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INSIGHT

5G Fund for Rural America

May 5, 2021

In October 2020, the Federal Communications Commission (FCC) adopted rules creating the 5G Fund for Rural America (5G Fund). The 5G Fund is to provide up to $8 billion from the Universal Service Fund (USF) over the next ten years to bring voice and broadband services to areas unlikely to see unsubsidized deployment of 5G networks, and $1 billion for networks that can support precision agriculture.

Universal service is the concept that all Americans should have access to telecommunications services, and the cornerstone of the Communications Act of 1934, which established the FCC. The Telecommunications Act of 1996 granted the FCC authority to establish the USF and to designate the Universal Service Administrative Company (USAC), an independent not-for-profit corporation, as the USF administrator. Telecommunications providers are required to contribute a percentage of their revenue to the USF, which some pass to consumers as a fee attached to their phone bill. The USAC collects and manages provider contributions.

The Telecommunications Act of 1996 expanded universal service beyond telephone service to include telecommunications and high-speed internet services (e.g., broadband), and called for increased access in rural health care facilities, schools, and libraries. Section 254 of the act provides that consumers across the nation, including rural, insular, and high-cost areas, should have access to telecommunications and information services at rates that are "reasonably comparable" to those in urban areas. The FCC established four programs within the USF—High-Cost, Lifeline, Rural Health Care, and Schools and Libraries—to fulfill congressional priorities. The FCC sets program rules. The USAC disburses USF funds through the programs, which totaled $8.3 billion in 2020.

The FCC has changed USF programs to meet evolving consumer needs and fulfill its universal service mandate. In 2011, the FCC reformed the High-Cost program, establishing the Connect America Fund (CAF), which provided about $4.5 billion annually to eligible providers to deploy high-speed internet in rural areas. The FCC created the Mobility Fund, a program under the CAF that provided $300 million in one-time funding for mobile broadband and voice services in unserved and underserved areas, and the Mobility Fund Phase II a program that would provide recurring funding to areas unlikely to receive unsubsidized 4G Long Term Evolution (LTE) service.

In April 2020, the FCC proposed to replace the Mobility Fund Phase II with the 5G Fund to spur the deployment of advanced wireless technologies, close the digital divide, and enhance economic

opportunities in rural regions. Under the 5G Fund, funds would be awarded to providers (e.g., wireless and wireline providers and satellite operators) to serve areas not served by a subsidized 4G LTE or 5G provider.

The FCC sought comment on how to identify areas eligible for 5G Fund support. The debate centered on using existing data sources, such as Form 477 data (e.g., data on coverage and service providers submit to the FCC) or data collected through the Digital Opportunity Data Collection, a new initiative proposed by the FCC to better assess broadband availability. In its October 2020 decision, the FCC Commissioners acknowledged Form 477 data is flawed and inaccurate, and decided to use data from the Digital Opportunity Data Collection, which it said could add 18-24 months to the program's timeline. The FCC reasoned the extended time would enable it to distribute funds using accurate coverage data, and take into account new 5G deployments. As an example, the FCC cited T-Mobile, which committed to covering 85% of the population in rural areas and 97% nationwide within three years, and 90% of the population in rural areas and 99% nationwide within six years with 5G service, as a condition of its merger with Sprint.

The FCC plans to use a competitive reverse auction for the 5G Fund, awarding funds to the company that commits to deploying 5G service at the lowest cost. The FCC announced it would award funds in two phases. In Phase I, the FCC is to award up to $8 billion to areas not served by a subsidized 4G LTE or 5G service provider, $680 million of which would support tribal lands. In Phase II, the FCC is to award up to $1 billion to foster the deployment of 5G networks that can support precision agriculture.

In its October 2020 decision, the FCC required providers to:

- build networks that meet 5G standards developed by the 3rd Generation Partnership Project (3GPP), a standards coordinating body;
- meet certain speed requirements (i.e., median download speed of at least 35 megabits per second (Mbps) and median upload speed of 3 Mbps);
- meet certain latency requirements (e.g., 100 milliseconds or below), which ensures limited lag time needed to support advanced technologies (e.g., autonomous vehicles); and
- offer at least one service plan that includes a minimum monthly data allowance that is equivalent to the average U.S. subscriber monthly data usage.

In December 2020, in the Consolidated Appropriations Act, 2021, Congress appropriated funding for the Digital Opportunity Data Collection. The FCC has begun work on the data collection and the 5G Fund. In February 2021, the FCC established a Broadband Data Task Force, which reported the data might be available in 2022. A bipartisan group of Senators from the Committee on Commerce, Science and Transportation sent a letter to the FCC expressing their concern with potential delays in 5G Fund awards and requesting a timeline for the data collection and distribution of awards.

In the Explanatory Statement accompanying the Consolidated Appropriations Act, 2021, Congress expressed concern with the feasibility of deploying 5G in rural areas and stated the 5G Fund fails to provide adequate details or a targeted spending plan to provide seamless coverage in the most rural parts of the nation. Congress directed the FCC to submit a report on its current and future plans for prioritizing deployment of 4G, deploying 5G, and improving the mapping and tracking of coverage in rural areas.

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