



December 17, 2014

Ex Parte Notice

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

Re: *Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Universal Service Contribution Methodology, WC Docket No. 06-122; A National Broadband Plan for our Future, GN Docket No. 09-51*

Dear Ms. Dortch:

On Monday, December 15, 2014, the undersigned, on behalf of NTCA–The Rural Broadband Association (“NTCA”), delivered the enclosed presentation regarding universal service contributions reform at a meeting of the South Dakota Telecommunications Association in Sioux Falls, South Dakota. Commissioner Chris Nelson of the South Dakota Public Utilities Commission, who also serves as Vice Chairman of the Federal-State Joint Board on Universal Service, and Rolayne Wiest, South Dakota Public Utilities Commission Counsel, who also serves as staff to the Joint Board, were in attendance during the presentation.

In the presentation, consistent with prior advocacy by NTCA, I discussed the need and potential paths forward to address dramatic and continuing declines in the base of assessable revenues that support the Federal Universal Service Fund and the resulting dramatic and continuing increases in the program’s “contribution factor.” *See also, e.g.,* Comments of NTCA, *et al.*, WC Docket No. 06-122; GN Docket No. 09-51 (filed July 9, 2012), at 2-47. In particular, given the evolution of IP-enabled communications services and the fact that universal service distribution programs are specifically being repositioned to support broadband and voice telephony without regard to underlying technology, I suggested that the “contribution base” should be expanded in corresponding fashion to include broadband Internet access services and non-interconnected VoIP. I also noted, consistent with the above-referenced prior filings, that these steps could be undertaken easily and immediately based upon the substantial record already amassed in the above-referenced proceedings without the need to wade into thorny “reclassification” debates or to otherwise alter the regulatory treatment of the services in question. Finally, I suggested that, while a revenues-based assessment may provide the most administratively simple way of implementing any such changes, policymakers and other stakeholders should be open to other units of assessment in order to move reform forward and cease the troubling and inequitable reliance on yesterday’s communications services to enable universal service policies built for a broadband world.

