Before the Federal Communications Commission Washington, D.C. 20554

In the Matter of)	
)	
Connect America Fund: A National Broadband)	WC Docket No. 10-90
Plan for our Future High-Cost Universal Service)	
Support)	
)	

SECOND REPORT AND ORDER

Adopted: December 26, 2023

Released: December 27, 2023

By the Commission:

I. INTRODUCTION

1. The Commission hereby defers the commencement of the next five-year deployment obligation term for legacy rate-of-return carriers receiving Connect America Fund Broadband Loop Support (CAF BLS) in 2024 until January 1, 2025, while it considers general program reforms in the ongoing *Notice of Proposed Rulemaking* proceeding.¹ Legacy carriers will remain subject to the Commission's rules, requiring the offering of broadband service at actual speeds of at least 25 Mbps downstream/3 Mbps upstream to the previously determined number of unserved locations under the current five-year term that ends on December 31, 2023.² Deferring the commencement of the next term will maintain the *status quo* as the Commission considers whether to modify deployment obligations for CAF BLS recipients going forward, allowing the Commission to take into account the effect of awards for broadband deployment pursuant to the Broadband Equity, Access, and Deployment Program (BEAD Program) or other federal programs.³

II. BACKGROUND

2. Rate-of-return carriers not electing to receive model-based support, such as the Alternative Connect America Cost Model (A-CAM) support or Alaska Plan support, and that are not affiliates of price cap carriers, receive cost-based support pursuant to two "legacy" support mechanisms, CAF BLS and high-cost loop support (HCLS).⁴ CAF BLS subsidizes carriers with high local loop costs

¹ See 47 CFR § 1.425; Connect America Fund et al., WC Docket No. 10-90 et al., Report and Order, Notice of Proposed Rulemaking, and Notice of Inquiry, FCC 23-60, paras. 138-42 (2023) (*Report and Order or Notice of Proposed Rulemaking*).

² See 47 CFR § 54.308(a)(2); Wireline Competition Bureau Announces Posting of Information Regarding Revised Deployment Obligations for Incumbent Rate-of-Return Carriers, WC Docket No. 10-90, Public Notice, 34 FCC Rcd 2871 (WCB 2019); Universal Service Administrative Company (USAC), https://www.usac.org/wp-content/uploads/high-cost/documents/Tools/ACAM-ACAM-II-and-CAF-BLS-Buildout-Requirements.xlsx.

³ See Infrastructure Investment and Jobs Act, Pub. L. No. 117-58, 135 Stat. 429, Div. F, Tit. I § 60102(b)(1) (2021) (Infrastructure Act).

⁴ See 47 CFR §§ 54.901-903 (CAF BLS), 54.1301-1310 (HCLS). Carriers also receive Connect America Fund Intercarrier Compensation Replacement. See 47 CFR § 54.304.

in the interstate jurisdiction for both voice and consumer broadband-only loops.⁵ HCLS provides support for voice lines, including voice lines bundled with broadband service, in study areas with an average common line cost per loop in excess of a specified threshold.⁶

3. In the 2016 Rate-of-Return Reform Order, the Commission first adopted defined deployment obligations for carriers receiving CAF BLS, except those that had already deployed 10/1 Mbps or faster service to 80% or more of the locations in their study areas, to deploy 10/1 Mbps or faster service to a specified number of previously unserved or underserved locations over a five-year term, which the Commission codified in section 54.308(a)(2).⁷ Later, in the *December 2018 Rate-of-Return Reform Order*, the Commission significantly revised the deployment obligations, making them applicable to all CAF BLS carriers, increasing the speed obligation to at least 25/3 Mbps, and restarting the five-year term for deployment.⁸ The current five-year term ends on December 31, 2023.⁹ Legacy carriers are then, under the current rules, subject to subsequent five-year deployment obligation terms using a pre-set formula incorporating cost loop updates by the Universal Service Administrative Company (USAC) and adjustments by the Wireline Competition Bureau.¹⁰ Accordingly, the next five-year term would begin January 1, 2024, and end December 31, 2028.¹¹

