



May 12, 2016

Ex Parte Notice

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

RE: *Connect America Fund, WC Docket No. 10-90; ETC Annual Reports and Certifications, WC Docket No. 14-58; Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92*

Dear Ms. Dortch:

On Tuesday, May 10, 2016, the undersigned on behalf of NTCA–The Rural Broadband Association (“NTCA”) spoke via telephone with Carol Matthey, Deputy Chief of the Wireline Competition Bureau.

During this conversation, NTCA discussed the operation of budget controls under the recently released universal service fund (“USF”) reform order. NTCA stressed the importance of sufficient USF budgets both to enable voluntary model elections and to ensure that the standalone broadband update recently adopted by the Federal Communications Commission (the “Commission”) will allow provision of services at reasonably comparable rates. NTCA also noted the need for equitable sharing of budget resources and fair application of budget controls among all rural local exchange carriers (“RLECs”), so that each RLEC has the opportunity and capability to build broadband as desired by the Commission.

NTCA further continued to assert that each RLEC should be responsible for any and all consequences arising out of its consideration of a potential election of model support, rather than having the risk and consequences of any one carrier’s decision spread across and among other carriers. To the extent that the Commission does not adopt such a clear-cut approach to model elections, NTCA suggested two alternatives that could be used in ensuring equitable management of the budget among all RLECs. The attachment hereto describes these alternatives, and NTCA urged the Commission to implement any of the approaches described herein or to consider other alternatives that will not result in the risk of any given RLEC’s election choice being subsidized by other providers that did not make such choices.

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

Sincerely,

/s/ Michael R. Romano
Michael R. Romano
Senior Vice President – Policy

cc: Carol Matthey

MODEL ELECTION PROCEDURES

Baseline Proposal: If a RLEC elects model-based support initially but decides upon review of the “final offer” to decline such support and to continue to receive non-model support instead, to the extent that any support must be “contributed to” the model-based support budget pursuant to footnote 141 of the order, the RLEC that made such an initial election but declined the “final offer” shall bear full financial responsibility for any such “contribution.”

Alternatives: To the extent, however, that the Commission does not desire to have the RLEC bear such full financial responsibility for the contribution arising out of its election, either alternative listed below would help to mitigate the effect on *other* carriers and avoid having non-model carriers subsidize the choice of a single RLEC to initially elect but then finally decline model-based support.

Alternative 1: This alternative would follow the current offer structure and timing in all respects, except that it would contemplate the publication of two offers (a “floor” and a “ceiling”) for RLECs to consider before making a final election decision.

1. Consistent with the current offer structure, the Commission would publish initial model offers and RLECs would have 90 days to express interest in election.
2. Consistent with the current offer structure, if the expressions of interest *do not* exceed available model budget resources, the initial offers would be binding on all RLECs.
3. Consistent with the current offer structure, if the expressions of interest *do* exceed available model budget resources, the Commission would need to publish a revised offer that reflects a lower per-location cap to fit within the model budget. But instead of publishing a single revised offer as under the current structure, the Commission would publish *two* runs, representing a “floor” and “ceiling” of model support offers and associated buildout commitments. Specifically:
 - a. One offer (the “floor”) would reflect a lower per-location cap, assuming that every RLEC that would take less under the model than current support and initially expressed interest in model election *would not elect* the model after all. This “floor” would assume that each such RLEC would instead continue to receive full non-model support and would not contribute funds to the model budget. This “floor” reflects *the least* support that any RLEC that would receive an increase in support under the model could receive from electing model-based support.
 - b. The other offer (the “ceiling”) would reflect a higher per-location cap, assuming that every RLEC that would take less under the model than current support and initially expressed interest in model election *would still elect* the model after all. This “ceiling” would assume that each such RLEC would thus contribute funds to the model budget. This “ceiling” reflects *the most* support that any RLEC could receive from electing model-based support.
4. Consistent with the current offer structure, each RLEC that expressed initial interest in model election would have 30 days to confirm its interest or to decline model-based support, but based upon the respective “floor” and “ceiling” of support available to that RLEC.
5. Once those final elections are received, the Commission would then publish the final outcome of for each RLEC, reflecting where the per-location cap and associated buildout commitments settled between the “floor” and “ceiling” based upon the final elections.

Alternative 2: This follows the current offer structure and timing in all respects, except that those RLECs that would take less under the model than current support would be bound to their elections after the initial model offers, at a higher per-location cap than other model electors.

1. Consistent with the current offer structure, the Commission would publish initial model offers and RLECs would have 90 days to express interest in election.
2. Consistent with the current offer structure, if the expressions of interest *do not* exceed available model budget resources, the initial offers would be binding on all RLECs.
3. If the expressions of interest *do* exceed available model budget resources:
 - a. RLECs that would take less under the model than current support and initially expressed interest in model election would still be bound to accept the initial offers and associated buildout commitments.
 - b. For those RLECs that would receive an increase in support under the model, consistent with the current offer structure, the Commission would need to publish a revised model offer that reflects a lower per-location cap to fit within the model budget.
 - i. For those RLECs that initially would have received more under the model than current support but would receive less than current support under the revised model offer, further discussion is required.
4. Consistent with the current offer structure, each RLEC that expressed initial interest in model election would have 30 days to confirm its interest or to decline model-based support, but based upon the lower per-location cap in the revised offer.
5. Once those final elections are received, the Commission would then publish the final outcome of for each RLEC, reflecting support and associated buildout commitments based upon the lower per-location cap for those RLECs that would receive an increase in support under the model and a higher per-location cap and associated buildout commitments for those RLECs that would take less under the initial model offer.