Marlene H. Dortch
December 17, 2014
Page 2 of 2

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 – Policy

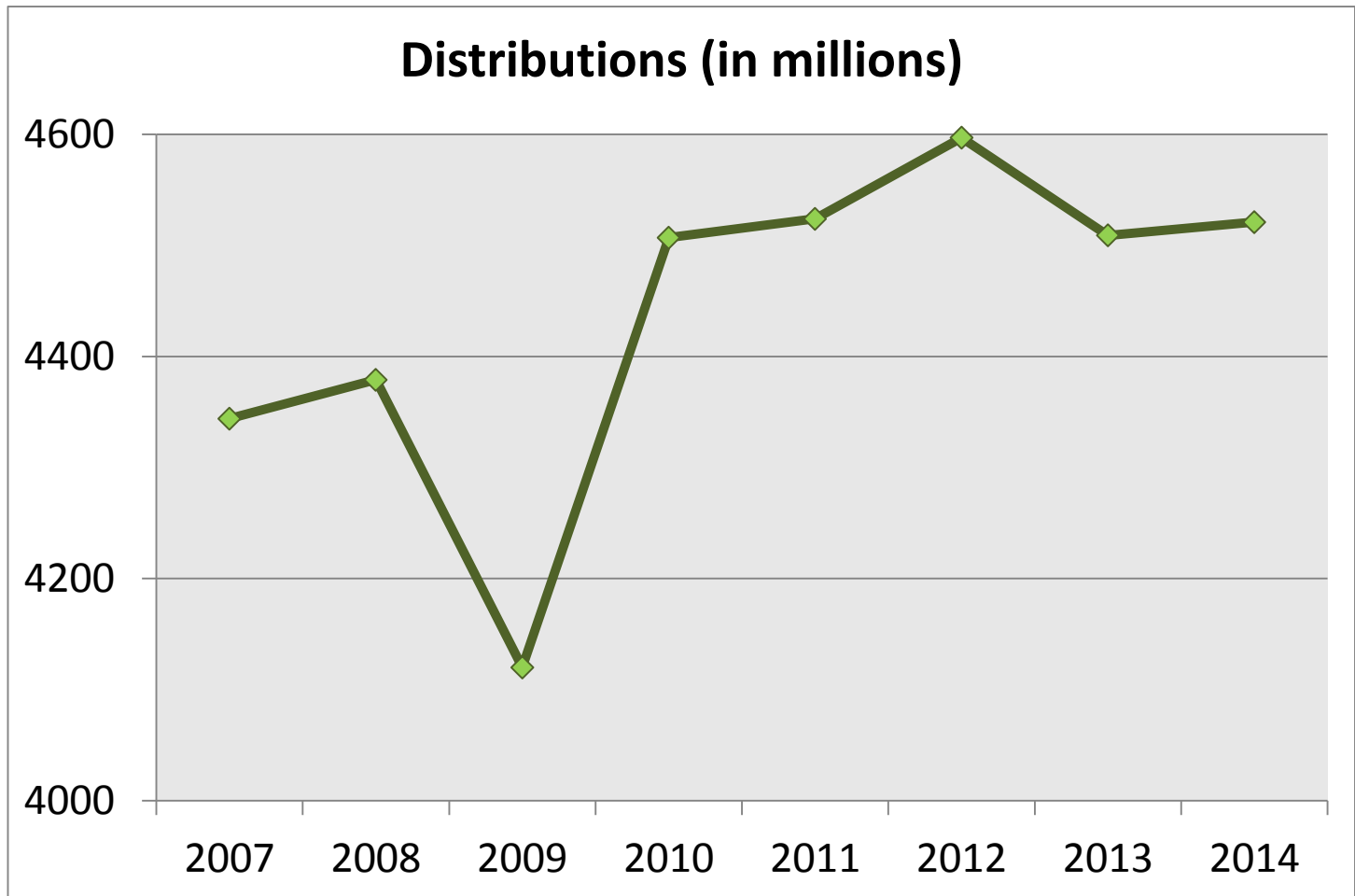
Enclosure

cc: Commissioner Chris Nelson
Rolayne Wiest, Esq.

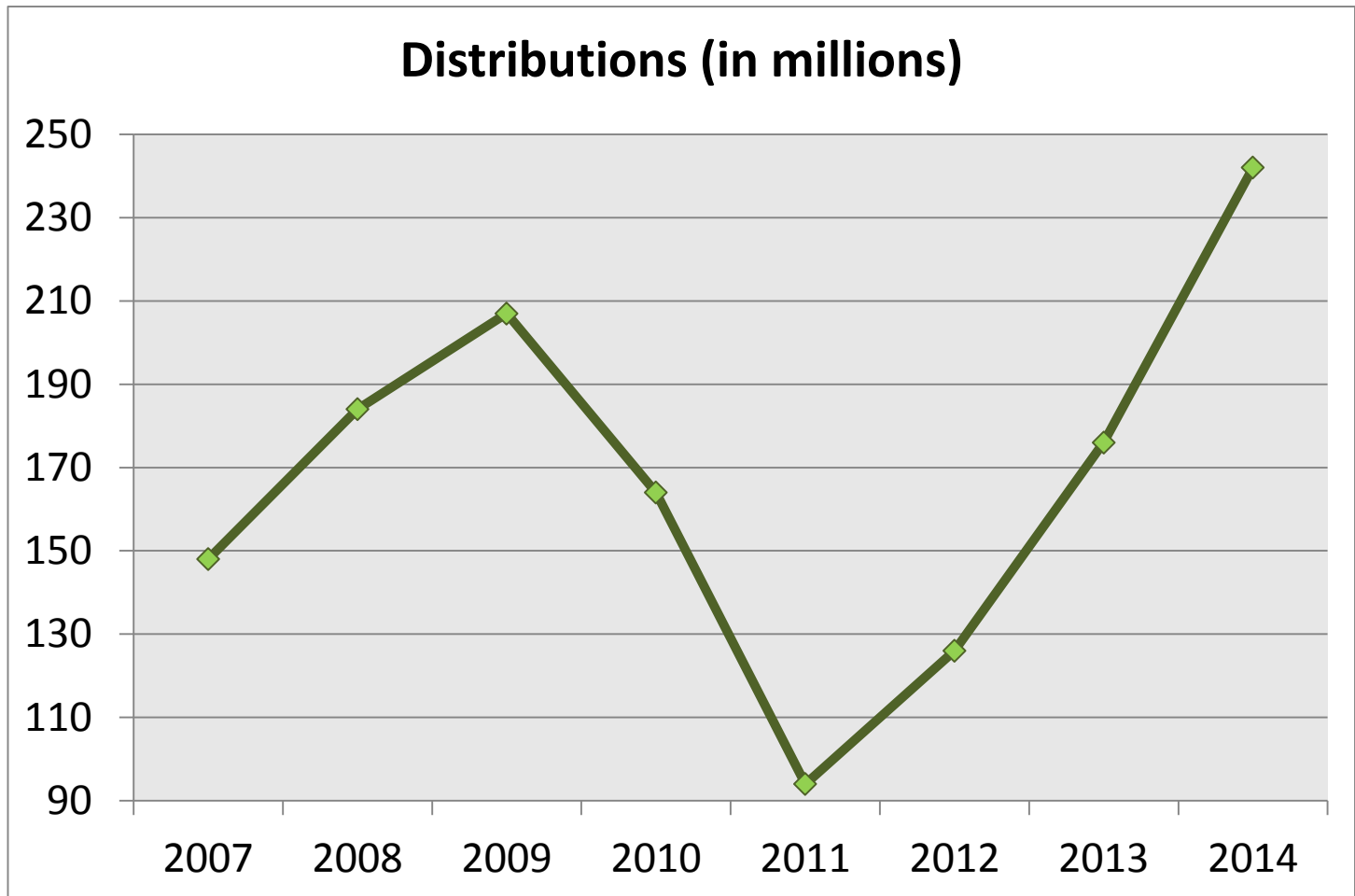
Perspectives on USF Contributions Reform

