



**6712-01**

**FEDERAL COMMUNICATIONS COMMISSION**

**47 CFR Part 54**

**[WC Docket No. 10-90; FCC 19-8]**

**Connect America Fund**

**AGENCY:** Federal Communications Commission.

**ACTION:** Final rule.

**SUMMARY:** In this document, the Federal Communications Commission (Commission) takes a small but important step towards closing the digital divide and making broadband available for all Americans, by phasing down legacy support for voice services to make greater funding available for voice and broadband services. Specifically, the Commission adopts a transition framework to phase down Connect America Fund (CAF) Phase I frozen support in areas where support is now awarded pursuant to the CAF Phase II auction.

**DATES:** Effective [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER], except for the addition of § 54.313(m), which contains information collection requirements that have not been approved by OMB. The FCC will publish a document in the **Federal Register** announcing the effective date of the § 54.313 amendment awaiting OMB approval.

**FOR FURTHER INFORMATION CONTACT:** Alexander Minard, Wireline Competition Bureau, (202) 418-7400 or TTY: (202) 418-0484.

**SUPPLEMENTARY INFORMATION:** This is a summary of the Commission's Report and Order in WC Docket No. 10-90; FCC 19-8, adopted on February 14, 2019 and released on February 15, 2019. The full text of this document is available for public inspection during regular business hours in the FCC Reference Center, Room CY-A257, 445 12<sup>th</sup> Street SW, Washington, DC 20554 or at the following Internet address: <https://docs.fcc.gov/public/attachments/FCC-19-8A1.pdf>

**I. INTRODUCTION**

1. In this Report and Order, the Commission takes a small but important step towards closing the digital divide and making broadband available for all Americans, by phasing down legacy

support for voice services to make greater funding available for voice and broadband services. Specifically, the Commission adopts a transition framework to phase down Connect America Fund (CAF) Phase I frozen support in areas where support is now awarded pursuant to the CAF Phase II auction. Winning bidders were awarded \$1.488 billion in support over 10 years to deploy broadband in 45 states to 713,176 locations. Approximately 73% of the locations available in the CAF Phase II auction were covered by winning bids, significantly narrowing the areas where price cap carriers will maintain voice-only obligations under the legacy regime. The transition plan the Commission adopts in this document provides certainty and stability in those areas by establishing a reasonable support glide path as the Commission transitions from one support mechanism to another.

## **II. DISCUSSION**

2. As the Commission has noted, “the CAF is not created on a blank slate, but rather against the backdrop of a decades-old regulatory system.” Thus, a smooth transition must account for the several support mechanisms currently in effect as well as the auction outcomes in different areas. To comprehensively resolve these phase-down issues prior to authorizing CAF Phase II auction support, the Commission addresses the transition of both price cap carriers’ and competitive eligible telecommunications carriers (ETCs) offering service to fixed locations (fixed competitive ETCs’) legacy support together.

3. Pursuant to the April 2014 Connect America Further Notice, 79 FR 39196, July 9, 2014, the Commission adopts a methodology for disaggregating support by employing the Connect America Cost Model (CAM) to account for the relative costs of providing service among areas in states where price cap carriers declined model-based CAF Phase II support. These price cap carriers currently receive an amount of frozen support for each carrier’s designated service area within a particular state. Within that state, the Commission uses the CAM to allocate a portion of each carrier’s existing frozen support to each auction-eligible census block based on the relative costs of providing service across all auction-eligible census blocks within the same state. Consistent with the cap for reserve prices exceeding the extremely high-cost threshold in the CAF Phase II auction, the Commission limits the allocated monthly support for any census block to \$146.10 per location.

4. The Commission concludes that the interim methodology it adopts is a reasonable approach for allocating support among a price cap carrier's census blocks because it targets support based on the relative costs of providing service based on the CAM. Phase I frozen support was based largely on inherently inefficient legacy support mechanisms that did not reflect the costs of serving high-cost and extremely high-cost areas; the Commission's interim methodology now ties disaggregated support amounts to the costs of serving each affected census block for the transitional period. The Commission also concludes that the methodology it adopts is preferable to the proposal in the April 2014 Connect America Further Notice because it better calibrates the available support with the cost to serve the defined areas. The Commission's 2014 proposal would have distributed the legacy support that carriers received in each state based on the average cost to serve all high-cost and extremely high-cost areas in that state. As a result, it would have allocated the same amount of support regardless of the relative mix of high-cost and extremely high-cost areas that carriers are required to serve after the auction until a replacement ETC is in place.

