



May 26, 2023

Ex Parte Notice

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
45 L Street, NE
Washington, DC 20554

RE: *Connect America Fund, WC Docket No. 10-90; ETC Annual Reports and Certifications, WC Docket No. 14-58; Telecommunications Carriers Eligible to Receive Universal Service Support, WC Docket No. 09-197; Connect America Fund – Alaska Plan, WC Docket No. 16-271; Expanding Broadband Service Through the A-CAM Program, RM-11868*

Dear Ms. Dortch:

NTCA-The Rural Broadband Association (“NTCA”) hereby submits additional information into the record of the above-referenced proceedings in support of updates to the Connect America Fund-Broadband Loop Support (“CAF-BLS”) and High-Cost Loop Support (“HCLS”) mechanisms.¹

In its *October 14 Ex Parte Letter*, building upon earlier submissions in and the evolution of the record, NTCA proposed specific updates for the Alternative Connect America Model (“A-CAM”) and CAF-BLS/HCLS programs to promote the delivery and sustainability of much higher-speed services in rural areas in effective coordination with initiatives at other agencies. With respect to the CAF-BLS mechanism in particular, the Commission noted expressly in 2018 that it would need to revisit the program’s budget and service level commitments within the next year.² To fulfill these long-identified tasks, the October 14 *Ex Parte Letter* proposed (among other things) providing CAF-BLS recipients a path to elect to deliver at least 100/20 Mbps broadband to all (100%) of the locations in their study areas in exchange for certain relief from the budget control mechanism (“BCM”) that would otherwise be applicable. NTCA further reiterated in the *October 14 Ex Parte Letter* its prior proposal to recalibrate the overall budget at the current level of demand and apply 100/20 Mbps commitments (as in the past for 10/1 and 25/3 Mbps commitments) for those CAF-BLS recipients that do not elect the more extensive commitment.

¹ See *Ex Parte Letter* from Michael R. Romano, Executive Vice President, NTCA, to Marlene H. Dortch, Secretary, Federal Communications Commission (the “Commission”), WC Docket No. 10-90, *et al.* (filed Dec. 5, 2022) (“*December 5 Ex Parte Letter*”); *Ex Parte Letter* from Michael R. Romano, Executive Vice President, NTCA, to Marlene H. Dortch, Secretary, Commission, WC Docket No. 10-90, *et al.* (filed Oct. 14, 2022) (“*October 14 Ex Parte Letter*”); Reply Comments of NTCA, WC Docket No. 10-90, *et al.* (filed Aug. 1, 2022); Comments of NTCA, WC Docket No. 10-90, *et al.* (filed July 18, 2022).

² See *Connect America Fund*, WC Docket No. 10-90, *et al.*, Report and Order, Further Notice of Proposed Rulemaking and Order on Reconsideration, FCC 18-176 (rel. Dec. 13, 2018), at ¶¶ 97 and 101.

In its *December 5 Ex Parte Letter*, NTCA submitted into the record of these proceedings data with respect to both the potential budgetary impacts of these proposed reforms and the number of locations that it estimated would be served with at least 100/20 Mbps service following such updates. In multiple meetings and filings in the wake of these submissions, NTCA has urged the Commission to adopt the three simple steps outlined in these filings:

1. Recalibrate the baseline program budget at the 2023-2024 level of demand [as indicated by recent Universal Service Administrative Company calculations](#);
2. Develop 100/20 Mbps commitments leveraging the formulas used to derive prior service level commitments for CAF-BLS recipients; and
3. Offer CAF-BLS recipients the opportunity to commit to serve 100% of the locations in their respective study areas within timeframes comparable to the Broadband Equity, Access, and Deployment (“BEAD”) program in exchange for some degree of support certainty.³

Based upon more recent conversations, NTCA further clarifies how the third step above could be structured in a manner that delivers predictability both for CAF-BLS/HCLS recipients and for the Commission’s oversight of the universal service budget as well. Drawing upon a concept first proposed in its July 2022 comments, NTCA suggests in structuring the third step above that, in lieu of providing certainty through a five-year BCM “override” as proposed in the *October 14 Ex Parte Letter*, the Commission could issue voluntary offers whereby a CAF-BLS recipient would commit to serve 100% of the locations in its study area at 100/20 Mbps or better in exchange for “fixed support” that is defined as: (a) a freeze at the provider’s 2022 support level for the first six years of the plan; and (b) a phase-down in this frozen level of support over the next five years at 4% per year, resulting ultimately thereafter in a retained level of support for recovery of investments and ongoing operations at 80%. ***Critical to this approach, however, is that the BCM must be recalibrated beforehand at the current level of demand (i.e., step one above) and that the savings from this five-year phase-down must accrue to the benefit of the non-electing CAF-BLS recipients (i.e., that these “savings” amounts are used to supplement the CAF-BLS budget and mitigate future BCM impacts). Without the inclusion of these conditions, a fixed support election would create the prospect of substantial BCM impacts upon non-electing providers in the future and put at risk universal service in the areas these operators serve.***

As the *December 5 Ex Parte Letter* highlighted, this kind of proposal is efficient because not only would it deliver sustainable 100/20 Mbps broadband to millions of Americans, but because it would also allow BEAD funds to be used to reach other areas in greater need – all while limiting impacts on the Commission’s universal service budget. More specifically, NTCA estimates that the budgetary impact of these three proposed CAF-BLS/HCLS reforms would be approximately as follows over the next eleven years:⁴

³ See, e.g., *Ex Parte Letter* from Michael R. Romano, Executive Vice President, NTCA, to Marlene H. Dortch, Secretary, Commission, WC Docket No. 10-90, *et al.* (filed Apr. 20, 2023) (detailing filings in 2022 and 2023 with respect to these proposals).