December 2014
Mike Romano
Senior Vice President – Policy
NTCA

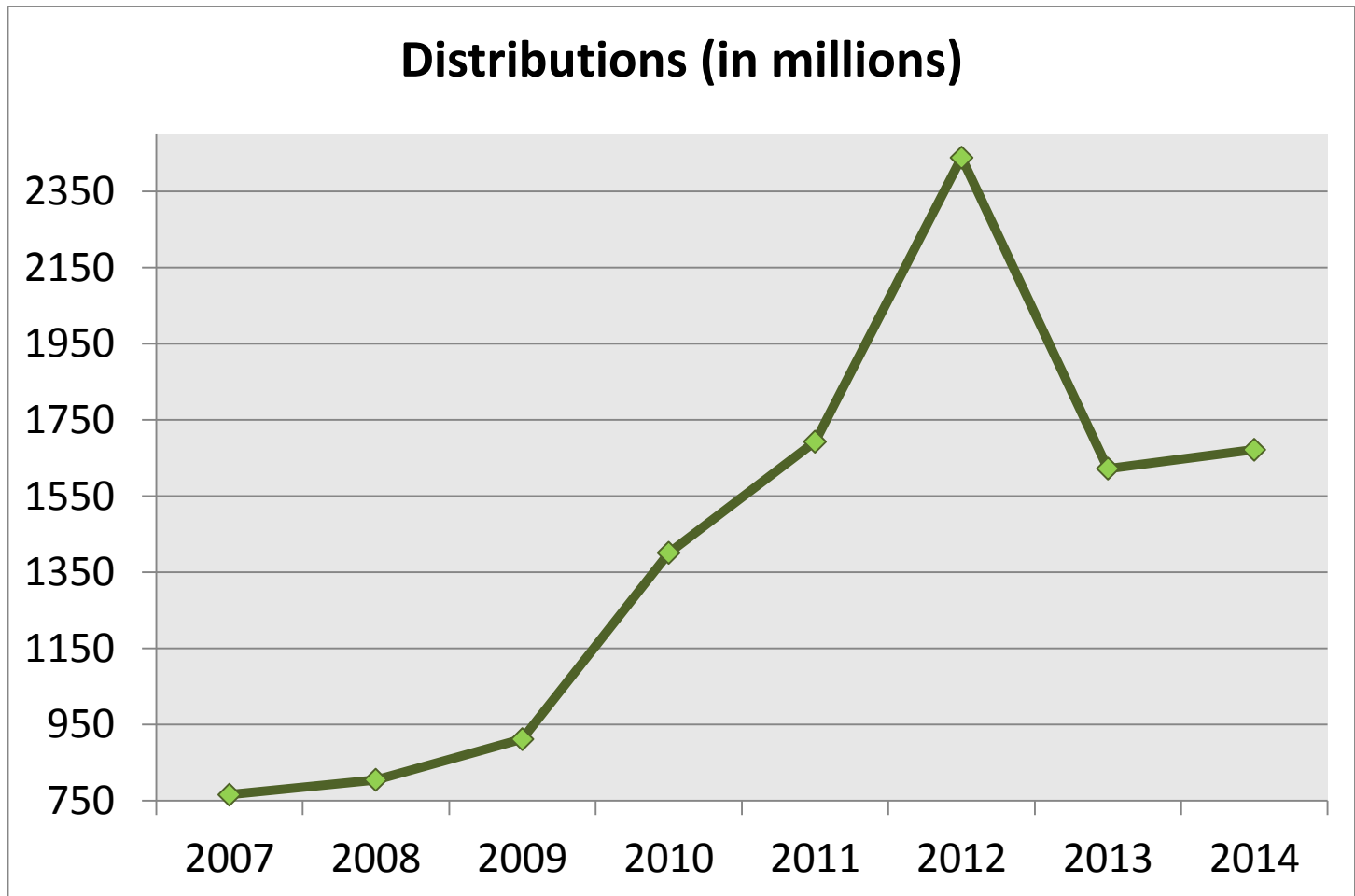
Demand – High Cost (\$4.5B Cap)