5. The Commission adopts the schedule in the following for the transition of price cap carriers' and fixed competitive ETCs' legacy support. This transition schedule will fund new service obligations undertaken by Phase II auction winners, protect customers of current support recipients from a potential loss of service, and minimize the disruption to recipients of frozen legacy support from a loss of funding. It balances the need for responsible stewardship of finite universal service funds against the need to distribute funding for voice and broadband services consistent with the results of the Commission's CAF Phase II auction while providing a reasonable termination of legacy support for voice services. The schedule the Commission adopts maintains the Commission's prior decision that a price cap carrier declining model-based Phase II support will continue to receive support in an amount equal to its Phase I frozen support amount only until the winner of any competitive bidding process receives support under Phase II. Accordingly, in the Commission's implementation of Phase II auction support, the Commission now establishes a path toward eliminating legacy support, except to maintain service on an interim basis in auction-eligible, high-cost areas where there was no winning bidder in the CAF Phase II auction, pending further Commission action.

6. For auction-eligible census blocks where price cap carriers receive CAF Phase I frozen support, starting the first day of the month following the authorization of Phase II auction support in a price cap carrier's designated service area within a state, the price cap carrier's legacy support will be (1) converted to Phase II support (for a winning price cap carrier bidder); (2) maintained for an interim period (for the price cap carrier in areas without a winning bidder); or (3) eliminated (for price cap carriers in areas won by another carrier).

7. Although the CAF Phase II auction saw significant interest, some eligible areas did not receive a qualifying winning bid. By including these areas in the auction, the Commission has already determined that these areas require continued high-cost support. Thus, in those auction-eligible areas where there was no winning bidder in the Phase II auction, the price cap carrier will continue to receive disaggregated legacy support until further Commission action. That is, interim support will be determined for each census block consistent with the legacy support disaggregation methodology the Commission adopts. Maintaining such support is necessary on an interim basis to preserve service to consumers in these areas, pending further Commission action. At the same time, using the Commission's disaggregation methodology will ensure interim support is distributed more efficiently.

8. For areas where the winning bidder is the price cap carrier receiving legacy support, Phase II support will commence on the first day of the month after the support is authorized by the Wireline Competition Bureau in that area. To ensure a smooth transition to Phase II support, a winning bidder will receive support payments at the current, disaggregated legacy support level until that time. Continuing disaggregated legacy support until Phase II support has been authorized for each census block will minimize disruptions and ensure continuity of services for consumers. And, as with areas without any winning bidder, using disaggregated legacy support amounts until Phase II support is authorized will better target legacy support during the interim period than the inherently inefficient legacy support mechanisms used on which Phase I frozen support are based.

9. In areas won at auction by a carrier other than the price cap carrier, beginning on the first day of the month immediately following authorization to receive Phase II support, the winning bidder ETC will begin receiving support and bear an obligation to serve those areas. Accordingly, the price cap

carrier will not receive legacy support for those census blocks beginning on the first day of the month after Phase II support is authorized for those census blocks. At that point, continued legacy support would become duplicative.

10. Auction-Ineligible Blocks. In all census blocks determined to be ineligible for the CAF Phase II auction, price cap carriers that declined statewide model-based support will no longer receive legacy support starting the first day of the month following the first authorization of any Phase II auction support nationwide. By excluding certain areas from the auction, the Commission has already determined not to offer ongoing high-cost support for those areas. Thus, this approach implements the Commission's earlier decision not to distribute Phase I frozen support after Phase II auction support has begun.

11. Fixed competitive ETCs' legacy support will be subject to a two-year phase down, beginning on the first day of the month immediately following the first authorization of any Phase II auction support. Fixed competitive ETCs will receive phase-down support equal to two-thirds of their total legacy support for the first 12 months. For the following 12 months, fixed competitive ETCs will receive one-third of their total legacy support. All legacy support will end thereafter.

