Advocates for Rural Broadband

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<u>Filed Via ECFS</u>
Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: *Connect America Fund*, WC Docket No. 10-90; *Comprehensive Review of the Universal Service Fund Management, Administration and Oversight*, WC Docket No. 05-195; and *Modernizing the FCC Form 477 Data Program*, WC Docket No. 11-10

Dear Ms. Dortch:

On Monday, October 23, 2017, Mark Gailey of Totah Communications (Oklahoma and Kansas); Larry Frazier of Central Arkansas Telephone Cooperative (Arkansas); Brad Veis of 3 Rivers Telephone Cooperative (Montana); John Stuart of MTE Communications (Idaho and Arizona); Kyle Bradshaw of ATC Communications (Idaho); and Derrick Owens, Bill Durdach and Gerry Duffy representing WTA – Advocates for Rural Broadband (WTA) met with Amy Bender, Legal Advisor, Wireline to Commissioner Michael O'Rielly, to discuss the Commission's promised sixth-year review of the High Cost Support budgets adopted in 2011 and related matters dealing with the predictability and sufficiency of High Cost Support; the apparent pending plans to transfer the Universal Service Fund (USF) dollars currently managed by the Universal Service Administrative Company (USAC) to the U.S. Treasury; and the nature and frequency of FCC Form 477 data collections.

WTA supports commencement of the sixth-year review of the High Cost program budget that the Commission promised in the 2011 *USF-ICC Transformation Order* and during the ensuing Tenth Circuit appeal thereof. WTA understands that, at the outset, the Commission needs to act very soon to order USAC to continue billing and collecting the full $4.5 billion amount of the High Cost Program budget during the coming year, and urges it to do so.

WTA also believes that changes in broadband demand and economic conditions since 2011 require increases in the High Cost Program budgets, and that such increased and updated High Cost Program budgets should, at the very minimum, be kept on a level footing with the other USF programs and be adjusted at least annually for inflation. WTA noted, in particular, that the budget control mechanism "haircuts" for Rate of Return (RoR) Path carriers have already risen precipitously to double-digit levels that diminish the predictability and sufficiency of USF revenue streams so as to deter

investment and disrupt operations and maintenance. The members present discussed their experiences with "haircut"-related impacts such as: (a) the difficulty of providing the reliable and predictable financial projections necessary to obtain Rural Utilities Service (RUS) and private bank loans for future broadband deployments and upgrades; (b) the growing reluctance of RLEC managers and boards of directors to proceed with the construction of previously approved broadband upgrades and the drawing down of previously approved broadband loans due to concerns about their continuing ability to repay the loans; (c) the increasing dangers of loan covenant violations due to large and unexpected revenue shortfalls that can place loans in default and allow lenders to accelerate repayment; and (d) the increasing decisions by some RLECs not to replace employees that leave or retire in order to reduce costs (even though that often means service quality reductions, such as longer wait times for installations and repairs, that they have long sought to avoid).

WTA noted that it has had discussions with the Managing Director's office regarding the pending plans to transfer USF funds to the Treasury. However, WTA and its members still have both general and specific concerns. For example, given that WTA is aware of no difficulties or scandals regarding USAC's handling and distribution of USF support funds, it does not understand what problem the Commission is trying to solve via the transfer, nor how the distribution and administration of USF support can be improved by the interjection of the massive and multifaceted Treasury into a billing, collection and distribution process that has been developed and operated efficiently by the single-purpose USAC. On a more specific level, WTA and its members are concerned about the loss of the existing bank interest revenue stream; the status of present and future CAF Reserves; General Accounting Office (GAO) statements about the use of USF funds to reduce Treasury borrowing needs; and potential delays in the disbursement of USF payments due to circumstances such as Treasury certifications, debt limit crises and/or government shutdowns. While the Managing Director's office has been cooperative in discussing these concerns, WTA is well aware of the long-standing legal principle that one is not entitled to rely upon the advice of the Commission's staff. Therefore, while WTA has made it clear that it opposes the transfer to the Treasury, it has urged the Commission, at the very minimum, to issue a full and formal written order setting forth the reasons why it approves or declines the transfer and, if approved, the protections that will be instituted to ensure the implementation of promises that USF recipients will not be adversely impacted by the transfer. WTA has suggested that consideration of whether to modify Section 54.702(b) of the Commission's Rules, which delegated to USAC responsibility "for billing contributors, collecting contributions to the universal service support mechanisms, and distributing universal service support funds," could be the vehicle for such a formal written order.

Finally, WTA stated its support for the reduction of FCC Form 477 filings to a single annual data collection, at least for RLECs and other rural service providers. Rural broadband deployments often require more than a year for planning, finance, permits, construction, testing and commercial implementation; and rural broadband markets and deployments do not change so fast that semi-annual filings are necessary. A single annual data submission also eases the burdens on shrinking RLEC staffs, and saves administrative costs that are much more productively reallocated to broadband deployment and other service improvements. WTA is willing to work with the Commission's staff to explore more granular data options, but noted that street addresses are not common in rural areas and that the geocoding of significant numbers of existing service locations would be very time consuming and expensive.

Pursuant to Section 1.1206(b) of the Commission's Rules, this submission is being filed for inclusion in the public record of the referenced proceedings.

Respectfully submitted,

/s/ Gerard J. Duffy

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