology for determining support offers in the Enhanced A-CAM Order, the Commission delegated to the Bureau the “authority to set, in an Order prior to or concurrently with the Enhanced A-CAM offers, both the funding cap and an alternative funding percentage within the guidelines set below”—i.e., a funding cap for non-Tribal areas that is no higher than $350 per location per month and an alternative funding percentage between 40% and 80%.

6. The Commission defined the locations to which Enhanced A-CAM carriers must deploy 100/20 Mbps or faster broadband as “those locations for which voice and terrestrial broadband services of speeds 100/20 Mbps or faster are not yet available or lack an enforceable commitment for deployment”—in other words, the “Enhanced A-CAM required locations.” The Commission instructed the Bureau “to determine the exact set of locations that must be served based on the Fabric, the Broadband Data Collection, and further deduplication of enforceable commitments” and explained that “the Bureau may make adjustments, by no later than the end of 2025, to identify: (1) locations in the Fabric when the Bureau sets final obligations; (2) locations that were already served by an unsubsidized competitor at the time the offer was made but this competitive service was not reflected in the Broadband Data Collection; and (3) locations that were subject to an enforceable commitment for the deployment of broadband of 100/20 Mbps or greater at the time the offer was made.”

7. Enhanced A-CAM carriers must complete deployment by 2028, with an additional 12 months to come into compliance for the final deployment milestone, unless the Bureau acts on authority delegated by the Commission in the Enhanced A-CAM Order to provide a one-year extension in light of any BEAD Program delays. As required of other high-cost universal service recipients, Enhanced A-CAM carriers must report their deployment progress in the Universal Service Administrative Company (USAC)’s High Cost Universal Broadband (HUBB) portal, and the Commission directed the Bureau “to establish a process for cross-checking location data Enhanced A-CAM carriers report to the HUBB with location data from the Fabric and the National Broadband Map.”

11 Enhanced A-CAM Order at 27, para. 60. The Commission explained that the Bureau may, for example, “increase the funding cap . . . to permit an extra $1 billion in the offer amounts, if it estimates that doing so would result in more acceptances of Enhanced A-CAM offers and, accordingly, more commitments to deploy 100/20 Mbps or faster service to locations currently without that level of service.” Id. at 28, para. 64.

12 Id. at 28, para. 64.

13 Id. at 31, para. 72 & n.206 (“If feasible within the budget adopted herein, we direct the Bureau to set a non-Tribal funding cap not higher than $350 per location per month.”).

14 Id. at 18, para. 37. “In the context of Enhanced A-CAM,” the Commission explained, “an ‘enforceable commitment’ exists where a carrier commits to deploying broadband service as a condition of any federal or state grants or other funding.” Id. at n.131.

15 Id. at 16, para. 34. The Commission “direct[ed] the Bureau and Office of Economics and Analytics to adjust carriers’ lists of required deployment locations as more complete data become available,” as well as “to conduct a process, as necessary, to identify enforceable commitments not reflected in the National Broadband Funding Map.” Id. at 21, para. 43.

16 See id. at 22, para. 46. See also 47 CFR § 54.320(d)(2) (providing carriers an additional 12 months to come into compliance for their final milestones).

17 Enhanced A-CAM Order at 23 n.158.
8. Additionally, the Commission delegated to the Bureau the authority to implement the performance measures testing regime as it relates to Enhanced A-CAM carriers, a requirement that Enhanced A-CAM carriers participate in and certify regarding their participation in the Affordable Connectivity Program (ACP), and “the process for carriers to elect to receive Enhanced A-CAM support, consistent with the same procedures the Commission adopted for carriers electing to receive A-CAM II support.”

III. DISCUSSION

A. Support Parameters

9. We act on the authority the Commission delegated to the Bureau to set the specific funding cap of $350 per location per month and alternative funding percentage of 80% of the difference between the model-estimated cost of serving locations and the funding threshold, and we set 60% as the percentage of existing A-CAM support that an Enhanced A-CAM carrier will receive for locations where the carrier (i.e., the incumbent local exchange carrier or ILEC), but not an unsubsidized competitor, was already serving 100/20 Mbps or faster broadband service.

