



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF THE
CHAIRWOMAN

June 26, 2023

The Honorable Cindy Hyde-Smith
United States Senate
702 Hart Senate Office Building
Washington, DC 20510

Dear Senator Hyde-Smith:

Thank you for your letter regarding the implementation of the Rural Digital Opportunity Fund (RDOF) auction at the Federal Communications Commission. As you note, the RDOF is designed to bring broadband to unserved rural communities across the country, which is essential for full participation in modern life. High-speed internet access is no longer just a nice-to-have; it is need-to-have for everyone, everywhere.

The RDOF auction began on October 29, 2020 and concluded on November 25, 2020. A total of 180 bidders were preliminarily awarded funding in the auction to deploy high-speed broadband. After these winning bidders were announced, they were given the opportunity to divide their bids among approved providers, allowing bidding consortia to distribute winning bids among their members. As a result, 417 providers ultimately filed long-form applications with the Commission. To date, the RDOF program has authorized over \$6 billion in funding to bring primarily gigabit broadband service to over 3.4 million locations in 47 states. With support from this program, hundreds of carriers have already begun deploying these future-proof networks to connect unserved areas.

In implementing the RDOF during my time as Chairwoman, the FCC has taken a number of steps to carefully protect Universal Service funds. This includes sending letters to 197 RDOF applicants where data suggested certain locations they won in the 2020 auction were already served by an existing carrier or were locations like a traffic median or a parking lot that never should have been included in the auction in the first place. As a result of this effort, nearly 5,000 census blocks were removed from the program, allowing us to focus our limited funds on the areas that need it. The agency also has subjected each preliminary winner to a careful technical, financial, and legal review. Furthermore, we have terminated awards where applicants failed to diligently pursue the legal prerequisites for service, including authorization for eligible telecommunications carrier status before state authorities.

In addition, we established the Rural Broadband Accountability Plan (RBAP), a new effort to monitor and ensure compliance for universal service high-cost programs including the RDOF and Connect America Fund Phase II Auction. The RBAP made a number of changes and enhancements to existing audit and verification procedures, including doubling the number

of audits and verifications, conducting the first on-site audits for the programs, and focusing audits and verifications on the largest winning bidders. The new plan seeks to ensure these dollars are properly invested and produce new broadband services in these areas.

With respect to the suggestion that Commission could make supplemental funding available from the projected initial amount budgeted for the RDOF auction, it is important to understand that when the Commission establishes spending requirements or sets a budget for a particular model-based high-cost program, the total amount in the budget is not collected from contributors and then stored in reserve waiting for the moment of distribution. Instead, the contributions required are calculated quarterly based on the ratio of program demand to projected interstate telecommunications revenues. Thus, the contribution factor changes based on both projected revenues and the needs of the various Universal Service programs established by Congress in the Telecommunications Act of 1996. With respect to the RDOF program, for example, funding needs are projected on a rolling basis, and collected based on the expected upcoming distributions to authorized recipients. Competitive bidding allocated \$9.2 billion of the RDOF budget to the winning bidders, and, after long-form review, just over \$6 billion was subsequently authorized. Therefore, under the law and consistent with the design of the auction, the FCC collects only enough funding through the USF contribution process to match the approximately \$6 billion committed. Thus, we do not have support in reserve readily available for reallocation to the extent that the total amount authorized for RDOF fell below the projected budget.

As to the proposition that RDOF auction winners be permitted to default on their obligations without exposure to forfeitures in order to allow these areas be eligible for other funding programs, when the Commission set up this program, it set rules of the road to ensure that winning bidders would fulfill their promise to use this funding to build new broadband infrastructure. The Commission's default rules are designed to impress upon recipients the importance of being prepared to meet all Commission requirements and be prepared to fulfill deployment obligations. Areas associated with RDOF defaulted bids are now eligible for support from other federal programs enacted after RDOF was established, including BEAD. That being said, to the extent a provider elects to file a waiver request of the Commission's rules on forfeiture penalties associated with the RDOF auction, FCC staff would carefully consider such requests to determine whether special circumstances warrant a deviation from the general rule, and if such a waiver would be in the public interest.

I hope this information is helpful. Please let me know if I can be of any further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessica Rosenworcel", with a long horizontal line extending to the right.

