

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
ETC Annual Reports and Certifications)	WC Docket No. 14-58
)	
Establishing Just and Reasonable Rates for Local Exchange Carriers)	WC Docket No. 07-135
)	
Developing a Unified Intercarrier Compensation Regime)	CC Docket No. 01-92
)	

**COMMENTS
of
THE CONCERNED RURAL LECS**

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I. INTRODUCTION

The Concerned Rural LECs hereby submit these comments in response to the Notice of Proposed Rulemaking (NPRM) contained in the *2018 Rate-of-Return Reform Order and NPRM*.² The Concerned Rural LECs are a diverse group of rate-of-return (“RoR”) incumbent local exchange carriers (“ILECs”). We serve in different areas of the country and on different types of terrain; we vary in size; our costs of providing service vary; and the level of broadband deployment that we’ve been able to achieve to date also differs. What we do have in common, however, is our commitment to providing high-quality voice, broadband, and other communications services to the rural communities that we serve, and the critical importance of

¹ The Concerned Rural LECs consist of the local exchange carriers individually identified in Appendix A.

² *Connect America Fund; ETC Annual Reports and Certifications; Establishing Just and Reasonable Rates for Local Exchange Carriers; Developing a Unified Intercarrier Compensation Regime*; WC Docket Nos. 10-90, 14-58, and 07-135, CC Docket No. 01-92; Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking, FCC 18-29 (rel. Mar. 23, 2018) (*2018 Rate-of-Return Reform Order and NPRM*).

the High Cost universal service program in enabling us to do so. Moreover, our group consists of both legacy RoR carriers and carriers that have elected to receive support based on the Alternative Connect America Cost Model (“A-CAM”). As such, we have a desire to see both components of the RoR High Cost program be sufficiently funded and operate in a manner that allows all RoR carriers to achieve the goals of universal service in their service areas – ubiquitous availability of affordable and “reasonably comparable” voice and broadband services.

II. CONNECT AMERICA FUND SUPPORT AVAILABLE FOR RATE-OF-RETURN CARRIERS

A. The FCC should eliminate the Rural Growth Factor in the calculation of HCLS and replace it with a pure inflationary factor

The High Cost program budget for RoR ILECs has been inadequate to achieve the goals of universal service in the high-cost rural areas served by these providers. This is not only the result of the current \$2 billion budget that has been in effect since 2011, but also the longer-standing cap on high cost loop support (“HCLS”), which has been steadily declining for years due to the application of the Rural Growth Factor (“RGF”).³ The RGF was intended to operate as an inflationary factor for the HCLS cap and is equal to the change in working loops for rural ILECs plus the Gross Domestic Product-Consumer Price Index (“GDP-CPI”). The RGF was positive each year from the inception of HCLS in 1995 through the 2003 HCLS filing, when the HCLS budget peaked at approximately \$1.057 billion. However, due to the change in rural carrier working loops turning negative in the 2004 HCLS filing, and remaining negative ever since, the RGF has resulted in a steady decline in the annual cap on HCLS.

³ 47 C.F.R. §54.1303

According to information recently released by the Universal Service Administrative Company (“USAC”), the fiscal year 2018/2019 budget for HCLS after the application of the RGF is approximately \$581 million⁴ – a whopping 45 percent reduction since its peak in 2003. While the reduction in the HCLS cap since 2003 is the result of a variety of factors, it is a drastic decline for a mechanism that is still serving the same purpose for which it was initially intended - providing critical support for the high cost of local loops used in the provision of universal service. Absent action by the Commission, the cap on HCLS will continue to decline, further limiting the support available for legacy RoR carriers to meet their universal service obligations.

The use of the RGF as an inflationary factor when working loops were increasing made sense, as it recognized the fact that a carrier’s total cost of serving their study area increases with each new loop added. In addition, the inclusion of the GDP-CPI accounts for inflation in the various input costs carriers incur in their provision of universal service. However, reducing the HCLS cap due to a decline in working loops is unjustified and harmful, as this has little, if any, offsetting impact on a rural ILEC’s loop costs.

