United States Department of Agriculture
Rural Development

February 15, 2013

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20544

Re: ***In the Matter(s) of the Connect America Fund,*** **WC Docket No. 10-90,** ***National Broadband Plan for Our Future,*** **GN Docket No. 09- 51,** ***Establishing Just and Reasonable Rates for Local Exchange Carriers,*** **WC Docket No. 07-135,** ***High-Cost Universal Service Support,*** **WC Docket No. 05-337,** ***Developing an Unified Intercarrier Compensation Regime,*** **CC Docket No. 01-92,** ***Federal-State Joint Board on Universal Service,*** **CC Docket No. 96-45,** ***In the Matter of Universal Service Reform Mobility Fund,*** **WT Docket No. 10-208.**

Dear Secretary Dortch:

On Friday, February 8th, The Honorable Thomas J. Vilsack, Secretary of the U.S. Department of Agriculture (USDA), Todd Batta, Senior Advisor to the Secretary and I met with the Honorable Julius Genachowski, Chairman of the Federal Communications Commission (FCC) and Michael Steffen, Advisor to the Chairman to share recommendations to ensure that broadband deployment in rural areas continues to be sustainable under the FCC's Universal Service Fund (USF) Transformation Order. These recommendations are consistent with USDA's historic role of promoting rural economic development and financing rural utilities infrastructure.

The economic stability of rural America depends on the availability of a resilient and robust utility infrastructure capable of delivering advanced services to consumers in rural high cost areas. Rural-based industries that produce food, energy, manufactured goods and other services consumed across the country rely on broadband, often provided by Rural Utility Service (RUS) borrowers, to remain globally competitive. The U.S. agriculture sector is one such example. It is one of the most successful and longstanding industries in our economic history; one that has maintained a trade surplus for at least 20 years. The U.S. trade surplus in production agriculture was $32.4 billion in FY 2012, and is forecasted to be $30 billion in 2013. As U.S. Farmers increasingly rely on advanced telecommunications to support their work on the farm, affordability and sustainability of broadband is imperative to maintain this trade surplus.

According to the FCC's Eighth Broadband Progress Report, nearly one-fourth of the rural population lacks access to high speed broadband. Yet, demand for RUS loan funds dropped to

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roughly 37% of the total amount of loan funds appropriated by Congress in FY 2012. Current and prospective RUS borrowers have communicated their hesitation to increase their outstanding debt and move forward with planned construction due to the recently implemented reductions in USF support and Inter-Carrier Compensation (ICC) payments.

I fully appreciate the FCC's effort to reform federal USF and ICC policies in a fiscally prudent manner. I also applaud the FCC's reconsideration order that extends the consideration of USF reforms on broadband capable networks and the FCC's attempts to lessen the reporting burden on small rural carriers. In consideration of the concerns that have been expressed, we encouraged the FCC to consider the following points to improve or clarify the FCC's USF Transformation Order to help restore certainty and stability for rural broadband investment.

1. **Accelerate broadband deployment in rural areas by establishing a separate Connect America Fund (CAF) for rural Rate of Return Carriers and modifying the existing universal service support to increase broadband investment and adoption among consumers of rural rate of return carriers.**

2. **Combine the unused incremental support under CAF Phase 1, Round 1 with the second round of 2013 CAF Phase 1 funds for support and distribution to rural price capped carriers.**

3. **Adjust the Regression Analysis-based caps to correct the structural and data integrity concerns of rural carriers and apply the caps incrementally. Provide RUS with confidential access to the regression model to assist USDA in managing its lending programs.**

4. **Defer adoption of the Further Notice of Proposed Rulemaking that proposed additional caps and cost constraints on rural carriers until the impact of the existing caps are fully implemented and integrated into rural carrier business plans.**

5. **Modify and expand the waiver process to support the maintenance or extension of broadband service in rural areas and the repayment of debt incurred prior to the Order**

We remain committed to working with FCC to ensure that that the promise of Section 254 of the Telecommunications Act of 1996 be fully realized. Sufficient, predictable, and specific USF and ICC mechanisms can drive investment, improve the quality of life, create jobs, and increase economic opportunities in Rural America.

Sincerely,

John Charles Padalino
Acting Administrator
Rural Utilities Service