10. In the Enhanced A-CAM Order, the Commission established that support amounts for required locations in carriers’ offers “will be based on the greater of two alternative methodologies: (1) the model-estimated cost of serving the locations above the funding threshold up to a funding cap, or (2) an alternative percentage of the difference between the model-estimated cost of serving the locations and the funding threshold (i.e., the uncapped support amount).” Previously, the Commission only used the first of these two methodologies to determine A-CAM offers. Using the latter methodology for Enhanced A-CAM effectively provides additional support for those locations with estimated costs exceeding the funding cap, which the Commission found appropriate in light of carriers’ obligation to deploy at least 100/20 Mbps broadband to all of their required locations.

11. Noting that the Commission is unable to determine funding caps or funding percentages that would produce support amounts within the budget adopted in the Enhanced A-CAM Order until updated model results are available, the Commission “direct[ed] to the Bureau to aim for a funding cap for non-Tribal areas that is no higher than $300 per location per month, with an alternative funding percentage between 40% and 80%.” The Commission further directed the Bureau to “balance the need to ensure adequate funding for as many locations as possible, while also taking into account the cost of serving extremely high-cost locations, and also fitting within the budget support for locations that are currently served, as discussed below.”

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18 See Enhanced A-CAM Order at 24, para. 51. In addition to potential withholding measures associated with carriers’ failure to meet their deployment obligations or the performance measures requirements, in situations where “an Enhanced A-CAM carrier does not have in place operational cybersecurity and supply chain risk management plans meeting the Commission’s requirements,” the Commission “direct[ed] the Bureau to withhold 25% of the Enhanced A-CAM carrier’s support until the Enhanced A-CAM carrier is able to come into compliance.” Id. at 49, para. 112.

19 See id. at 26, para. 57.

20 Id. at 42, para. 98.

21 See id. at 31, para. 72.

22 Id. at 30, para. 71.

23 Id.

24 Id. at 31, para. 72. Although the Bureau is directed “to aim for a funding cap for non-Tribal areas that is no higher than $300 per location per month,” id., the Commission set $350 as the upper limit for this funding cap. See id. at 31, n.206.

25 Id.
12. For such locations currently served with 100/20 Mbps or faster broadband by the ILEC but not by an unsubsidized competitor, i.e., existing ILEC-only served locations, the Commission decided that the carrier would receive at least 50% of the current A-CAM support associated with those locations. The Commission “delegate[d] to the Bureau the authority to determine whether support for these locations should be increased above the 50% rate, within the overall budget set by the Commission, up to 75% of the support they would have received under A-CAM I or A-CAM II.” For locations that are currently served by the ILEC with 100/20 Mbps or faster broadband service but “either (1) are served by an unsubsidized competitor with [such service] or (2) will be served by another provider subject to an enforceable commitment for deployment pursuant to another federal or state program at the time the Enhanced A-CAM offer is extended,” the Enhanced A-CAM carrier would receive a lesser amount of support—33% of the existing A-CAM support associated with those locations, per month. Loans and grants that an ILEC receives for providing broadband to locations that only it serves with 100/20 Mbps or faster broadband will not affect ILEC Enhanced A-CAM support. As such, under Enhanced A-CAM, an ILEC would receive 60% of the current A-CAM support associated with existing ILEC-only served locations, even if the ILEC receives a loan or a grant to serve 100/20 Mbps or faster broadband to those locations. For locations served by neither an ILEC nor another provider, loans, but not grants, to an ILEC are complementary rather than duplicative; as the Commission found in the Enhanced A-CAM Order, “an ‘enforceable commitment’ exists where a carrier commits to deploying broadband service as a condition of any federal or state grants or other funding.”