If a customer terminates their service, the cost of provisioning the loop to serve that location has still been incurred and needs to be recovered. In addition, as carriers of last resort, the RoR ILECs must continue to maintain those loops and be prepared to restore service upon request. In other words, the costs are not avoided. To the extent that there are costs that are directly tied to working loops, they are primarily related to customer service, and these costs are not included in the calculation of HCLS.

⁴ <https://www.usac.org/hc/program-requirements/budget-control-rate-of-return.aspx>, See: 2018-2019 Budget Analysis.

Therefore, the Commission should eliminate the RGF in the calculation of the cap on HCLS and replace it with a pure inflationary factor. It should also adjust the cap to account for negative RGF impacts in prior years.

B. Should the Commission maintain a single budget for all RoR carrier support, an inflationary factor is necessary to enable the sufficiency of support

As discussed later in these comments, the Concerned Rural LECs support the adoption of separate budgets for each RoR support mechanism. However, should the Commission choose to maintain a single budget for all of the RoR mechanisms, it should apply an annual inflationary factor to that budget. An inflationary adjustment is already used in a variety of high-cost support calculations, including the RGF (as discussed above), the corporate operations expense limitation,⁵ and the recently adjusted operating expense limitation.⁶ Each of these limitations on various aspects of high-cost support are adjusted annually by the GDP-CPI to reflect that the associated costs inflate each year. While the Concerned Rural LECs do not necessarily support the imposition of each of these limitations, we do agree with the adjustments built into them to account for inflation in the costs that carriers incur to provide universal service.

Building an inflationary factor into an overall RoR budget would certainly be a step in the right direction, but by itself may not provide sufficient funding for legacy RoR carriers. Any caps imposed on high-cost support, especially as it relates to HCLS, result in an additional burden on local rates and/or state universal service funding (where available), and jeopardizes the availability of reasonably comparable services at affordable and reasonably comparable rates.

⁵ 47 C.F.R. §54.1308(a)(4)(ii)

⁶ See *Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking, In the Matter of Connect America Fund* (WC Docket No. 10-90), *ETC Annual Reports and Certifications* (WC Docket No 14-58), *Establishing Just and Reasonable Rates for Local Exchange Carriers* (WC Docket No. 07-135), *Developing a Unified Intercarrier Compensation Regime* (CC Docket No. 01-92), Rel. March 23, 2018 (FCC 18-29)

Thus, a more appropriate approach would be to first eliminate the RGF from the HCLS mechanism and rebase it to eliminate the impacts of the loss of working loops since the annual HCLS data submission in 2004. From there, an annual inflationary factor based on the GDP-CPI could be applied to the HCLS budget from that point forward to establish the appropriate budget for HCLS.

Connect America Fund broadband loop support (“CAF BLS”), formerly known as interstate common line support (“ICLS”) does not need to be adjusted for inflation, as support has historically been paid at the level of demand reported by legacy RoR carriers. Although the CAF BLS is now subject to the BCM, the costs left unrecovered through that mechanism must be recoverable through interstate rates or support in order for carriers to have an opportunity to earn the authorized interstate rate of return. Consequently, any reduction in CAF BLS due to the BCM is recovered through future CAF BLS true ups or current rates for Consumer Broadband Only Loop (“CBOL”) service.

Therefore, using the average demand for CAF BLS for tariff years 2017/2018 and 2018/2019 rather than support from a previous period adjusted for inflation, establishes a budget that is equal to demand. Doing so ties the current period budget for CAF BLS to the current period demand, rather than pushing shortfalls in support to future periods or onto customer rates. The combination of the rebased and inflation-adjusted HCLS and current CAF BLS demand would establish a more reasonable and economically sound RoR high-cost support budget than the current \$2.0 billion on a going forward basis.

While it is difficult to perform a complete analysis of this proposal based on readily available data, we have attempted to perform a high level analysis to gauge the budgetary impact, and we are confident that the Commission has the data and resources available to do so.