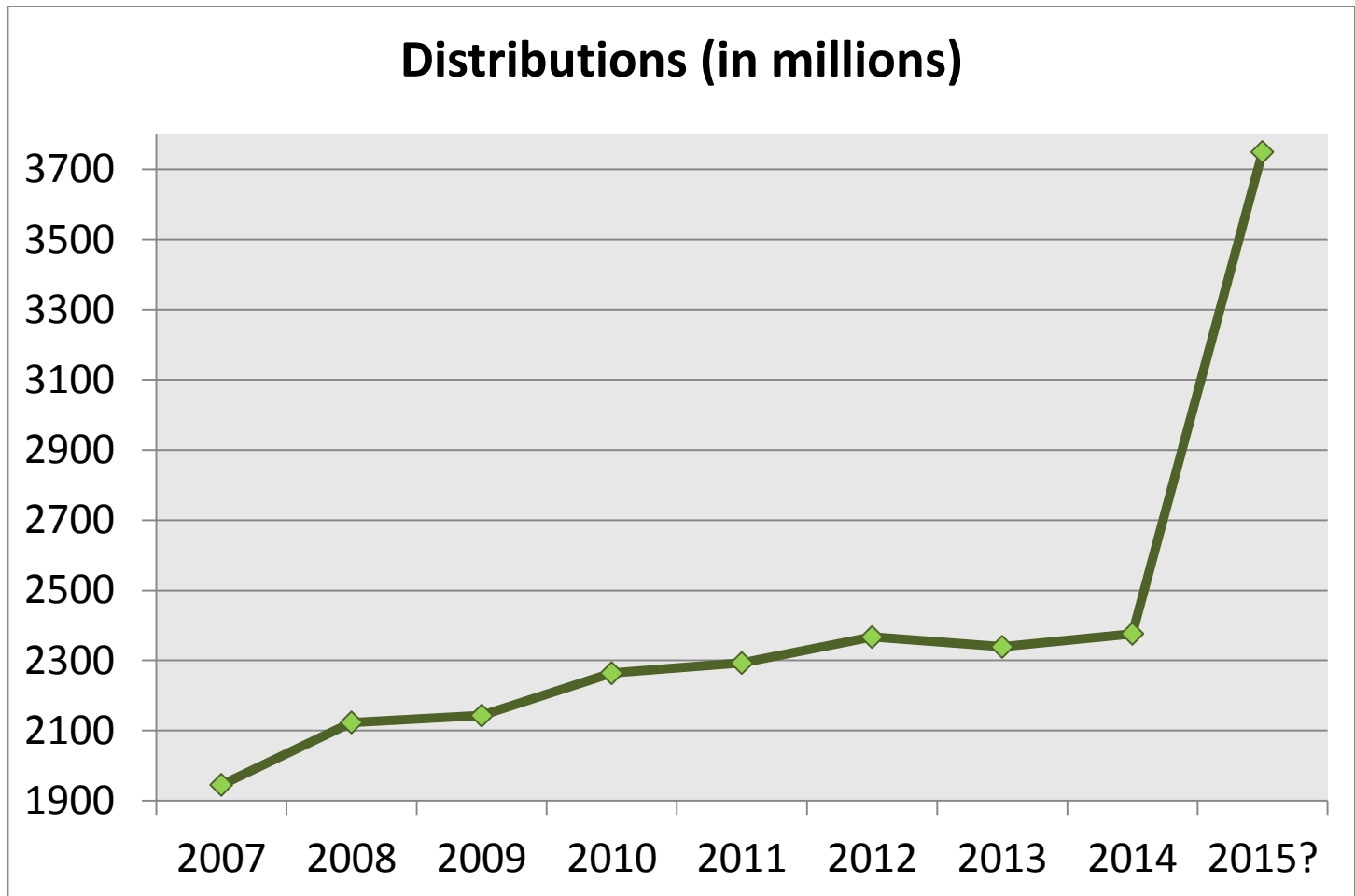
Demand – Rural Health Care (\$400M Cap)