12. Unlike the phase down for price cap carriers' legacy support in auction-eligible areas, the timing of the phase down for fixed competitive ETCs' legacy support will not differ by census block. For fixed competitive ETCs, the Commission concludes that a straightforward phase-down of support is more appropriate; fixed competitive ETCs receive a comparatively small amount of legacy support, and few expressed interest in continuing to provide service by participating in the CAF Phase II auction. The two-year phase-down schedule resumes the phase-down schedule adopted in the USF/ICC Transformation Order, 76 FR 73830, November 29, 2011, for competitive ETCs. The two-year phase-down schedule thus eliminates support that is no longer necessary while providing an appropriate adjustment period for affected carriers.

13. In sum, Tables 1 and 2 in the following illustrate the transition schedule the Commission adopts.

**Table 1: Transition of Price Cap Carriers' Legacy Support**

<p><b>Before the first day of the month following authorization of any Phase II support nationwide</b></p>	<p><b>Transition Schedule</b></p>
<p>Price cap carrier receives legacy support in an eligible census block won by that carrier in the Phase II auction</p>	<p>Beginning the first day of the month following authorization of Phase II support in an auction-eligible census block, legacy support is converted to Phase II support</p>
<p>Price cap carrier receives legacy support in an eligible census block with no winning bidder in the Phase II auction</p>	<p>Legacy support is maintained until further Commission action</p>
<p>Price cap carrier receives legacy support in a census block won by another carrier in the Phase II auction</p>	<p>Beginning the first day of the month following authorization of Phase II support in an auction-eligible census block, legacy support is eliminated</p>
<p>Price cap carrier receives legacy support in an auction-ineligible census block</p>	<p>Beginning the first day of the month following authorization of any Phase II support nationwide, legacy support is eliminated</p>

**Table 2: Transition of Fixed Competitive ETCs' Legacy Support**

<p><b>Before the first day of the month following the first authorization of any Phase II support nationwide</b></p>	<p><b>Beginning the first day of the month following the first authorization of any Phase II support nationwide</b></p>	<p><b>Beginning 12 months after the first day of the month following the first authorization of any Phase II support nationwide</b></p>	<p><b>Beginning 24 months after the first day of the month following the first authorization of any Phase II support nationwide</b></p>
<p>Fixed competitive ETC receives legacy support</p>	<p>Legacy support is reduced to two-thirds of support</p>	<p>Legacy support is reduced to one-third of support</p>	<p>Legacy support is eliminated</p>

14. In establishing this schedule, the Commission declines to adopt, within the context of the high-cost universal service program, a different definition of “unsubsidized competitor,” i.e., by including areas with mobile or non-terrestrial voice service. The existence of other voice service options within a particular census block does not guarantee that consumers there will continue to have access to voice service in the absence of an ETC being required to serve those consumers. The Commission therefore remains unpersuaded that it needs not continue providing support to ETCs simply based on the fact that there are multiple non-ETCs serving that census block.

15. The Commission also declines to adopt USTelecom’s most recent proposal to (1) distribute \$105 million in “new voice support” across all high-cost and extremely high-cost census blocks for which, after the CAF Phase II auction, price cap carriers will continue to have an ETC obligation to provide voice service; (2) distribute an additional \$35 million in transitional support to carriers receiving less “new voice support” in a state than the carrier’s “residual frozen support” amount for that state; and (3) phase down the additional transitional support over a two-year period. The Commission finds this proposal inconsistent with the overarching objective of transitioning away from the current Phase I frozen

support funding mechanism. Instead, USTelecom seeks to expand the areas for which price cap carriers receive support—through a new funding mechanism, “new voice support”—to include areas where they do not currently receive legacy support. The Commission declines to do so. Through the interim framework the Commission adopts, it establishes a reasonable process for transitioning Phase I frozen support and fixed competitive ETCs’ legacy support after the authorization of Phase II auction support. Price cap carriers currently receive Phase I frozen support for use within particular service areas, and the Commission now allocates that support across the census blocks for which the support is provided, i.e., within the same service areas, to be phased down, converted, or maintained.

