October 1, 2018

VIA ECFS

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: *Connect America Fund*, WC Docket No. 10-90; *ETC Annual Reports and Certifications*, WC Docket No. 14-58; *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135; *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92

Dear Ms. Dortch:

The Federal Communications Commission must address the unpredictable and insufficient levels of universal service support for rate-of-return carriers as soon as possible. Ongoing uncertainty over universal service funding is deterring investment, harming rural consumers and businesses, and undermining the Commission's goals of universal service and closing the digital divide.

Given this urgency, the undersigned national associations—which collectively represent rural telecommunications companies impacted by the uncertainty caused by the current process—respectfully urge the Commission to adopt the following compromise set of proposals to address concerns about insufficient and unpredictable funding for recipients of high-cost support as soon as possible:

- **Budget.** As the Commission has recognized,[1] the budget for rate-of-return carriers set in 2011 is insufficient. To ensure sufficient and predictable support, the budget should be increased to an amount not less than $2.4 billion for 2018, in addition to the $200 million already separately committed to the current A-CAM Program. A portion of the budget should be provided to current A-CAM plan participants to enable them to receive support at the level initially offered to them in 2016 (i.e. $200/month per location). The remainder of the increased budget should be used to mitigate, if not eliminate, the insidious and unpredictable budget control that is undermining broadband investment and affordability of services in areas served by those carriers remaining on cost-based support.

[1] *See In re Connect America Fund*, *et al.*, WC Docket Nos. 10-90 et al., Report and Order, Third Order on Reconsideration ¶¶ 77-82; *Statement of Chairman Ajit Pai on Proposed USF Budget Cuts for Small, Rural Carriers*, Fed. Comms. Comm'n (May 1, 2018) (noting that the uncertainty fostered by the 2016 budget control mechanism has endangered the ability of rural carriers "to make long-term investment decisions to bring high-speed broadband to the millions of Americans who still lack it.").

- **Inflation Factor.** An inflation adjustment factor should be applied to the entire high-cost USF program budget, or at least the newly recalibrated overall budget of not less than $2.4 billion for rate-of-return carriers, just as the Commission applies such a factor with respect to other USF programs.[2]

- **Baseline Funding.** A sufficient budget as described above should eliminate the need for any minimum threshold, or "floor," of support. However, in the event that reductions in future support must nonetheless be applied, each rate-of-return carrier receiving cost-based support should be provided with a "floor" of support based in some manner upon each carrier's unconstrained costs over the prior three years or the carrier's then-current unconstrained support, whichever is lower. This floor would prevent wild swings in support but should be viewed only as a safety net and would not, in and of itself, result in predictable and sufficient support. A floor does not resolve concerns companies face when making decisions about whether to make new and incremental investments.

- **No New Model Offer Support Until Already-Existing Mechanisms are Sufficiently Funded.** The Commission should fully fund ACAM (at the $200/location benchmark) and the cost-based mechanisms (without substantial and unpredictable budget control mechanism reductions) to enable them to meet their stated objectives and it should allow any carriers agreeing to accept reduced support a second opportunity to opt into an ACAM glide path. The Commission's main priority should be to finish the job it has started in deploying the existing programs, by providing them with the resources necessary for them to be successful before placing even greater demands for additional model-based support on limited funding resources.

[2] If the inflation adjustment had started in 2011 and applied since then (as the FCC has proposed), the current budget should be $2.193B (rather than $2B). The requested increase in support would be just over $200M (or 9%) greater than that inflation-adjusted figure, but roughly equal to or lower than recent increases to other universal service programs.

Thank you for your attention to this correspondence. As the Commission moves to finalize reform within the timeline previously articulated by Chairman Pai, we look forward to working with the Commission and our members stand ready to advance and sustain rural broadband for the benefit of consumers and businesses across the country.

Sincerely,

/*s/ Genevieve Morelli*
Genevieve Morelli
President
ITTA – The Voice of America's Broadband Providers

/*s/ Jonathan Spalter*
Jonathan Spalter
President and Chief Executive Officer
USTelecom-The Broadband Association

/*s/ Shirley Bloomfield*
Shirley Bloomfield
Chief Executive Officer
NTCA—The Rural Broadband Association

/*s/ Kelly Worthington*
Kelly Worthington
Executive Vice President
WTA – Advocates for Rural Broadband

cc: Chairman Ajit Pai
Commissioner Michael O'Rielly
Commissioner Brendan Carr
Commissioner Jessica Rosenworcel
Nicholas Degani
Jay Schwarz
Arielle Roth
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