We have attempted to estimate the impacts based on information publicly available on the Commission's website as well as limited data from the Bureau of Economic Affairs. Thorough analysis was performed on HCLS, while a high level analysis was performed for other support mechanisms. In doing so, we relied heavily on information included in the annual *National Exchange Carrier Association, Inc. Overview and Analysis of USF Data Submission* for the years 2003 through 2017.⁷ Our HCLS analysis was designed to isolate the effect of the GDP-CPI in the calculation of the RGF from the effect of the change in working loops. This allowed us to calculate the HCLS cap if it had only been adjusted for inflation since the point in time that the change in working loops turned negative. This occurred in the 2004 HCLS data submission, which was based on data from calendar year 2003 and for which support was paid in 2005.⁸

We then applied the GDP-CPI inflation factor to the HCLS amount in the 2004 HCLS filing for each successive year to determine the HCLS cap without the impact of a negative change in working loops. Without any further adjustments to the HCLS cap, this results in a cap of approximately \$1.379 billion for HCLS in 2018 based on the 2017 HCLS data submission.

However, a couple of additional adjustments are required to reflect changes in the demand for HCLS. First, we had to adjust for the removal of rate-of-return study areas affiliated with price cap carriers from the rural ILEC portion of HCLS. This occurred in the 2011 HCLS data submission, which was based on data from calendar year 2010 and for which support was paid in 2012. We then applied the same GDP-CPI inflationary factor to this amount going

⁷ These NECA submissions provide information on the annual change in working loops and the GDP-CPI used to determine the RGF, which are then used in calculating the cap on HCLS.

⁸ We had to estimate the change in working loops and GDP-CPI for the 2002 HCLS data submission, as information was not readily available from the *National Exchange Carrier Association, Inc. Overview and Analysis of USF Data Submission* for that year. However, this data does not impact the analysis because it was only used to confirm that the change in working loops remained positive in that filing.

forward, to determine the inflation-adjusted amount to be removed from the \$1.379 billion cap identified above. This results in a reduction of approximately \$69.2 million in 2018 HCLS.

Second, we had to adjust for the removal of A-CAM and Alaska Plan carriers from the HCLS mechanism. This occurred in the 2016 HCLS data submission, and was based on data from calendar year 2015 and for which support was to be paid to these carriers in 2017 if not for their A-CAM election. We then applied the same GDP-CPI inflationary factor to this amount going forward, to determine the inflation-adjusted amount to be removed from the \$1.379 billion fund cap identified above. This results in a reduction of approximately \$111.9 million in 2018 HCLS. The end result of this analysis produces an inflation-adjusted cap on HCLS of approximately \$1.198 billion in 2018 for legacy RoR carriers that continue to receive HCLS.

Finally, to complete the analysis and determine an appropriate inflation-adjusted budget for all RoR high-cost support, we added back in amounts for CAF BLS, A-CAM support, Alaska Plan support, and CAF intercarrier compensation (“ICC”). For CAF BLS, we simply took the average support projected by USAC for the 2017/2018 and 2018/2019 tariff years plus the historical true up that will be paid in the second half of 2018, prior to the application of the BCM, to determine the amount of CAF BLS that is necessary for 2018. This produced estimated CAF BLS of \$856.2 million for 2018. For A-CAM, the Alaska Plan, and CAF ICC, we simply took the average support projected by USAC for the 2017/2018 and 2018/2019 tariff years.⁹ This produced estimated A-CAM support of \$328.9 million, Alaska Plan support of \$44.4 million, and CAF ICC support of \$389.7 million for 2018.

With all five support mechanisms (HCLS, CAF BLS, A-CAM, Alaska Plan, and CAF ICC) included, this produces an estimated, inflation-adjusted budget of \$2.817 billion for 2018.

⁹ The support projected by USAC for the 2017/2018 and 2018/2019 tariff years is available on the FCC’s website. See <https://www.usac.org/hc/program-requirements/budget-control-rate-of-return.aspx>.

While this is more than a 40 percent increase from the current budget, it is still significantly less than the amount of support that NECA has calculated would be required if HCLS were calculated at the frozen national average cost per loop of \$240, which would increase the budget by a further \$260.9 million. This analysis is attached to these comments as Appendix B.

This analysis paints a stark picture of the significant variance in high-cost support that is currently being distributed to RoR carriers compared to the support that would be available if HCLS was rebased and included an inflationary factor and CAF BLS was paid based on actual demand. It is clear that the Commission should apply an inflationary factor to the RoR carrier high-cost support budget. Adjustments to HCLS should reflect inflation only, and not an adjustment for the change in working loops, since the 2004 HCLS filing when the change in working loops turned negative and adjustments to CAF BLS should reflect actual demand.