16. Even if the Commission were to adopt a transition mechanism more like USTelecom’s proposal, modified to only include areas for which carriers receive legacy support, the proposed annual budget of \$105 million for “new voice support” and first-year budget of \$35 million in additional transitional support would far exceed a reasonable amount of legacy support for carriers to continue serving only those areas not won at auction. USTelecom explains that \$105 million “equals the \$95 million of frozen support currently distributed to price cap carriers and \$10 million of additional support to account for ACS’s participation in the program.” Under USTelecom’s proposal, as with the transition mechanism the Commission adopts, carriers would not receive legacy support in either areas ineligible for the auction or areas won at auction. But USTelecom’s proposal would require distributing a fixed amount of \$105 million—more than the total frozen support price cap carriers currently receive—across the remaining areas and up to \$35 million in additional support for some of those same areas. In contrast, the Commission’s method efficiently targets support by using the CAM to allocate the support a price cap carrier currently receives to serve its entire service area according to the relative costs of serving each census block and then removing only the support associated with census blocks for which the price cap no longer has a federal high-cost voice obligation. The approach the Commission adopts today therefore more rationally ties the current legacy support a price cap carrier receives in a designated service area within a state to the phase-down support it will continue to receive until further Commission action. The Commission does not believe increasing support to maintain existing voice service in these areas—even on an interim basis—is a good use of the Commission’s limited funds.

17. The Commission recognizes, nonetheless, that drawing on the results of legacy support mechanisms may produce results undesirable to certain carriers. Under those legacy mechanisms, some price cap carriers did not receive legacy support in certain states containing high-cost and extremely high-cost areas. The Commission has likewise explained that the identical support rule for competitive ETCs “fail[ed] to efficiently target support where it is needed.” Accordingly, the Commission emphasizes that the phase-down support maintained under its transition mechanism is not intended to provide a long-term solution. Instead, until the Commission is able to implement a new program, it maintains a targeted portion of carriers’ existing legacy support to preserve affordable consumer access to telecommunications in high-cost areas. In adopting this interim framework, the Commission thus balances its statutory duties to ensure affordable access to quality services, promote in “rural, insular, and high cost areas . . . access to telecommunications and information services . . . that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas,” and establish “specific, predictable and sufficient . . . mechanisms to preserve and advance universal service.”

18. The Commission also provides price cap carriers and fixed competitive ETCs the option to decline phase-down support on a state-by-state basis. It is possible that, despite their mandatory voice obligations, some carriers may conclude that they do not wish to continue receiving legacy support in every state. The Commission therefore directs the Wireline Competition Bureau to calculate and publish, for each price cap carrier’s designated service area within each affected state, the amount of support available in every census block after the authorization of Phase II auction support within the same service area. Within 30 days after the release of public notice of such support amounts, price cap carriers and fixed competitive ETCs electing not to receive phase-down support in any states must provide notice of such election in the manner specified by the Wireline Competition Bureau.

19. Regardless of the carrier’s election, however, the federal ETC high-cost obligation to provide voice service is mandatory and independent of whether a carrier accepts phase-down support. To the extent a price cap carrier or fixed competitive ETC no longer wishes to maintain its ETC designation in the relevant areas, it may petition the relevant state to relinquish its ETC designation for those areas

where another ETC is providing service, and it may choose to go through the section 214 discontinuance process. For those price cap carriers and fixed competitive ETCs that receive phase-down support, the Commission will require that they certify annually that they have and will use the support they continue to receive in the relevant high-cost and extremely high-cost areas to provide voice telephony service throughout the relevant census blocks at rates that are reasonably comparable to comparable offerings in urban areas.

20. To the extent that any carrier believes it needs additional support to provide voice service at reasonably comparable rates throughout the remaining census blocks within its service area, it may request a waiver pursuant to Section 1.3 of the Commission's rules. In evaluating requests for a waiver, the Commission will consider any relevant facts presented by the carrier that demonstrate it is necessary and in the public interest for the price cap carrier to receive that additional funding to maintain reasonably priced voice service. Examples of such facts would include not only all revenues derived from network facilities that are supported by universal service but also revenues derived from unregulated and unsupported services. The Commission does not, however, expect to grant these requests routinely, and caution petitioners that it generally intends to subject such requests to a rigorous, thorough and searching review comparable to a total company earnings review.