Jessica Rosenworcel



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF THE
CHAIRWOMAN

June 26, 2023

The Honorable J.D. Vance
United States Senate
B40C Hart Senate Office Building
Washington, DC 20510

Dear Senator Vance:

Thank you for your letter regarding the implementation of the Rural Digital Opportunity Fund (RDOF) auction at the Federal Communications Commission. As you note, the RDOF is designed to bring broadband to unserved rural communities across the country, which is essential for full participation in modern life. High-speed internet access is no longer just a nice-to-have; it is need-to-have for everyone, everywhere.

The RDOF auction began on October 29, 2020 and concluded on November 25, 2020. A total of 180 bidders were preliminarily awarded funding in the auction to deploy high-speed broadband. After these winning bidders were announced, they were given the opportunity to divide their bids among approved providers, allowing bidding consortia to distribute winning bids among their members. As a result, 417 providers ultimately filed long-form applications with the Commission. To date, the RDOF program has authorized over \$6 billion in funding to bring primarily gigabit broadband service to over 3.4 million locations in 47 states. With support from this program, hundreds of carriers have already begun deploying these future-proof networks to connect unserved areas.

In implementing the RDOF during my time as Chairwoman, the FCC has taken a number of steps to carefully protect Universal Service funds. This includes sending letters to 197 RDOF applicants where data suggested certain locations they won in the 2020 auction were already served by an existing carrier or were locations like a traffic median or a parking lot that never should have been included in the auction in the first place. As a result of this effort, nearly 5,000 census blocks were removed from the program, allowing us to focus our limited funds on the areas that need it. The agency also has subjected each preliminary winner to a careful technical, financial, and legal review. Furthermore, we have terminated awards where applicants failed to diligently pursue the legal prerequisites for service, including authorization for eligible telecommunications carrier status before state authorities.

In addition, we established the Rural Broadband Accountability Plan (RBAP), a new effort to monitor and ensure compliance for universal service high-cost programs including the RDOF and Connect America Fund Phase II Auction. The RBAP made a number of changes and enhancements to existing audit and verification procedures, including doubling the number

of audits and verifications, conducting the first on-site audits for the programs, and focusing audits and verifications on the largest winning bidders. The new plan seeks to ensure these dollars are properly invested and produce new broadband services in these areas.

With respect to the suggestion that Commission could make supplemental funding available from the projected initial amount budgeted for the RDOF auction, it is important to understand that when the Commission establishes spending requirements or sets a budget for a particular model-based high-cost program, the total amount in the budget is not collected from contributors and then stored in reserve waiting for the moment of distribution. Instead, the contributions required are calculated quarterly based on the ratio of program demand to projected interstate telecommunications revenues. Thus, the contribution factor changes based on both projected revenues and the needs of the various Universal Service programs established by Congress in the Telecommunications Act of 1996. With respect to the RDOF program, for example, funding needs are projected on a rolling basis, and collected based on the expected upcoming distributions to authorized recipients. Competitive bidding allocated \$9.2 billion of the RDOF budget to the winning bidders, and, after long-form review, just over \$6 billion was subsequently authorized. Therefore, under the law and consistent with the design of the auction, the FCC collects only enough funding through the USF contribution process to match the approximately \$6 billion committed. Thus, we do not have support in reserve readily available for reallocation to the extent that the total amount authorized for RDOF fell below the projected budget.

As to the proposition that RDOF auction winners be permitted to default on their obligations without exposure to forfeitures in order to allow these areas be eligible for other funding programs, when the Commission set up this program, it set rules of the road to ensure that winning bidders would fulfill their promise to use this funding to build new broadband infrastructure. The Commission's default rules are designed to impress upon recipients the importance of being prepared to meet all Commission requirements and be prepared to fulfill deployment obligations. Areas associated with RDOF defaulted bids are now eligible for support from other federal programs enacted after RDOF was established, including BEAD. That being said, to the extent a provider elects to file a waiver request of the Commission's rules on forfeiture penalties associated with the RDOF auction, FCC staff would carefully consider such requests to determine whether special circumstances warrant a deviation from the general rule, and if such a waiver would be in the public interest.

I hope this information is helpful. Please let me know if I can be of any further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessica Rosenworcel", with a long horizontal line extending to the right.