C. An increase in the RoR budget is necessary to make standalone broadband a viable service offering for legacy RoR carriers

It is clear from reviewing USAC's 2018-2019 budget analysis¹⁰ that the current \$2 billion budget is woefully inadequate to support both voice and broadband services and is having a significant impact on the ability of legacy RoR carriers to offer standalone broadband Internet access service at affordable and reasonably comparable rates. Under the rules for the BCM, CAF BLS is first applied to loops that include voice service and to consumer broadband only loops ("CBOLs") second, with recovery of the shortfall in support for CBOLs accomplished through a wholesale CBOL charge. This methodology ensures that CBOL rates are greater than the FCC's established benchmark of \$42, and significantly so at this point. All one has to do is look at the "CAF BLS Adjustment" and "CAF BLS Attributions" tabs in the USAC budget to

¹⁰ See <https://www.usac.org/hc/program-requirements/budget-control-rate-of-return.aspx>

determine that the average rates for CBOL service will likely make widespread availability and adoption of standalone broadband impossible in the areas served by legacy RoR carriers.

We performed a simple analysis to identify the average CBOL rates currently required to recover the costs assigned to the CBOL category as well as the impacts of the BCM. The sole source of data used in the analysis is USAC's 2018-2019 budget analysis. We started by identifying the total demand for CAF BLS associated with CBOL service, which is approximately \$181.1 million. From the \$181.1 million we subtracted \$117.5 million, which is the CAF BLS actually attributed to CBOL service. This produces an approximate variance of \$63.5 million to be recovered through CBOL rates. This variance was divided by the number of forecasted CBOLs -- approximately 164,000 -- and the result divided by 12, to produce an average monthly variance per CBOL of \$32.25. This per-CBOL variance was then added to the CBOL benchmark rate of \$42 to produce an average CBOL monthly rate of \$74.25 after the application of the BCM.

It is important to note that this is a wholesale rate assessed to Internet service providers ("ISPs") and constitutes only a portion of the costs that factor into the retail rate that end users pay for broadband Internet access service. For instance, ISPs must include their own network, middle mile, and overhead costs to this wholesale rate to determine the rate they will charge for standalone broadband. A wholesale rate of \$74.25 for CBOL service pushes the retail rate for standalone broadband Internet access well above \$100.00 per month, which exceeds the Commission's reasonable comparability benchmark for 10/1 Mbps service (\$88.13) and even 25/2 Mbps service (\$94.32),¹¹ making it unaffordable for most consumers in rural America.

¹¹ See <https://www.fcc.gov/general/reasonable-comparability-benchmark-calculator>

Presently, the only way for legacy RoR carriers to attain a reasonable CBOL rate is to immediately achieve a relatively high penetration rate for standalone broadband (i.e., 25 percent or greater), as the more CBOLs a carrier has, the less impact the BCM has on a per-line basis. However, due to the fact that the support benchmark for CBOL service at \$42 is substantially lower than the support benchmarks for lines that include voice,¹² widespread adoption of standalone broadband in legacy RoR carrier service areas will only exacerbate the BCM. More support on a per-line basis results in greater demand for support in total. As more and more companies achieve high penetration rates for CBOL, the BCM will increase to keep support distributions within the budget, and CBOL rates will quickly become unaffordable for all. Therefore, absent a significant increase in the RoR budget, the availability of standalone broadband at affordable and reasonably comparable rates will remain infeasible in the service areas of many legacy RoR carriers.

D. Separate budgets for each RoR support mechanism would account for their differences and allow for greater flexibility

Subjecting all high-cost support mechanisms for RoR carriers to a single budget is problematic in that it does not recognize the unique purpose of each mechanism. Each support mechanism under the current RoR budget is designed to recover different costs. HCLS is designed to recover a portion of the cost of the local loop that is assigned to the intrastate jurisdiction in the cost separations process and only supports loops that include voice services. CAF BLS, on the other hand, is designed to recover a portion of the cost of the local loop that is