### **III. PROCEDURAL MATTERS**

#### **A. Paperwork Reduction Analysis**

21. The Report and Order adopted herein contains new or modified information collection requirements subject to the Paperwork Reduction Act of 1995 (PRA), Public Law 104-13. It will be submitted to the Office of Management and Budget (OMB) for review under section 3507(d) of the PRA. OMB, the general public, and other Federal agencies will be invited to comment on the new or modified information collection requirements contained in this proceeding. In addition, the Commission notes that pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107-198, see 44 U.S.C. 3506(c)(4), it previously sought specific comment on how the Commission might further reduce the information collection burden for small business concerns with fewer than 25 employees. In this present document, the Commission has assessed the effects of the new and modified rules that might impose

information collection burdens on small business concerns, and find that they either will not have a significant economic impact on a substantial number of small entities or will have a minimal economic impact on a substantial number of small entities.

**B. Congressional Review Act**

22. The Commission will send a copy of this 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).

23. As required by the Regulatory Flexibility Act of 1980 (RFA), as amended, an Initial Regulatory Flexibility Analysis (IRFAs) was incorporated in the Further Notice of Proposed Rulemaking adopted in April 2014 (April 2014 Connect America Further Notice). The Commission sought written public comment on the proposals in April 2014 Connect America Further Notice, including comment on the IRFA. The Commission did not receive any relevant comments in response to this IRFA. This Final Regulatory Flexibility Analysis (FRFA) conforms to the RFA.

24. The Report and Order addresses outstanding issues regarding the transition of legacy universal service support—i.e., price cap carriers' Connect America Fund (CAF) Phase I frozen support and the frozen identical support of competitive eligible telecommunications carriers (ETCs) offering service to fixed locations (fixed competitive ETCs)—after the authorization of support pursuant to the CAF Phase II auction. The transition plan provides certainty and stability in areas covered by winning bids in the CAF Phase II auction by establishing a reasonable support glide path as the Commission transitions from one support mechanism to another.

25. Specifically, in the Report and Order, the Commission adopts a methodology to disaggregate price cap carriers' existing CAF Phase I frozen support among areas based on the relative costs of serving different census blocks, and the Commission adopts a schedule for transitioning this legacy support upon the authorization of CAF Phase II auction support. The Commission also adopts a schedule for transitioning fixed competitive ETCs' legacy support over a two-year period. The Commission provides an option for price cap carriers and fixed competitive ETCs to decline phase-down support on a state-by-state basis, and the Commission adopts a modified annual certification requirement for carriers that elect phase-down support.

26. The RFA directs agencies to provide a description of, and where feasible, an estimate of the number of small entities that may be affected by the proposed rules, if adopted. The RFA generally defines the term “small entity” as having the same meaning as the terms “small business,” “small organization,” and “small governmental jurisdiction.” In addition, the term “small business” has the same meaning as the term “small-business concern” under the Small Business Act. A small-business concern” is one which: (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).

27. Small Businesses, Small Organizations, Small Governmental Jurisdictions. The Commission’s actions, over time, may affect small entities that are not easily categorized at present. The Commission therefore describes here, at the outset, three broad groups of small entities that could be directly affected herein. First, while there are industry specific size standards for small businesses that are used in the regulatory flexibility analysis, according to data from the SBA’s Office of Advocacy, in general a small business is an independent business having fewer than 500 employees. These types of small businesses represent 99.9 percent of all businesses in the United States which translates to 28.8 million businesses.

28. Next, the type of small entity described as a “small organization” is generally “any not-for-profit enterprise which is independently owned and operated and is not dominant in its field.” Nationwide, as of Aug 2016, there were approximately 356,494 small organizations based on registration and tax data filed by nonprofits with the Internal Revenue Service (IRS).

29. Finally, the small entity described as a “small governmental jurisdiction” is defined generally as “governments of cities, counties, towns, townships, villages, school districts, or special districts, with a population of less than fifty thousand.” U.S. Census Bureau data from the 2012 Census of Governments indicates that there were 90,056 local governmental jurisdictions consisting of general purpose governments and special purpose governments in the United States. Of this number there were 37,132 General purpose governments (county, municipal and town or township) with populations of less than 50,000 and 12,184 Special purpose governments (independent school districts and special districts) with populations of less than 50,000. The 2012 U.S. Census Bureau data for most types of governments

in the local government category shows that the majority of these governments have populations of less than 50,000. Based on this data the Commission estimates that at least 49,316 local government jurisdictions fall in the category of “small governmental jurisdictions.”

