SMALL COMPANY COALITION
WE BUILT IT, WE MAINTAIN IT, WE VALUE IT!

October 3, 2017

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th St SW
Room TWA325
Washington, DC 20554

Re: *Ex Parte* Notice

WC Docket 10-90

Dear Ms. Dortch:

This is to inform you that on Thursday, September 21, Small Company Coalition (SCC) representatives Jim Kail, Luke Kail, and Keith Nelson (collectively referred to as "SCC representatives") met separately with Commissioner Brendan Carr and Nathan Eagan, Travis Litman from Commissioner Rosenworcel's Office, and Claude Aiken from Commissioner Clyburn's office to discuss several matters of importance to small rural telecommunications providers.

Among the topic discussed were:

1. **Raising the FCC's arbitrary $2 billion USF cap**;
    a. Our analysis of unmet needs in the USF program greatly exceeds prior estimates, totaling nearly $1.5 billion per annum. In light of the fact that the USF program now maintains over $8 billion in reserves, we urge the FCC to take steps to utilize these reserves to reduce collections from end-users and address the annual shortfall in USF support for the small Rate of Return (RoR) carriers.

2. **Reforming USAC audit procedures**;
    a. The first three rounds of USAC audits have cost some $250 million, yet in 2016, only $8 million of questionable funding was recovered. Many RoR carriers across the country have been subjected to audits where the cost of the audit surely exceeded the recovery of any questionable USF payments. Combined, these factors lead us to conclude that the USAC audit process must be significantly reformed, including focusing on demonstrably problematic programs and bad actors, and the utilization

of the “materiality” threshold in accordance with generally accepted auditing standards.

3. **Eliminating overlapping or outdated reporting requirements;**
    a. We laud the FCC’s July 7, 2017 action eliminating several unnecessary and duplicative reporting requirements, and believe more can be done in this area. SCC members have assessed the resources necessary to comply with FCC reporting requirements, especially as they have grown since the issuance of the FCC’s USF/ICC Transformation Order in November of 2011. Currently, the hours necessary for complying with reporting requirements alone amount to over 900 hours per year -- or 23 weeks (5 months!) of full time labor per year. Such demands represent an outsized (and unnecessary) burden on small operations like those of our member companies; and

4. Raising awareness regarding the impact of shrinking High Cost Loop Support (HCLS)
    a. There are numerous problems with the HCLS fund stemming from the Rural Growth Factor and Budget Control Mechanism. If these components are left unaddressed, many service providers will risk their ability to continue providing this vital broadband service to their customers.

We are hopeful that the FCC can move forward in substantive ways to address these issues and support the efforts of small rural providers like the SCC members.

Thank you for your time

Sincerely,

Keith B. Nelson
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