⁴ The estimates provided in this letter presume that every CAF-BLS recipient indicating the ability to deliver at least 100/20 Mbps to 70% or more of its locations as of the December 2021 Form 477 reports would voluntarily elect the commitment to deliver such service levels to 100% of its locations for a fixed level of support, and that an inflationary adjustment would continue to apply to the recalibrated CAF-BLS budget as it does today for those that do not elect this fixed support option.

Year	Est. Difference in Support Attributable to Proposed Reform as Compared to Status Quo ⁵	BCM % for Non-Electing Providers	BCM Reductions (in \$) ⁶
2023-24	-\$131M	0.0%	\$0
2024-25	\$101M	1.1%	\$6M
2025-26	\$51M	2.3%	\$15M
2026-27	\$1M	3.6%	\$25M
2027-28	-\$51M	4.9%	\$36M
2028-29	-\$101M	6.5%	\$51M
2029-30	-\$149M	4.3%	\$36M
2030-31	-\$195M	3.0%	\$27M
2031-32	-\$237M	2.4%	\$23M
2032-33	-\$281M	2.2%	\$22M
2033-34	-\$326M	2.3%	\$25M
Avg.	-\$120M	3.0%	\$24M

In terms of the number of locations that would be reached with 100/20 Mbps broadband or better if this proposal were adopted, NTCA believes that its estimates from the *December 5 Ex Parte Letter* – that more than 2,200,000 (or more than 75%) of the approximately 2,900,000 households in CAF-BLS areas would have at least such access – remain reasonable because the commitment proposed here has not changed materially from what was proposed then. (Indeed, if anything, it is likely that more locations would be served at the 100/20 Mbps level or higher because this proposal presumes 100% voluntary commitments as compared to a slightly lower voluntary option under the prior version.) Moreover, as NTCA observed in the *December 5 Ex Parte Letter*, these increases in availability could be far greater to the extent that even more CAF-BLS recipients elect this 100% option than NTCA has projected here. Finally, to reiterate a key point regarding this proposal from the *December 5 Ex Parte Letter*, any locations in CAF-BLS study areas where commitments to deliver at least 100/20 Mbps are *not* made under this proposal or where current deployments are not already at 100/20 Mbps or greater would likely be eligible for competitive deployment awards through the BEAD program, underscoring how this proposal is well-coordinated with the BEAD grant initiative. Indeed, NTCA submits that this proposal represents an efficient complement and alternative to BEAD efforts, providing wide rural geographies of CAF-BLS study areas with actual or committed service levels of at least 100/20 Mbps in lieu of leaving these areas to be picked apart and served selectively through provider-drawn polygons that are far more likely to create an inefficient “patchwork quilt” of service areas and potentially unserved remnants in the end.

⁵ The figures stated here are the estimates of the proposed reform as compared to the anticipated annual budgets for CAF-BLS/HCLS support in future years in the absence of such reform (including the effects of the applicable inflationary factor); the “savings” to the universal service fund identified in the first year of this table arise because providers electing the fixed support option would receive support based upon 2022 levels.

⁶ As noted above, these BCM estimates presume that “savings” from the fixed support option must accrue to the benefit of non-electing providers in the later years of the plan; if this does not happen, the percentage of the BCM and the reductions would increase dramatically to the significant detriment of the consumers and communities in the areas served by non-electing providers.

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Finally, NTCA once again observes that the Commission is well-positioned to adopt updates to the CAF-BLS and HCLS mechanisms such as those suggested in the filings cited above, having sought comment several times over several years on budget issues generally, given the fact that CAF-BLS service level commitments need to be revisited in the next several months pursuant to Commission rule, and given that comment was specifically sought on the questions of whether such revised CAF-BLS commitments should be aligned with any A-CAM updates and the budget that would be necessary to accommodate such commitments in a May 2022 notice of proposed rulemaking.⁷

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 Romano

Michael Romano
Executive Vice President

cc: Ramesh Nagarajan
Elizabeth Cuttner
Danielle Thumann
Justin Faulb
Marco Peraza
Trent Harkrader
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Michael Janson
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⁷ See *Connect America Fund, et al.*, WC Docket No. 10-90, *et al.*, Report and Order, Further Notice of Proposed Rulemaking and Order on Reconsideration, (rel. Dec. 13, 2018), at ¶¶ 97, 108, 200-202; *Connect America Fund, et al.*, WC Docket No. 10-90, *et al.*, Notice of Proposed Rulemaking (rel. May 20, 2022), at ¶ 58; *see also Connect America Fund*, WC Docket No. 10-90, Order (rel. May 10, 2022), at ¶ 12.