



November 22, 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 Tuesday, November 21, 2017, Shirley Bloomfield, Chief Executive Officer of NTCA–The Rural Broadband Association (“NTCA”), and the undersigned met with Nicholas Degani, Senior Counsel to Chairman Ajit Pai, and Jay Schwarz, the Chairman’s wireline advisor.

In the meeting, NTCA highlighted the need to remedy shortfalls in high-cost universal service fund (“USF”) support that are undermining the effectiveness of the USF programs as described in the attachment hereto. NTCA urged the Federal Communications Commission (the “Commission”) to pursue readily available paths toward helping to mitigate the insufficiency of USF support, including but not limited to the immediate use of existing program reserves to help mitigate the harmful shortfalls pending further examination of the program budget and additional measures to promote longer-term predictability and sufficiency. *See Ex Parte* Letter from Michael R. Romano, Sr. Vice President, NTCA, to Marlene H. Dortch, Secretary, Commission, WC Docket No. 10-90 (filed Aug. 15, 2017).

NTCA further noted that its May 2016 Petition for Reconsideration and/or Clarification expressly teed up the need for relief to address the insufficiency of the high-cost USF mechanisms and the ensuing effects on consumer rates and carrier cost recovery, and that the record with respect to that Petition has been fully briefed and closed for fifteen months. *See* Petition for Reconsideration and/or Clarification of NTCA, WC Docket No. 10-90, *et al.* (filed May 25, 2016), at 2-12 (highlighting consumer rate impacts expected due to budget control-driven reductions in USF support, indicating that the denial of USF support under an insufficient budget would create unrecoverable costs associated with the provision of universal service, and requesting additional budget resources to address such concerns). NTCA contended that the Petition provides a clear and direct procedural vehicle to adopt and implement immediately measures that would help mitigate such budget concerns, including but not limited to the use of program reserve funds.

NTCA further indicated its continuing support for engagement on other initiatives that could help improve and simplify the operation of the high-cost USF mechanisms, but noted that addressing the immediate budget concerns would be essential to promote more thoughtful and measured discussions with respect to any potential improvements.

Marlene H. Dortch
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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: Nicholas Degani
Jay Schwarz



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)