4. On July 24, 2023, the Commission released a *Notice of Proposed Rulemaking* seeking comment on, among other things, whether to modify the deployment obligations for rate-of-return carriers receiving CAF BLS.¹² The Commission asked "whether it should continue to require deployment obligations for CAF BLS recipients," and if so, whether to increase the obligations to offer 100 Mbps downstream/20 Mbps upstream broadband service, consistent with the deployment obligations recently adopted for Enhanced A-CAM recipients and the BEAD Program providers.¹³ The Commission also sought comment on "deferring the commencement of the next five-year term . . . by one year, to January 1, 2025," which "would enable the Commission to make an initial determination, prior to the commencement of the term, regarding areas for which new CAF BLS deployment obligations would be appropriate."¹⁴

⁸ See Connect America Fund et al., WC Docket No. 10-90 et al., Report and Order, Further Notice of Proposed Rulemaking, and Order on Reconsideration, 33 FCC Rcd 11893, 11924-27, paras. 101-12 (2018) (*December 2018 Rate-of-Return Reform Order*).

⁹ See id. at 11926, para. 110.

¹⁰ See 47 CFR § 54.308(a)(2)(iv); 2016 Rate-of-Return Reform Order, 31 FCC Rcd at 3153, para. 175.

¹¹ See Notice of Proposed Rulemaking at para. 139.

¹² See id. at paras. 138-42.

¹³ See *id.* at para. 140; *Report and Order* at paras. 37-59. The BEAD Programs is administered by the National Telecommunications and Information Administration (NTIA). Under the BEAD Program, NTIA has allocated \$42.45 billion to states for grants for the deployment of broadband networks to unserved locations "to bridge the digital divide." Infrastructure Act, Div. F, Tit. I § 60102(b)(1). BEAD Program recipients must offer download speeds of at least 100 Mbps and upload speeds of at least 20 Mbps and "latency that is sufficiently low to allow reasonably foreseeable, real-time, interactive applications." *Id.* § 60102(h)(4)(A)(i).

⁵ See 47 CFR § 54.901.

⁶ See id. §§ 54.1301-54.1310.

⁷ See id. § 54.308(a)(2); Connect America Fund et al., WC Docket No. 10-90 et al., Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, 31 FCC Rcd 3087, 3145-54, paras. 156-80 & Appx. E (2016) (2016 Rate-of-Return Reform Order).

¹⁴ Notice of Proposed Rulemaking at para. 142.

5. The comment period for the *Notice of Proposed Rulemaking* ended on October 2, 2023.¹⁵ Nine comments and five reply comments were filed. This Second Report and Order addresses only the issue of deferring the next five-year deployment obligation term. All other proposed rule changes remain under consideration in the on-going rulemaking proceeding.

III. DISCUSSION

6. We defer the commencement of the next deployment obligation term for CAF BLS recipients by one year, until January 1, 2025, as described in the *Notice of Proposed Rulemaking*.¹⁶ The deferral will allow the Commission to address the future budget and deployment obligations for CAF BLS carriers and give the Commission additional time to evaluate the impact of BEAD Program and other federal and state broadband program commitments made by eligible providers.¹⁷ This action by no means releases legacy carriers from their deployment commitments by the end of 2023 under the Commission's rules.¹⁸

7. We agree with those commenters supporting the deferral of the next deployment obligation term until January 1, 2025. As NTCA states, "[t]his should afford time to determine with greater precision where BEAD and other programs impose enforceable commitments of their own, leaving it clear what remaining locations could then be served at higher levels leveraging [CAF BLS] resources."¹⁹ Because the "size, characteristics, and broadband needs of the rural service areas . . . will not be determinable for some time," the Commission should "monitor broadband deployment in the remaining [CAF BLS/HCLS] areas for at least one year before embarking upon the consideration of potential changes . . . deployment obligations."²⁰ Given the additional time needed to "issue the necessary legacy program revision orders, the next five-year term for CAF BLS support should begin no later than January 1, 2025."²¹

8. The sole commenter objecting to a deferment, the Nebraska Public Service Commission (NPSC), states it will delay "the deployment of broadband infrastructure improvement in these areas."²² We agree with NTCA, however, that the "benefits of greater coordination and potential relief for the future [Universal Service Fund] budget outweigh" such concerns.²³ Although the Commission previously has imposed specific broadband deployment obligations on CAF BLS support recipients,²⁴ we conclude

