



September 15, 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***

Dear Ms. Dortch:

On Wednesday, September 13, 2017, the undersigned, on behalf of NTCA–The Rural Broadband Association (“NTCA”), together with Denny Law, Chief Executive Officer of Golden West Telecommunications Cooperative, Jonathan West, General Manager and Chief Executive Officer of Twin Lakes Telephone Cooperative, and Jennifer Otwell, Vice President and General Manager of Totelcom Communications, met separately with: (1) Jay Schwarz, wireline advisor to Chairman Ajit Pai; (2) Amy Bender, wireline advisor to Commissioner Michael O’Rielly; (3) Claude Aiken, wireline advisor to Commissioner Mignon Clyburn; and (4) Nathan Eagan, acting wireline advisor to Commissioner Brendan Carr.

In each of these meetings, NTCA and its members highlighted the need to address the shortfalls in high-cost universal service fund (“USF”) support that are undermining the intended effectiveness of the USF programs as reformed last year. As NTCA outlined in prior meetings and filings, the negative impacts of the budget shortfalls on both firms electing model support and those that did not or could not do so include scaled-back rural broadband infrastructure investments, fewer locations served, lower speeds at locations that are served, and astronomically high consumer rates, particularly for standalone broadband. *See, e.g., Ex Parte Letter from Michael R. Romano, Sr. Vice President, NTCA, to Marlene H. Dortch, Secretary, Federal Communications Commission (the “Commission”), WC Docket No. 10-90 (filed Aug. 15, 2017).*

In the most recent meetings, the NTCA members reinforced these concerns by describing how the budget shortfalls are harming consumers and businesses in their respective serving areas and undermining rural operators’ ability to attract capital, pay back loans, and justify investments in broadband infrastructure. In addition to the lack of funding for the model support mechanism as initially designed, we described the insidious nature of the budget control on those that did not or could not elect the model; this specific budget control not only denies recovery of investments already made in advancing broadband, but the volatile unpredictability of the frequently changing budget control – the average reduction in support has grown in just 12 months from 4.5% to 9.1% to 12.3% to even more than 14% in a recent quarterly update – is hindering, if not defeating, reasonable planning efforts and thereby rendering the budget control mechanism an effective “QRA 2.0” in terms of its substantial

adverse impacts on capital planning for long-lived broadband infrastructure investments. *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, *et al.* (filed June 21, 2013) (including a member survey demonstrating chilling impact of unpredictability of Quantile Regression Analysis caps on investment practices); *see also* Remarks of Commissioner Ajit Pai Before the NTCA Legislative & Policy Conference (April 22, 2013) (“[I]nvesting in rural America is not a one- or two-year investment but a ten- or twenty-year commitment. I hope we’ll see that it’s possible to be fiscally responsible and to fulfill the statutory goal of a ‘predictable’ universal service system.”)

Consistent with recent advocacy, NTCA and its members therefore urged the Commission by year end to initiate a comprehensive “budgetary review” for high-cost USF as contemplated when the overall budget for that program was first adopted in 2011, and pending such review, to continue as a near-term measure to collect the current overall budget for high-cost USF. To the extent that such collection yields contributed amounts in excess of then-current high cost USF demand for the constituent program components, NTCA further urged the Commission to use any such additional sums to address the insufficiency in USF support described above and mitigate such shortfalls in support for carriers at least in the near-term. Once such a budgetary review as contemplated and promised years ago by the Commission is completed, the Commission can then make informed, updated judgments about the “right size” of the high-cost USF budget and its constituent components (including, but not limited, to the support to be distributed to smaller carriers), and at that time provide revised instructions to USAC regarding a newly determined long-term proper level of collections.

Finally, as a complement to the approach described above, NTCA urges the Commission, at a minimum, to use any available high-cost USF reserves that have not already been allocated pursuant to Commission order to fill the budget shortfall, again pending completion of the review contemplated by the Commission’s defense of its budget before the Tenth Circuit.

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

cc: Jay Schwarz  
Amy Bender  
Claude Aiken  
Nathan Eagan