30. In the Report and Order, the Commission requires that price cap carriers and fixed competitive ETCs that receive phase-down support certify annually that they have and will use the support they continue to receive in the relevant high-cost and extremely high-cost areas to provide voice telephony service throughout the relevant census blocks at rates that are reasonably comparable to comparable offerings in urban areas. Price cap carriers and fixed competitive ETCs may elect, however, not to receive phase-down support.

31. The RFA requires an agency to describe any significant alternatives that it has considered in reaching its proposed approach, which may include (among others) the following four alternatives: (1) the establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance or reporting requirements under the rule for small entities; (3) the use of performance, rather than design, standards; and (4) an exemption from coverage of the rule, or any part thereof, for small entities. The Commission has considered all these factors subsequent to receiving substantive comments from the public and potentially affected entities. The Commission has also considered the economic impact on small entities, as identified in comments filed in response to the April 2014 Connect America Further Notice and IRFA, in reaching its final conclusions and taking action in this proceeding.

32. In the Report and Order, the Commission adopts a transition schedule providing a gradual two-year phase-down for fixed competitive ETCs’ legacy support. Among those carriers, of which many are small entities, few expressed interest in continuing to provide service in areas where they receive legacy support by participating in the CAF Phase II auction. The two-year phase-down schedule resumes the schedule adopted in the USF/ICC Transformation Order for competitive ETCs, and thus eliminates support that is no longer necessary while providing an appropriate adjustment period for affected carriers.

33. As an alternative to this straightforward transition schedule, the Commission has considered implementing a schedule more similar to price cap carriers’ transition—i.e., fixed competitive

ETCs could continue receiving legacy support in certain auction-eligible areas and quickly stop receiving legacy support associated with auction-ineligible areas. However, this would add complexity to the process with no benefit to fixed competitive ETCs.

34. The Commission also provides an option for price cap carriers and fixed competitive ETCs to elect not to receive phase-down support and be subject to the associated obligations. In doing so, the Commission minimizes any impact economic impact to small entities and other carriers. Carriers opting to continue receiving legacy support subject to the phase-down schedule must continue to file a modified annual certification regarding their use of support, but those carriers are not subject to any additional requirements.

#### **IV. ORDERING CLAUSES**

35. Accordingly, IT IS ORDERED, pursuant to the authority contained in sections 4(i), 214, and 254 of the Communications Act of 1934, as amended, 47 U.S.C. 154(i), 214, and 254, that this Report and Order is ADOPTED, effective thirty (30) days after publication of the text or summary thereof in the *Federal Register*, except that modifications to Paperwork Reduction Act burdens shall become effective immediately upon announcement in the *Federal Register* of OMB approval.

36. IT IS FURTHER ORDERED that Part 54 of the Commission's rules, 47 CFR Part 54 IS AMENDED as set forth in the following, and such rule amendments SHALL BE EFFECTIVE thirty (30) days after publication of the rules amendments in the *Federal Register*, except to the extent they contain information collections subject to PRA review. The rules that contain information collections subject to PRA review SHALL BECOME EFFECTIVE immediately upon announcement in the *Federal Register* of OMB approval.

## List of Subjects

### 47 CFR Part 54

Communications common carriers, Health facilities, Infants and children, Internet, Libraries,  
Reporting and recordkeeping requirements, Schools, Telecommunications, Telephone.

FEDERAL COMMUNICATIONS COMMISSION

Cecilia Sigmund,  
Federal Register Liaison Officer

## Final Rules

For the reasons discussed in the preamble, the Federal Communications Commission amends 47 CFR part 54 as follows:

### **PART 54 – UNIVERSAL SERVICE**

1. The authority citation for part 54 continues to read as follows:

AUTHORITY: 47 U.S.C. 151, 154(i), 155, 201, 205, 214, 219, 220, 254, 303(r), 403, and 1302  
unless otherwise noted.