¹⁹ NTCA Comments, WC Docket No. 10-90 et al., at 8 (rec. Sept. 18, 2023); *see also* WTA Comments, WC Docket No. 10-90 et al., at 2 (rec. Sept. 18, 2023) ("[N]o changes should be made to CAF-BLS, HCLS or other legacy support mechanisms until the Commission and the industry have had sufficient time to determine the nature and scope of the changes in broadband deployment and support needs that are likely to result from the reduction in the size and potential changes in the composition of the CAF-BLS and HCLS mechanisms due to the imminent voluntary migration of a presently unknown portion of current CAF-BLS/HCLS recipients to [Enhanced A-CAM].").

²⁰ WTA Reply Comments, WC Docket No. 10-90 et al., at 1-2 (rec. Oct. 2, 2023).

²¹ TCA Comments, WC Docket No. 10-90 et al., at 9 (rec. Sept. 18, 2023); *see also* WISPA Comments, WC Docket No. 10-90 et al., at 4 ("WISPA does not object to deferring the new requirements until January 1, 2025 to afford the Commission time to determine where the new deployment obligations should apply.").

²² NPSC Comments, WC Docket No. 10-90 et al., at 5 (rec. Sept. 18, 2023).

²³ NTCA Comments at 9.

²⁴ See, e.g., 2018 Rate-of-Return Reform Order, 33 FCC Rcd at 11926, 11927, paras. 109, 111 (concluding that broadband deployment obligations help "ensure that consumers in rural areas enjoy a reasonably comparable quality (continued....)

¹⁵ See Connect America Fund et al., 88 Fed. Reg. 56579 (Aug. 18, 2023).

¹⁶ Notice of Proposed Rulemaking at para. 142.

¹⁷ Id.

¹⁸ See 47 CFR § 54.308(a)(2).

that such requirements are not in the public interest during the deferral period.²⁵ In particular, broadband deployment obligations for CAF BLS support recipients have reflected a carefully-calibrated balancing of measurable broadband deployment objectives coupled with appropriate carrier flexibility, and the record does not reveal a viable way of similarly accommodating those interests in a deferral period. The Commission has recognized that carriers need to plan their broadband deployments.²⁶ Forging ahead with the next deployment obligation term under the current rules, or applying other deployment obligations specific to a deferral term, even as we consider significant changes, would undermine the viability of that planning given that both the support levels and ultimate deployment obligations would be uncertain over the relevant time horizon. The Commission also has recognized rate-of-return CAF BLS support recipients' need for flexibility in implementing the associated broadband deployment obligations, reflected, for example, in our decision to give those carriers flexibility in how they spread their deployment efforts out over the course of a deployment term.²⁷ and in our actions to ensure those carriers have a full five-year deployment term to fulfill those deployment obligations.²⁸ The record does not reveal a way to similarly achieve those objectives as part of deployment obligations for CAF BLS support recipients in 2024, while the Commission considers future reforms in that regard. Such near-term deployment obligations for CAF BLS support recipients also could lead to the inefficient allocation of resources in the event that broadband deployment obligations would require them to deploy facilities that could not be used efficiently—or at all—to achieve any revised broadband deployment obligations that the Commission might adopt. Accordingly, we find the better course is to maintain the status quo pending the outcome of the rulemaking proceeding.²⁹

²⁵ Of course, recipients remain subject to the general obligation to use the support "only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." 47 U.S.C. § 254(e).

²⁶ For example, the CAF BLS broadband deployment obligations originally adopted in 2016 built on five-year deployment planning required for all high cost support recipients in the 2011 *USF/ICC Transformation Order*. 2016 *Rate-of-Return Reform Order*, 31 FCC Rcd at 3148, para. 162 (discussing requirements adopted in *Connect America Fund, et al.*, WC Docket Nos. 10-90, *et al.*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17740-41, paras. 205-09 (2011) (*USF/ICC Transformation Order*)); *id.* at 3149-50, para. 167 ("basing the new deployment obligation on a support forecast will give carriers the relative certainty they desire in their support going forward, allowing them to plan new investment").