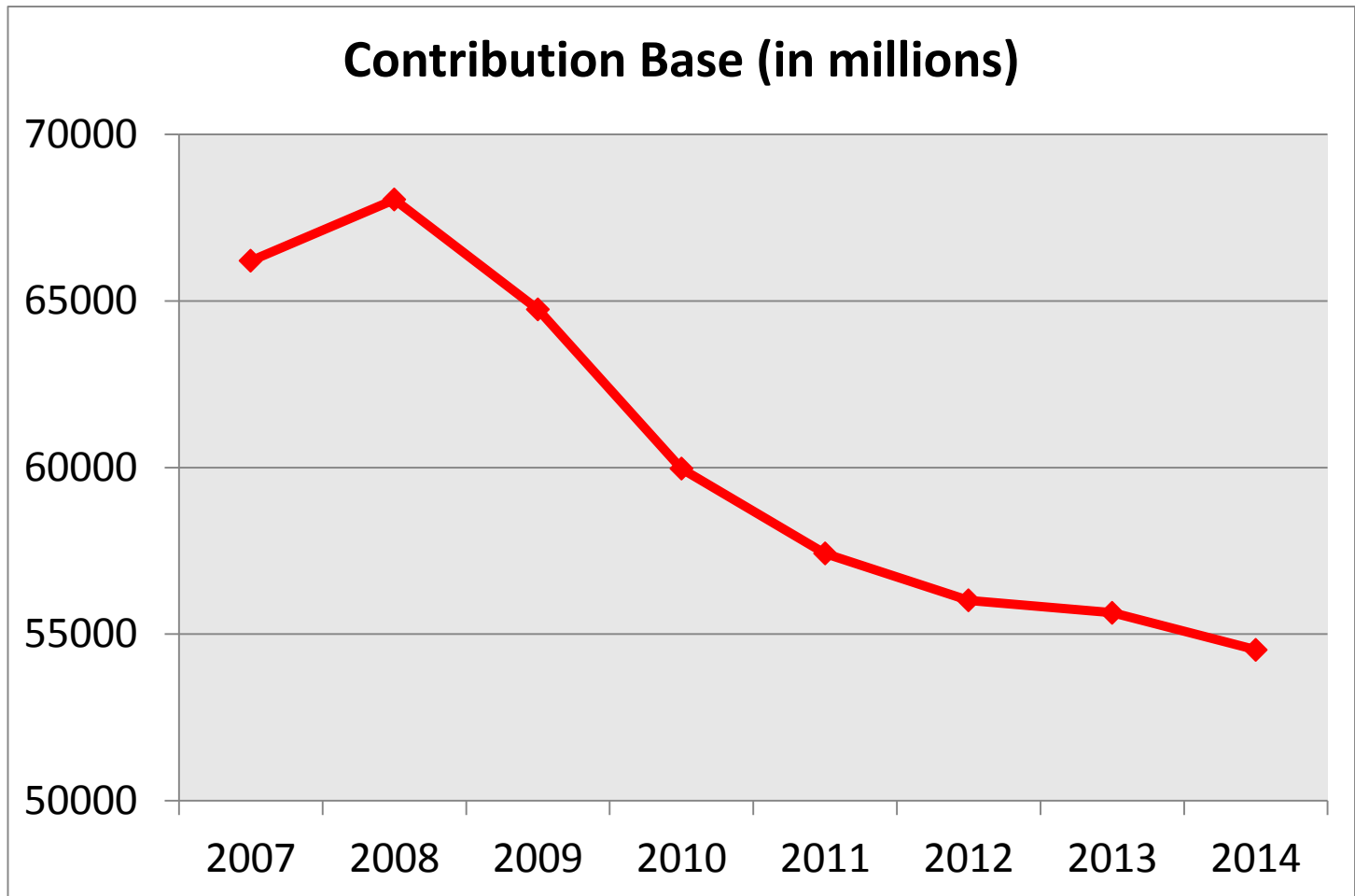
Demand – Low-Income (No Cap)



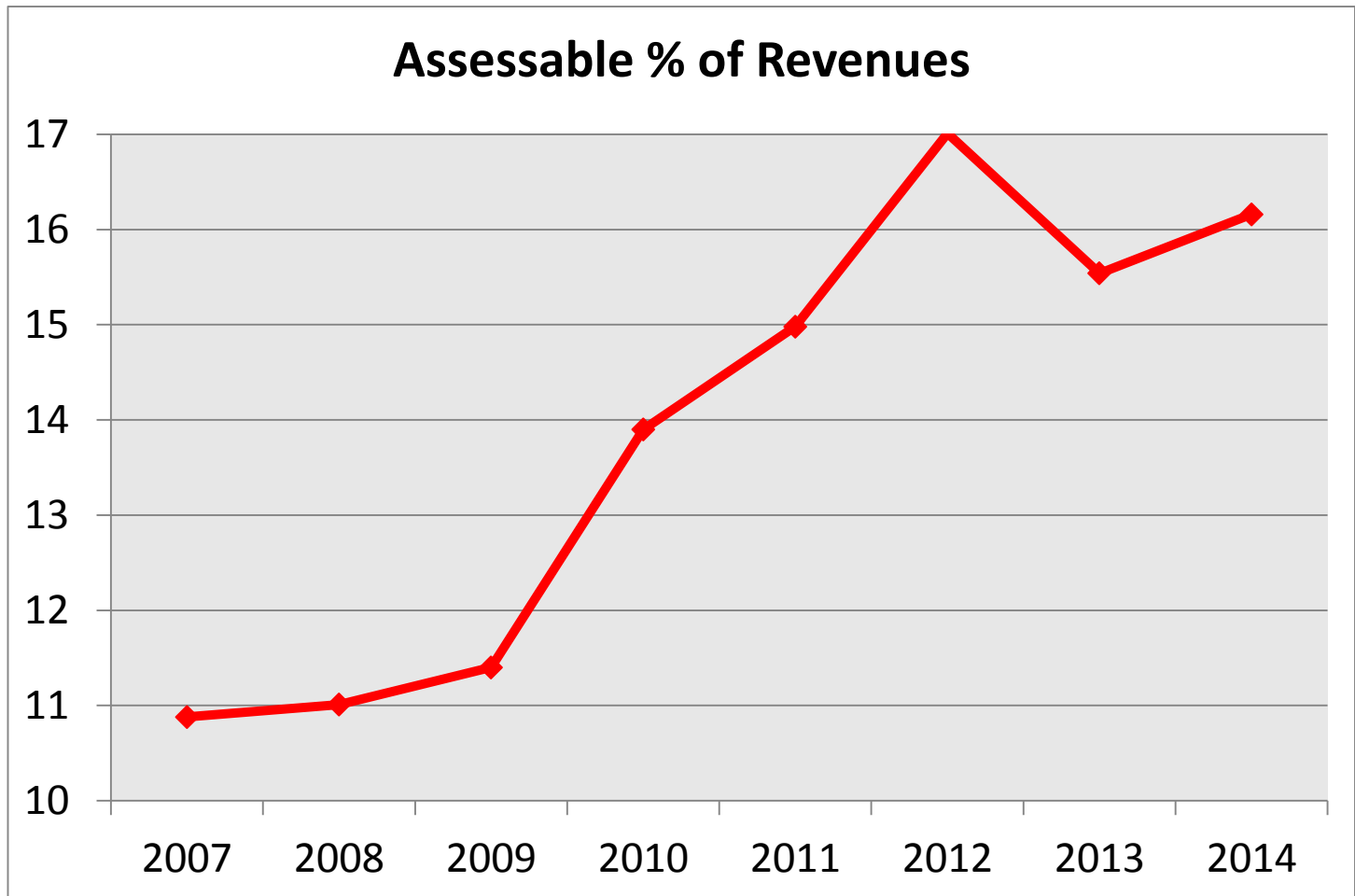
Demand – E-rate (\$3.75B Cap + inflation index)