2. Section 54.307 is amended by adding paragraph (e)(8) to read as follows:

#### **§54.307 Support to a competitive eligible telecommunications carrier.**

\* \* \* \* \*

(e) \* \* \*

- (8) Eligibility for support after Connect America Phase II auction. Starting the first day of the month following the first authorization of Connect America Phase II auction support nationwide, fixed competitive eligible telecommunications carriers shall have the option of receiving support pursuant to paragraph (e)(2)(iii) of this section as described in the following paragraphs (e)(8)(i) through (iv):

- (i) For 12 months following the first authorization of Connect America Phase II auction support nationwide, each fixed competitive eligible telecommunications carrier shall receive two-thirds (2/3) of the carrier's total support pursuant to paragraph (e)(2)(iii) of this section.
- (ii) For 12 months starting the month following the period described in paragraph (e)(8)(i) of this section, each fixed competitive eligible telecommunications carrier shall receive one-third (1/3) of the carrier's total support pursuant to paragraph (e)(2)(iii) of this section.
- (iii) Following the period described in paragraph (e)(8)(ii) of this section, no fixed competitive eligible telecommunications carrier shall receive any support pursuant to paragraph (e)(2)(iii) of this section.
- (iv) Notwithstanding the foregoing schedule, the phase-down of support below the level described in paragraph (e)(2)(iii) of this section shall be subject to the restrictions in Consolidated Appropriations Act, 2016, Pub. Law 114-113, Div. E, Title VI, section 631, 129 Stat. 2242, 2470 (2015), unless and until such restrictions are no longer in effect.

3. Section 54.312 is amended by adding paragraph (d) to read as follows:

**§54.312 Connect America Fund for Price Cap Territories—Phase I.**

\* \* \* \* \*

(d) Eligibility for support after Connect America Phase II auction. (1) A price cap carrier that receives monthly baseline support pursuant to this section and is a winning bidder in the Connect America Phase II auction shall receive support at the same level as described in paragraph (a) of this section for such area until the Wireline Competition Bureau determines whether to authorize the carrier to receive Connect America Phase II auction support for the same area. Upon the Wireline Competition Bureau's release of a public notice approving a price cap carrier's application submitted pursuant to §54.315(b) and authorizing the carrier to receive Connect America Fund Phase II auction support, the carrier shall no longer receive support at the level of monthly baseline support pursuant to this section for such area. Thereafter, the carrier shall receive monthly support in the amount of its Connect America Phase II winning bid.

- (2) Starting the first day of the month following the first authorization of Connect America Phase II auction support nationwide, no price cap carrier that receives monthly baseline support pursuant to this section shall receive such monthly baseline support for areas that are ineligible for Connect America Phase II auction support.
- (3) To the extent Connect America Phase II auction support is not awarded at auction for an eligible area, as determined by the Wireline Competition Bureau, the price cap carrier shall have the option of continuing to receive support at the level described in paragraph (a) of this section until further Commission action.
- (4) Starting the first day of the month following the authorization of Connect America Phase II auction support to a winning bidder other than the price cap carrier that receives monthly baseline support pursuant to this section for such area, the price cap carrier shall no longer receive monthly baseline support pursuant to this section.
- (5) Notwithstanding the foregoing schedule, the phase-down of support below the level described in paragraph (a) of this section shall be subject to the restrictions in Consolidated Appropriations Act, 2016, Public Law 114-113, Div. E, Title VI, section 631, 129 Stat. 2242, 2470 (2015), unless and until such restrictions are no longer in effect.

4. Section 54.313 is amended by adding paragraph (m) to read as follows:

**§54.313 Annual reporting requirements for high-cost recipients.**

\* \* \* \* \*

(m) Any price cap carrier or fixed competitive eligible telecommunications carrier that elects to continue receiving support pursuant to § 54.312(d) or § 54.307(e)(2)(iii) shall provide certifications, starting July 1, 2020 and for each subsequent year they receive such support, that all such support the company received in the previous year was used to provide voice service throughout the high-cost and extremely high-cost census blocks where they continue to have the federal high-cost eligible telecommunications carrier obligation to provide voice service pursuant to § 54.201(d) at rates that are reasonably comparable to comparable offerings in urban areas. Any price cap carrier or fixed competitive eligible telecommunications carrier that solely receives support pursuant to § 54.312(d) or §

54.307(e)(2)(iii) in its designated service area shall not be subject to reporting requirements in any other paragraphs in this section for such support.

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