²⁷ See, e.g., 2016 Rate-of-Return Reform Order, 31 FCC Rcd at 3153, para. 174 ("carriers subject to a defined fiveyear deployment obligation may choose to meet their obligation at any time during the five-year period").

²⁸ See, e.g., 2018 Rate-of-Return Reform Order, 33 FCC Rcd at 11926-27, para. 110 (adopting new broadband deployment obligations for CAF BLS support recipients and resetting the start of the deployment term "[t]o be consistent with CAF BLS deployment obligations being based on a five-year term").

²⁹ Because the start- and end-dates of the five-year deployment obligation terms are not codified, deferring the commencement of the next deployment obligation term does not require an amendment of section 54.308. Alternatively, even assuming *arguendo* that section 54.308 were read as contrary to the approach to the deferral period reflected in this order in any respects, we find good cause to suspend that rule for 2024, subject to CAF BLS support recipients' compliance with the regulatory approach reflected in this order, for the same reasons we find our regulatory approach justified more generally. *See* 47 CFR § 1.3. Although CAF BLS support recipients thus will not be subject to specific broadband deployment obligations during the 2024 deferral period, we make clear that

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of broadband as those in urban areas" and concluding "that all legacy carriers should be subject to deployment obligations"); 2016 Rate-of-Return Reform Order, 31 FCC Rcd at 3147, para. 162 ("[T]o ensure that we make progress towards achievement of universal service, consistent with the statute, we adopt defined performance and deployment obligations for rate-of-return carriers. The Commission's goal is to utilize universal service funds to extend broadband to high-cost and rural areas where the marketplace alone does not currently provide a minimum level of broadband connectivity, and 'to distribute universal service funds as efficiently and effectively as possible.'... Through the adoption of rules to transform ICLS into the CAF-BLS mechanism, we now build on the foundation the Commission established [previously] to distribute support equitably and efficiently and advance the Commission's longstanding objective of closing the rural-rural divide." (footnotes omitted)).

9. We emphasize, notwithstanding this action, CAF BLS recipients, including those that were not authorized for Enhanced A-CAM, remain subject to the current December 31, 2023 term deadline and must satisfy their broadband service location coverage requirements by that date.³⁰ Further, CAF BLS recipients not authorized for Enhanced A-CAM remain subject to the Commission's reporting and certification requirements, including the reporting of newly served locations in the High Cost Universal Broadband (HUBB) portal, and the Commission's broadband network performance testing and certification requirements.³¹ Legacy carriers remain eligible to receive high-cost support during the deferral period to cover their ongoing eligible costs subject to the Commission's monthly per-line cap support amount.³² Carriers are also permitted, but not required, to expand their broadband service coverage to unserved locations during the deferral period and are expected to at least maintain their coverage footprint³³ as of December 31, 2023 as the Commission considers future deployment obligations.

IV. PROCEDURAL MATTERS

10. *Effective Date.* We conclude that good cause exists to make the Second Report and Order effective immediately upon publication in the Federal Register, pursuant to 553(d)(3) of the Administrative Procedure Act.³⁴ Agencies determining whether there is good cause to make effective an order less than 30 days after Federal Register publication "should balance the necessity for immediate implementation against principles of fundamental fairness, which require that all affected persons be afforded reasonable time to prepare for the effective date of is ruling."³⁵ In this action, the Commission is deferring the commencement of the next deployment obligation term, which would commence on January 1, 2024, but for the action taken here.³⁶ The Second Report and Order therefore does not impose new rule obligations that would require preparation by legacy rate-of-return carriers but instead delays the commencement of existing requirements while the Commission considers rule changes in the ongoing rulemaking proceeding. Accordingly, given the timing of the next deployment obligation term and that deferment will not require advanced preparation by carriers, we find good cause exists to make the Second Report and Order effective upon publication of a summary in the Federal Register.