Supply

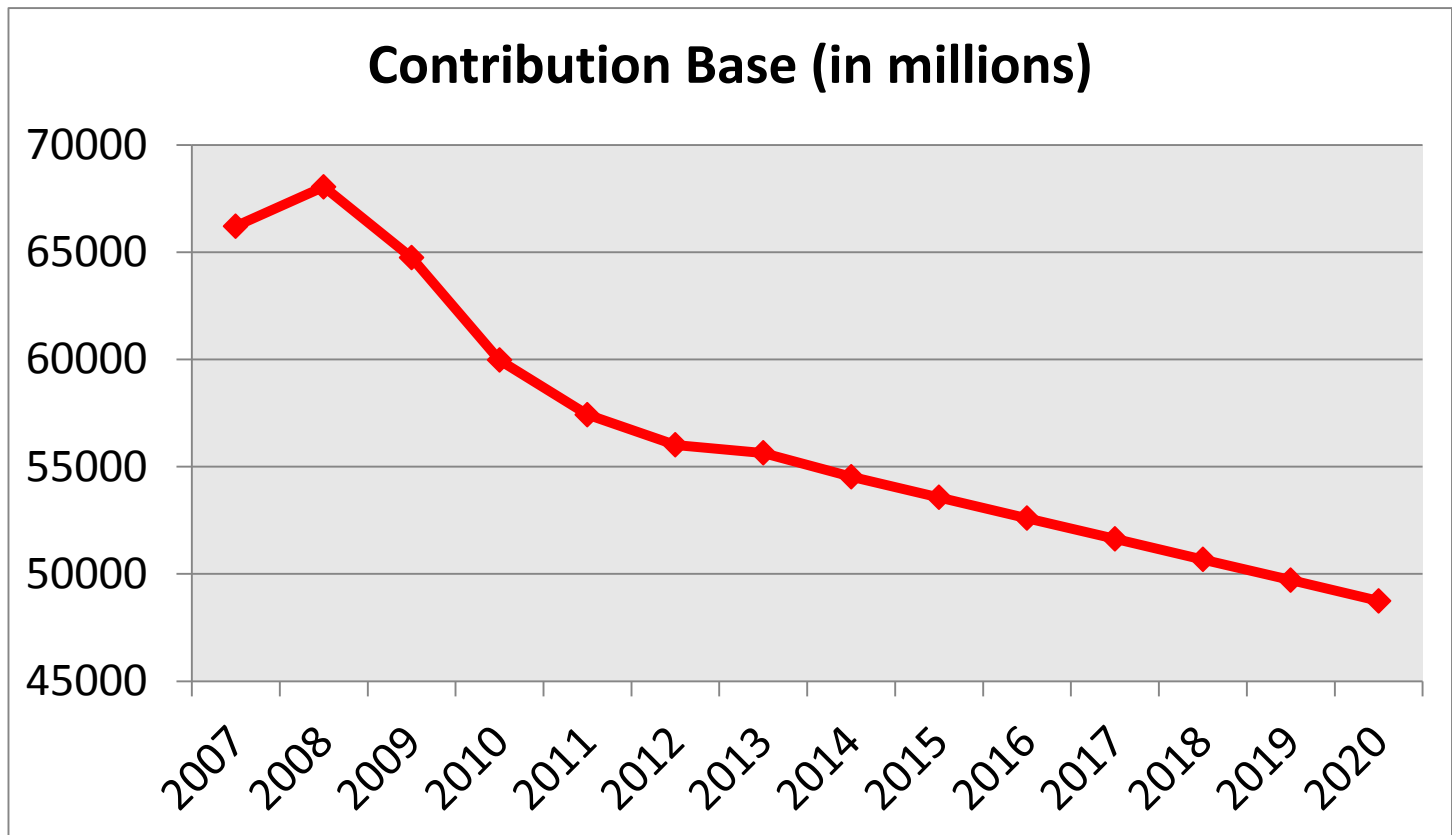


Contribution Factor



Supply without Reform Going Forward

(assumes avg. of last 3 years as continued annual reduction)

