



July 31, 2017

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

Dear Ms. Dortch:

On Friday, July 28, 2017, the undersigned, on behalf of NTCA–The Rural Broadband Association (“NTCA”), spoke via telephone with Amy Bender, legal advisor to Commissioner Michael O’Rielly.

NTCA thanked the Federal Communications Commission (the “Commission”) for its efforts thus far to resolve several items on NTCA’s “punchlist” of issues that needed reconsideration or refinement related to prior universal service fund (“USF”) reforms, including changes to the capital investment allowance, some rationalization of reporting requirements, and identification of the dataset that will inform competitive overlap reviews. *See, e.g., Ex Parte Letter from Michael R. Romano, Sr. Vice President, NTCA, to Marlene H. Dortch, Secretary, Commission, WC Docket No. 10-90 (filed Feb. 3, 2017).* At the same time, NTCA urges work on several outstanding issues, including imputation of access recovery charges on certain standalone broadband lines, clarifications regarding recoverable expenses, the formula for operating expense limitations, and the standards for validating competitive overlap.

NTCA also raised the need to address the shortfall in USF support that is clearly undermining the intended effectiveness of the reforms. Because of the lack of sufficient funding for the Commission’s cost model, 71,000 rural locations will receive lower-speed broadband than the model design would have yielded, and nearly 50,000 may see no broadband investment at all. Moreover, as the attached survey results indicate, the USF budget shortfall of \$173 million over the next 12 months for cost-based USF recovery will severely harm rural American consumers and businesses in the form of higher prices, lower speeds, and reduced investment by the smaller rural local exchange carriers (“RLECs”) dedicated to serving them; due to the impacts of the budget control imposed on cost-based USF and the uncertainty of changes to that mechanism in future, 183 NTCA member RLECs have indicated that they will reduce their broadband investments over the next 12 months by nearly \$950,000, on average, and must still charge rates for standalone broadband that are on average far in excess of those paid by urban consumers.

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Finally, NTCA discussed the implications of RLECs electing “private carriage” treatment of broadband transmission facilities for purposes of availing themselves of relief with respect to USF contribution obligations, and urged the Commission to act promptly upon the forbearance petition filed jointly with USTelecom. Petition for Forbearance of NTCA and USTelecom, WC Docket No. 06-122 (filed June 14, 2017).

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: Amy Bender

NTCA 2017 USF Budget Control Impact Survey Results

OVERVIEW OF THE SURVEY

In June of 2017, NTCA–The Rural Broadband Association surveyed its members on the impact that the USF budget controls would have on their company and their ability to serve their customers. Responses were received from 183 member companies, a 33% response rate.

SURVEY RESULTS

Q: Is your company receiving non-model-based USF support (CAF-BLS and/or HCLS)?

Yes – 79.7%

No – 20.3%

Q: If your company is receiving non-model-based support, how much (in dollars) is the budget control on such support forecasted to reduce your USF support from July 2017 through June 2018?

<u>Mean</u>	<u>Median</u>
\$536,084	\$332,852

Q: As a result of your reduction in support, will you be reducing future network investment efforts over the next 12 months?

Yes – 64.0%

No – 36.0%

Q: If yes, how much will the reduction in future investments be (\$ value of projects)?

<u>Mean</u>	<u>Median</u>
\$943,418	\$500,000

Q: If yes, estimate how many customers overall will be denied greater broadband speeds than they receive today due to the declined/delayed future investment?

<u>Mean</u>	<u>Median</u>
854	250

Q: If yes, estimate the PERCENTAGE reduction of your customers to whom you would construct new broadband capable of:

	<u>Mean</u>	<u>Median</u>
10 to 25 Mbps down (%):	34%	25%
26 to 50 Mbps down (%):	31%	10%
51 to 100 Mbps down (%):	30%	5%



Q: If you will be required to charge your customers higher broadband prices because of the reduction in support due to the budget control, how much more do you believe that you will need to charge per month for broadband (whether on a standalone basis or as part of a bundle)?

\$0.01 to \$5.00:	18.5%
\$5.01 to \$10.00:	33.8%
\$10.01 to \$25.00:	33.8%
\$25.01 to \$50.00:	7.7%
More than \$50.00:	6.2%

Q: If you offer standalone broadband, what is your monthly charge for that?

<u>Mean</u>	<u>Median</u>
\$83	\$72

Q: If you do NOT offer standalone broadband, what do you estimate your standalone broadband rates would be if you offered it given the budget control?

<u>Mean</u>	<u>Median</u>
\$126	\$120

Q: How much do you believe your standalone broadband product would cost customers if the budget control did not apply?

<u>Mean</u>	<u>Median</u>
\$70	\$52

Q: Have you received any estimates from advisors regarding the magnitude of the budget controls in future periods (i.e., for periods AFTER the next 12 months?)

Yes – 31.4%
No – 68.6%

Q: If “Yes,” what are those estimates for 2018-2019 (stated as a % of USF support)?

<u>Mean</u>	<u>Median</u>
17%	12%

DISCLAIMER: Data from the survey has been presented as reported.

To get more information on this report please contact Rick Schadelbauer at NTCA (703-351-2019, rschadelbauer@ntca.org)