11. *Congressional Review Act.* The Commission has determined, and the Administrator of the Office of Information and Regulatory Affairs, Office of Management and Budget, concurs, that this rule is "non-major" under the Congressional Review Act, 5 U.S.C. § 804(2). The Commission will send

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CAF BLS support remains conditioned on recipients offering of 25/3 Mbps broadband service to approximately the same number of locations as of December 31, 2023, consistent with the obligations adopted in the *2018 Rate-of-Return Reform Order*. *See, e.g.*, *2018 Rate-of-Return Reform Order*, 33 FCC Rcd at 11925-27, paras. 104-12.

³⁰ 47 CFR § 54.308(a)(2).

³¹ See, e.g., 47 CFR § 54.316 (setting forth reporting and certification requirements for CAF BLS recipients); see also December 2018 Rate-of-Return Reform Order, 33 FCC Rcd at 11927, para. 112 ("Because all legacy carriers will have defined deployment obligations, all will be required to report their locations deployed in the HUBB portal."); 47 CFR § 54.313(a)(6); Connect America Fund, Order, WC Docket No. 10-90, 33 FCC Rcd 6509 (WCB 2018); Connect America Fund, Order on Reconsideration, WC Docket No. 10-90, 34 FCC Rcd 10109 (2019).

³² 47 CFR §§ 54.302, 54.303, Subparts K and M. In the *Report and Order*, the Commission reset the budget for legacy carriers for "2024-2025 at a level equal to 2023-24 legacy support claims less any frozen support received by carriers transitioning from legacy support to Enhanced A-CAM support." *Report and Order at para*. 106.

³³ Carriers may expand and decrease coverage in the study area so long as the net effect is the offering of 25/3 Mbps broadband service to approximately the same number of locations as of December 31, 2023.

34 5 U.S.C. § 553(d)(3).

³⁵ See Omnipoint Corp. v. FCC, 78 F.3d 620, 630 (D.C. Cir. 1996) (quoting United States v. Gavrilovic, 551 F.2d 1099, 1105 (8th Cir. 1977)).

³⁶ See Notice of Proposed Rulemaking at para. 139.

a copy of this Second Report and Order to Congress and the Government Accountability Office pursuant to 5 U.S.C. § 801(a)(1)(A).

12. *Final Regulatory Flexibility Certification*. The Regulatory Flexibility Act of 1980, as amended (RFA),³⁷ requires an agency to prepare a regulatory flexibility analysis for notice-and- comment rulemakings, unless the agency certifies the proposed or final rule(s) "will not, if promulgated, have a significant economic impact on a substantial number of small entities."³⁸ The RFA generally defines the term "small entity" as having the same meaning as the terms "small business," "small organization," and "small governmental jurisdiction."³⁹ In addition, the term "small business" has the same meaning as the term "small business concerns" under the Small Business Act.⁴⁰ A "small business concern" is one that: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the Small Business Administration (SBA).⁴¹

13. As required by the RFA,⁴² the Commission incorporated an Initial Regulatory Flexibility Analysis (IRFA) in the *Notice of Proposed Rulemaking (Notice)*, released in July 2023.⁴³ The Commission sought written public comment on the proposals in the *Notice*, including comment on the IFRA. No comments were filed addressing the IRFA. The two statutorily-mandated criteria to be applied in determining the need for RFA analysis are (1) whether the proposed rules, if adopted, would have a significant economic effect, and (2) if so, whether the economic effect would directly affect a substantial number of small entities.⁴⁴ For the reasons discussed below, the Commission has determined that the rules and policy changes adopted in the Second Report and Order will not have a significant economic impact on a substantial number of small entities and has prepared this Final Regulatory Flexibility Certification (FRFC).

14. The Second Report and Order defers the commencement of the next five-year deployment obligation term, until January 1, 2025, for those cost-based rate-of-return carriers receiving Connect America Fund Broadband Loop Support (CAF BLS). Legacy carriers will remain subject to the Commission's rules, requiring the offering of broadband service at actual speeds of at least 25 Mbps downstream/3 Mbps upstream to the previously determined number of unserved locations under the current five-year term that ends on December 31, 2023.⁴⁵ This will maintain the *status quo* as the

³⁸ 5 U.S.C. § 605(b).

³⁹ Id. § 606(6).