13. We find that the funding cap of $350 per location per month and alternative funding percentage of 80%, in combination with a 60% rate of support for ILEC-only served locations, strikes an appropriate balance, producing offers that we anticipate carriers to elect, within the budget limits set by the Commission in the Enhanced A-CAM Order. These support parameters maximize the amount of Enhanced A-CAM support we are able to offer, with support totaling $1.24 billion, just below the $1.27 billion per year budget adopted by the Commission, while allowing the remainder of the budget to be available for additional support in situations where updates to the National Broadband Map increase the

26 Id. at 31-32, para 74.
27 Id.
28 Id. at 32-33, para. 75.
29 Id. at 31-32, para. 74.
30 Id. at 18 n.131. WTA argues that “Rural Utilities Service (‘RUS’) ReConnect grants should be deemed to be complementary to, rather than duplicative of, E-ACAM support because they are intended to deploy high-speed broadband in the most remote and very high-cost portions of the United States – that is, areas likely to otherwise remain unserved without both ReConnect funding and federal high-cost support.” Letter from Derrick B. Owens, Senior Vice President, and Gerard J. Duffy, Regulatory Counsel, WTA, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 et al., at 1 (filed August 21, 2023). The Commission explicitly found that federal and state grants constitute a binding federal commitment. Enhanced A-CAM Order at 18 n.131. However, in the context of calculating support associated with existing ILEC-only served locations, we agree that such grants are not duplicative of Enhanced A-CAM support, as discussed above. For those locations, the Commission “recognize[d] that consumers at locations served with 100/20 Mbps or faster service by the ILEC only and not by an unsubsidized competitor will remain dependent on the Enhanced A-CAM carrier to maintain at least their current level of service. Those carriers will therefore continue to experience ongoing operational and depreciation costs associated with these already-constructed locations.” Id. at 31-32, para. 74.
31 See Letter from Michael Romano, Executive Vice President, NTCA–The Rural Broadband Association, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 et al., at 4 (filed Aug. 18, 2023) (“To the extent the Commission were to increase the percentage of support for currently served locations from 50% closer to or at the 75% level, this would help to assuage such concerns and should promote adoption of enhanced A-CAM – thereby increasing the amount of deployment that the program would facilitate.”).
32 See Enhanced A-CAM Order at 31-32, paras. 72, 74 & n.206.
number of locations to which Enhanced A-CAM carriers must deploy. Other combinations of these parameters produce support offers that either fall outside the established budget limits or are less likely to present offers attractive enough for a critical mass of carriers to accept. To ensure that there is adequate additional funding for carriers subject to location adjustments, thereby decreasing the risk of future pitfalls for carriers electing Enhanced A-CAM, we also act on our delegated authority to increase the overall Enhanced A-CAM budget to $1.33 billion per year.

B. Updating Support Amounts

14. In the Enhanced A-CAM Order, the Commission directed the Bureau to make adjustments, no later than the end of 2025, to ensure that Enhanced A-CAM carriers’ deployment obligations properly reflect broadband serviceable locations identified by the Fabric, locations that were already served by an unsubsidized competitor at the time of the offers but were not yet reflected in the Broadband Data Collection, and locations that were subject to an enforceable commitment to deploy 100/20 Mbps or faster broadband service at the time of the offers. The Commission further “direct[ed] the Bureau to provide . . . a methodology to gradually reduce support where the number of locations to which a carrier is obligated to deploy is less than 95% but greater than 85% of the obligated locations in the authorization. The methodology should balance the need to avoid wasteful spending on locations to which it is no longer necessary to obligate deployment with the need to avoid creating inappropriate disincentives for carriers to accurately report location data in a timely fashion.” To prevent carriers from taking advantage of any material errors or deficiencies in the Fabric, the National Broadband Map, or the Broadband Funding Map, if location adjustments cause the number of locations to which an Enhanced A-CAM carrier is obligated to deploy to decrease beyond 85% of the obligated locations in the authorization, the carrier’s support would be entirely recalculated.

15. The Commission also noted the potential for an increase in support in the opposite situation, i.e., that carriers’ support may increase when updated deployment obligations increase the number of locations to which the carrier must deploy; however, such an increase in support “will be provided only to the extent that it would not cause the Enhanced A-CAM program to exceed the budget set forth” in the Enhanced A-CAM Order. The Commission delegated to the Bureau the “authority to reserve some or all of the extra $1 billion provided in the budget . . . to address increased deployment obligations” but also explained that it is likely that at least some of the budgeted Enhanced A-CAM funds would not ultimately be allocated.