Jessica Rosenworcel



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF THE
CHAIRWOMAN

June 26, 2023

The Honorable Roger F. Wicker
United States Senate
555 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Wicker:

Thank you for your letter regarding the implementation of the Rural Digital Opportunity Fund (RDOF) auction at the Federal Communications Commission. As you note, the RDOF is designed to bring broadband to unserved rural communities across the country, which is essential for full participation in modern life. High-speed internet access is no longer just a nice-to-have; it is need-to-have for everyone, everywhere.

The RDOF auction began on October 29, 2020 and concluded on November 25, 2020. A total of 180 bidders were preliminarily awarded funding in the auction to deploy high-speed broadband. After these winning bidders were announced, they were given the opportunity to divide their bids among approved providers, allowing bidding consortia to distribute winning bids among their members. As a result, 417 providers ultimately filed long-form applications with the Commission. To date, the RDOF program has authorized over \$6 billion in funding to bring primarily gigabit broadband service to over 3.4 million locations in 47 states. With support from this program, hundreds of carriers have already begun deploying these future-proof networks to connect unserved areas.

In implementing the RDOF during my time as Chairwoman, the FCC has taken a number of steps to carefully protect Universal Service funds. This includes sending letters to 197 RDOF applicants where data suggested certain locations they won in the 2020 auction were already served by an existing carrier or were locations like a traffic median or a parking lot that never should have been included in the auction in the first place. As a result of this effort, nearly 5,000 census blocks were removed from the program, allowing us to focus our limited funds on the areas that need it. The agency also has subjected each preliminary winner to a careful technical, financial, and legal review. Furthermore, we have terminated awards where applicants failed to diligently pursue the legal prerequisites for service, including authorization for eligible telecommunications carrier status before state authorities.

In addition, we established the Rural Broadband Accountability Plan (RBAP), a new effort to monitor and ensure compliance for universal service high-cost programs including the RDOF and Connect America Fund Phase II Auction. The RBAP made a number of changes and enhancements to existing audit and verification procedures, including doubling the number

of audits and verifications, conducting the first on-site audits for the programs, and focusing audits and verifications on the largest winning bidders. The new plan seeks to ensure these dollars are properly invested and produce new broadband services in these areas.

With respect to the suggestion that Commission could make supplemental funding available from the projected initial amount budgeted for the RDOF auction, it is important to understand that when the Commission establishes spending requirements or sets a budget for a particular model-based high-cost program, the total amount in the budget is not collected from contributors and then stored in reserve waiting for the moment of distribution. Instead, the contributions required are calculated quarterly based on the ratio of program demand to projected interstate telecommunications revenues. Thus, the contribution factor changes based on both projected revenues and the needs of the various Universal Service programs established by Congress in the Telecommunications Act of 1996. With respect to the RDOF program, for example, funding needs are projected on a rolling basis, and collected based on the expected upcoming distributions to authorized recipients. Competitive bidding allocated \$9.2 billion of the RDOF budget to the winning bidders, and, after long-form review, just over \$6 billion was subsequently authorized. Therefore, under the law and consistent with the design of the auction, the FCC collects only enough funding through the USF contribution process to match the approximately \$6 billion committed. Thus, we do not have support in reserve readily available for reallocation to the extent that the total amount authorized for RDOF fell below the projected budget.

As to the proposition that RDOF auction winners be permitted to default on their obligations without exposure to forfeitures in order to allow these areas be eligible for other funding programs, when the Commission set up this program, it set rules of the road to ensure that winning bidders would fulfill their promise to use this funding to build new broadband infrastructure. The Commission's default rules are designed to impress upon recipients the importance of being prepared to meet all Commission requirements and be prepared to fulfill deployment obligations. Areas associated with RDOF defaulted bids are now eligible for support from other federal programs enacted after RDOF was established, including BEAD. That being said, to the extent a provider elects to file a waiver request of the Commission's rules on forfeiture penalties associated with the RDOF auction, FCC staff would carefully consider such requests to determine whether special circumstances warrant a deviation from the general rule, and if such a waiver would be in the public interest.

I hope this information is helpful. Please let me know if I can be of any further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessica Rosenworcel", with a long horizontal line extending to the right.

Jessica Rosenworcel