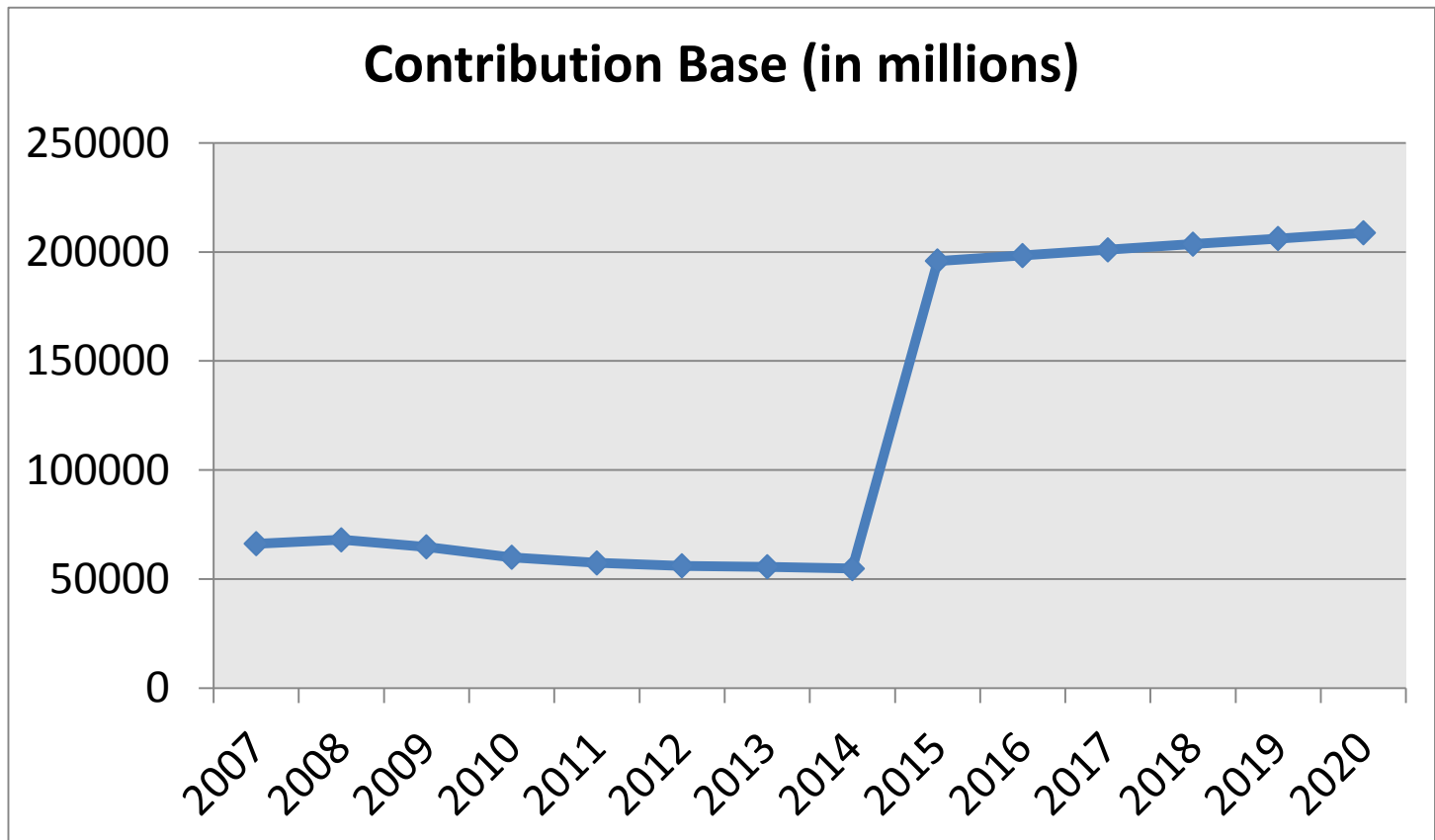


Fixing USF Supply

- We can dramatically improve the Supply equation – effective immediately – by expanding the Contribution Base just to include:
 - Fixed & Mobile Retail Broadband Internet Access Revenues – Est. \$122B Market combined in 2012*
 - Texting Revenues – Est. \$20B Billion Market**
 - Non-Interconnected (1-way) VoIP Service Revenues

Supply with Reform Going Forward

(assumes avg. of last 3 years as continued annual reduction, plus inclusion of new revenues as of 2015 with 2.5% annual increase therein thereafter)