16. Consistent with the Commission’s direction, we establish a methodology for gradually reducing support in situations where, after final location adjustments occur, an Enhanced A-CAM carrier’s required number of locations is less than 95% but greater than 85% of the number of locations to

33 See Letter from Genevieve Morelli, ACAM Broadband Coalition, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 et al., at 1 (filed Aug. 18, 2023) (“We urge the Bureau to exercise its discretion to utilize the entirety of the $1.33 billion annual budget authorized by the Commission for the Enhanced ACAM program.”).

34 See Enhanced A-CAM Order at 28, para. 64 (“[T]he $1 billion or a portion thereof may be reserved to provide additional support if warranted if updates to the National Broadband Map result in increased deployment obligations[.]”).

35 See id. at 16, 21, paras. 34, 43.

36 Id. at 34, para. 77.

37 See id.

38 See id. at 34, para. 78.

39 Id. In this Order, we only adopt a methodology for adjusting support in cases where final adjustments produce location counts that are less than carriers’ location counts in their initial Enhanced A-CAM offers.

40 See id. at 34, para. 77.
which they were initially obligated and authorized to deploy under Enhanced A-CAM. In such situations, we will recalculate the amount of support associated with the decreased number of locations, and where the support amount decreases by more than 5%, the carrier’s Enhanced A-CAM support will gradually, over a period of two years, decrease to the recalculated amount, trued-up such that the total amount of support the carrier would be receiving over the Enhanced A-CAM term reflects the final adjusted set of locations. Restated, the carrier’s monthly support level will step down once before stepping down to the carrier’s final monthly support level, which the carrier will then receive until the end of its Enhanced A-CAM support term. Once the Bureau has completed the location and support adjustments, it will determine how to distribute available support to those whose location build out obligations have increased.

C. Performance Measures

17. We also act on our delegated authority “to implement and clarify further details, including the specific schedule regarding the performance measures testing regime for Enhanced A-CAM.” First, we establish January 1, 2026 as the start date for Enhanced A-CAM carriers’ “pre-testing” period, in which carriers must test the speed and latency of their networks quarterly for a week-long period and submit the results within one week of the end of each quarter of pre-testing, and January 1, 2027 as the start date for Enhanced A-CAM performance testing, after which carriers may be subject to the performance measures non-compliance rules. Second, we clarify that Enhanced A-CAM carriers’ test locations will include all locations to which they have deployed or will deploy 100/20 Mbps or faster broadband service within their Enhanced A-CAM service areas—not just the locations to which they must newly deploy 100/20 Mbps or faster broadband service, i.e., Enhanced A-CAM required locations.

IV. ORDERING CLAUSE

18. Accordingly, IT IS ORDERED that, pursuant to sections 1, 4(i), 5(c), 201(b), 214, and 254 of the Communications Act of 1934, as amended, and section 706 of the Telecommunications Act of 1996, 47 U.S.C. §§ 151, 154(i), 155(c), 201(b), 214, 254, 1302, sections 0.91 and 0.291 of the Commission’s rules, 47 CFR §§ 0.91, 0.291, and the delegations of authority in paragraphs 51, 60, 64, 72, 74, and 77 of the Enhanced A-CAM Order, FCC 23-60, this Order IS ADOPTED and SHALL BE EFFECTIVE upon release.

FEDERAL COMMUNICATIONS COMMISSION

Trent Harkrader
Chief
Wireline Competition Bureau

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41 Enhanced A-CAM Order at 24, para. 51.


43 See id. at 10133-38, paras. 65-75.

44 Enhanced A-CAM carriers should report to the HUBB any locations to which they have deployed 100/20 Mbps or faster broadband, including locations where they were serving 100/20 Mbps or faster broadband prior to receiving the Enhanced A-CAM offers.