⁴⁰ *Id.* § 601(3) (incorporating by reference the definition of "small business concern" in the Small Business Act, 15 U.S.C. § 632). Pursuant to 5 U.S.C. § 601(3), the statutory definition of a small business applies "unless an agency, after consultation with the Office of Advocacy of the Small Business Administration and after opportunity for public comment, establishes one or more definitions of such term which are appropriate to the activities of the agency and publishes such definition(s) in the Federal Register."

⁴¹ 15 U.S.C. § 632.

⁴² 5 U.S.C. §§ 601–612. The RFA has been amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), Pub. L. No. 104-121, Title II, 110 Stat. 857 (1996).

⁴³ Notice of Proposed Rulemaking Appx. C.

⁴⁴ 5 U.S.C. §§ 603 et seq; see also Mid-Tex Electric Cooperative, Inc., v. FERC, 773 F.2d 327, 342-343 (D.C. Cir. 1985) (*Mid-Tex Electric*).

⁴⁵ See 47 CFR § 54.308(a)(2); Wireline Competition Bureau Announces Posting of Information Regarding Revised Deployment Obligations for Incumbent Rate-of-Return Carriers, WC Docket No. 10-90, Public Notice, 34 FCC Rcd 2871 (WCB 2019); Universal Service Administrative Company (USAC), https://www.usac.org/wp-content/uploads/high-cost/documents/Tools/ACAM-ACAM-II-and-CAF-BLS-Buildout-Requirements.xlsx.

³⁷ 5 U.S.C. §§ 601 et. seq. The RFA has been amended by the Contract With America Advancement Act of 1996. Pub. L. No. 104-121, 110 Stat. 847 (1996) (CWAAA). Title II of the CWAAA is the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA).

Commission considers general program reforms in the *Notice of Proposed Rulemaking* proceeding, including whether to modify deployment obligations for CAF BLS recipients going forward. Because this action delays the commencement of deployment obligations already provided for under the Commission's rules, it will not cause any significant economic impact on providers, including those which are small entities.

15. Accordingly, based on our application of the two statutorily-mandated criteria to the rules adopted in the Second Report and Order, the Commission concludes that the adopted rules and policy changes will not have a significant economic impact on a substantial number of small entities. We therefore certify that the rules and policy changes adopted in the Second Report and Order will not have a significant economic impact on a substantial number of small entities.

16. The Commission will send a copy of the Second Report and Order, including a copy of this Final Regulatory Flexibility Certification, in a report to Congress pursuant to the Congressional Review Act.⁴⁶ In addition, the Second Report and Order and this Final Regulatory Flexibility Certification will be sent to the Chief Counsel for Advocacy of the Small Business Administration and will be published in the Federal Register.⁴⁷

17. *Paperwork Reduction Act Analysis*. This document does not contain new or modified information collection requirements subject to the Paperwork Reduction Act of 1995 (PRA), Public Law 104-13. In addition, therefore, it does not contain any new or modified information collection burden for small business concerns with fewer than 25 employees, pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107-198, see 44 U.S.C. 3506(c)(4).

V. ORDERING CLAUSES

18. Accordingly, IT IS ORDERED, pursuant to the authority contained in sections 4(i), 214, 218-220, and 254 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 214, 218-220, and 254, and sections 1.1, 1.3, and 1.425 of the Commission's rules, 47 CFR §§ 1.1, 1.3, and 1.425 this Second Report and Order IS ADOPTED. The Second Report and Order SHALL BE EFFECTIVE upon publication of the text or summary in the Federal Register.

19. IT IS FURTHER ORDERED that the Commission SHALL SEND a copy of this Second Report and Order to Congress and the Government Accountability Office pursuant to the Congressional Review Act, see 5 U.S.C. § 801(a)(1)(A).

20. IT IS FURTHER ORDERED that the Commission's Office of the Secretary, SHALL SEND a copy of this Second Report and Order and the Final Regulatory Flexibility Certification, to the Chief Counsel for Advocacy of the Small Business Administration.

FEDERAL COMMUNICATIONS COMMISSION

Marlene H. Dortch Secretary

⁴⁶ See 5 U.S.C. § 801(a)(1)(A).

⁴⁷ *Id.* § 605(b).