Broadening the Base Has To Mean Something

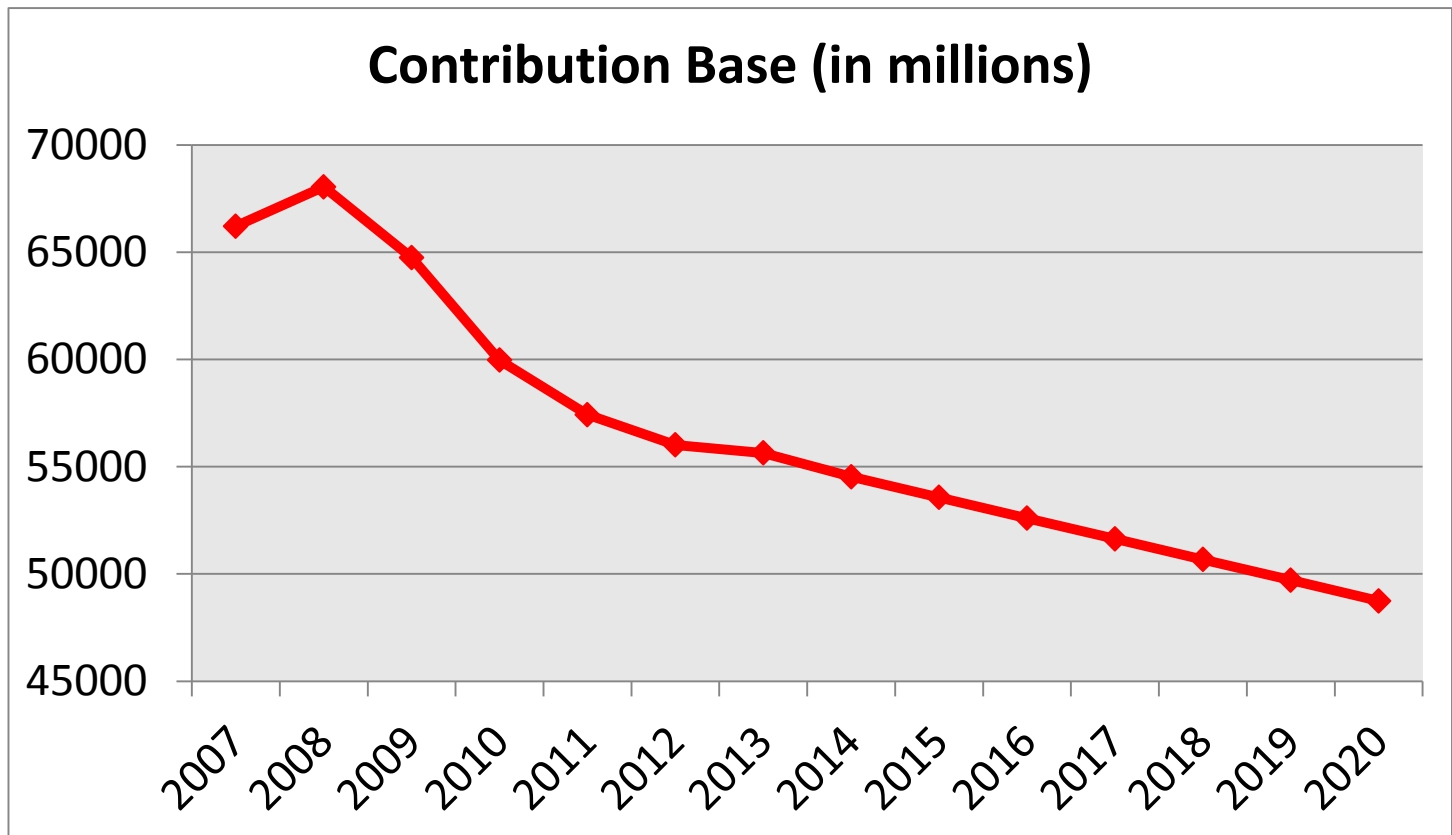
- Quarterly factors have fluctuated wildly – between 12.9% and 17.8% just since 2010
- Sends bad signals to purchasers of services and unsustainable as a matter of policy
- If we had Supply with Reform tomorrow, and assumed no increase in USF distributions, the Quarterly Contribution Factor for Q1 2015 could be approx. 1.4% rather than 16.8%.
- Average customer's broadband assessment would equal:
 - For 10/1 = \$1.20 per month
 - For 4/1 = \$1.04 per month
- Meanwhile, average customer's voice assessment would reduce from \$3.43 to \$0.28 (or even lower)

What Now?

- Joint Board
 - 2012 repeat or something more?
- Industry Politics
 - Telecom segments
 - Net-centric businesses
 - Consumer groups
- What Can't Happen – Nothing . . .

Supply without Reform Going Forward

(assumes avg. of last 3 years as continued annual reduction)



So What are the Options (Other than Nothing)?

- Revenues
 - Pros: Simple to administer; builds upon existing system
 - Cons: Politics; builds upon existing system . . .
- Connections
 - Pros: Gets to heart of network use
 - Cons: Not as easy to administer – speed, capacity, intercarrier?
- Numbers
 - Pros: Really simple to administer
 - Cons: Backward-looking, especially in an IP/BB world
- Hybrids?