



May 11, 2020

VIA ECFS

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

**RE: *Universal Service Contribution Methodology, WC Docket No. 06-122***

Dear Ms. Dortch:

The Federal Communications Commission (the “Commission”) has taken many important steps to modernize and enhance the various programs that operate under the umbrella of the federal Universal Service Fund (“USF”), with a particular focus on expanding and sustaining broadband access in rural areas and for low-income consumers, schools and libraries, and rural health care facilities. Indeed, NTCA–The Rural Broadband Association (“NTCA”) would submit that no single initiative has been as important or as effective as the USF in helping to make the business case for the promotion and preservation of universal connectivity in our broadband-focused world.

Precisely because the USF has taken on increased significance in recent years and has become a primary means of fulfilling our nation’s broadband goals, it is important that the USF rest upon a sound and stable foundation. The current contributions mechanism, unfortunately, is anything but sound or stable. Even as it has spiked and retrenched somewhat from quarter to quarter over the past few years, the clear and inarguable trendline is for the contribution factor to rise as the “contribution base” that funds the USF deteriorates. Indeed, it could be said that the USF program is a victim of its own success in this regard. As the Commission has promoted broadband leveraging the USF and otherwise through its policies, this has helped to prompt a migration away from the traditional telecommunications services that form the current contribution base. This has left the nation in the uncomfortable and inconvenient conundrum where the most important mechanism for advancing broadband across America is funded by the very sorts of services that broadband seeks to replace; put another way, our broadband future is being built solely on the backs of those who still buy legacy telecommunications services that will become only more marginalized in this broadband future.

NTCA has long encouraged the Commission to take steps to stabilize the contribution base. NTCA has highlighted the inequitable mismatch of funding essential broadband initiatives through assessments on legacy services, and has recommended having the very service that the USF increasingly seeks to promote – broadband – also contribute to the promotion of that service as a universal service goal. *See, e.g.,* Comments of NTCA, *et al.*, WC Docket No. 06-122 and GN Docket No. 09-51 (filed July 9, 2012), at 2-8. Some have conjectured in the past, however, that doing so would be counterproductive to the goal of promoting universal broadband, because a USF assessment on broadband could deter adoption.

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After years of hearing such speculation but seeing no evidence to support it, NTCA requested that Berkeley Research Group conduct a detailed consumer survey and robust economic analysis to test this theory. The attached report finds that broadband demand is in fact generally inelastic, and that given increasing demand for broadband over time, consumers today are relatively insensitive to certain price changes in broadband – such as the kind that could be anticipated if a small USF contribution surcharge were applied to broadband service. More specifically, the attached report finds that in the face of a 1.58% change in service fees, “the estimated percentage reduction in demand for broadband services . . . is approximately 0.1%,” and that a revision of the USF contribution methodology to include something along the lines of a \$0.80 USF contribution surcharge on consumers’ broadband bills would therefore have a “negligible effect in deterring the expansion of broadband services.” As the Commission might (and should) consider potential contributions reform in the future in the interest of shoring up the foundation of its essential universal service programs, NTCA believes this report will prove helpful in providing an informed analysis of options for such reform and avoiding mere conjecture with respect to anticipated consumer impacts.

Thank you for your attention to this correspondence. Pursuant to Section 1.1206 of the Commission’s rules, a copy of this letter is being filed via ECFS.

Sincerely,

/s/ Michael R. Romano

Michael R. Romano

Senior Vice President –

Industry Affairs & Business Development

Enclosure

cc: Chairman Ajit Pai  
Commissioner Michael O’Rielly  
Commissioner Brendan Carr  
Commissioner Jessica Rosenworcel  
Commissioner Geoffrey Starks