¹² CAF BLS benchmark is the Subscriber Line Charge, which is \$6.50 for residence customers, plus the HCLS benchmark which starts at approximately \$62.00 (Frozen National Average Cost Per Loop of \$647.87 * 115% for 65% support threshold) and goes up to nearly \$81.00 (Frozen National Average Cost Per Loop of \$647.87 * 150% for 75% support threshold), for a total of \$68.50 to \$87.50.

assigned to the interstate jurisdiction in the cost separations process, and includes both voice loops and broadband-only loops. A-CAM support and Alaska Plan support replace both HCLS and CAF BLS for electing carriers, and therefore recover a portion of the total cost of the local loop. CAF ICC is designed to recover a portion of the cost of switched access services that was frozen in 2012 and is phasing down by five percent each year. These are very different support mechanisms driven by equally different costs, and it may be more appropriate to establish separate budgets for each that recognize those disparate cost characteristics.

Further, A-CAM and the Alaska Plan are mechanisms whose budgets for the entire funding period are already known (notwithstanding further offers that may be forthcoming), so these mechanisms could easily be assigned their own budgets. In addition, CAF ICC is a mechanism that likely does not require a further inflationary adjustment, as it is already subject to a five percent annual reduction, and could easily be assigned its own budget. Naturally, additional support may be needed for HCLS and CAF BLS at the same time that demand for CAF ICC is in decline, but this would be recognized in the inflation-adjusted budget for these mechanisms. These mechanisms should not fall under a single budget because they serve very different purposes, and separating them would appear to provide greater budgetary flexibility.

III. INCREASING BROADBAND DEPLOYMENT AND PROMOTING EFFICIENT USE OF RESOURCES BY RATE-OF-RETURN CARRIERS

A. Support for existing A-CAM carriers should be increased to at least \$200 per-location

The NPRM indicates that use of a per-location funding cap of \$200 constitutes “full funding” of existing A-CAM carriers, but this is a misnomer. In order to truly fully fund the costs indicated by the model, the Commission would need to eliminate the use of a funding cap

altogether. While the Concerned Rural LECs fully support additional funding for A-CAM carriers at the same time that it provides additional funding for legacy RoR carriers, the Commission should consider eliminating the A-CAM funding cap in total. The A-CAM was developed at the request of the Commission to determine the forward-looking economic costs of deploying a fiber-based broadband network in RoR study areas. If the Commission believes in a model-based approach for determining support for RoR carriers and has faith in the accuracy of the model it has developed, then it should fully fund the costs calculated by the model above the established benchmark rate, not at an arbitrarily established funding cap of \$146.10 or \$200 per location.

If the Commission does not eliminate the funding cap altogether for A-CAM carriers, then it should increase the funding cap at least to the \$200 per location that was initially offered. Additional buildout obligations should be based on the same parameters as the initial funding offer at the \$200 per-location funding cap, and adjusted for the period over which the additional funding will be provided. There are a couple of scenarios that we can envision for an increase in the funding cap. The first is where additional funding is made retroactive to January 1, 2017 to align with the original commencement date of A-CAM funding. The second possibility is additional support is provided prospectively, beginning at some future date until the end of 2026.

The first scenario would provide the full amount of funding initially offered and would warrant re-instituting the initial buildout obligations, but would require a change in the interim buildout milestones. So, rather than requiring that 40 percent of the buildout obligation for 10/1 Mbps locations be completed by the end of the fourth year, the milestones could be set on a modified schedule (i.e., 40% in 2021, 55% in 2022, 70% in 2023, 80% in 2024, 90% in 2025, and 100% in 2026).

The second scenario would presumably not provide the full amount of funding initially offered, as it would commence on a future date and provide the same amount of annual support as initially offered. In this case, the buildout obligation would need to be adjusted downward to reflect the lesser amount of support, and the milestones would need to be set on a modified schedule as well, potentially similar to the one outlined above. In order to provide incentive for carriers to elect the revised support and buildout obligations, the buildout milestones need to be flexible enough to provide carriers comfort that they will be able to meet the requirements on a compressed timeframe.

B. The FCC should make a new A-CAM offer to all legacy RoR carriers

Knowing what they know now about the impacts of the BCM and the ongoing unpredictability of legacy RoR support, many legacy RoR carriers would likely give stronger consideration to an offer of model-based support than they previously did in 2016. Many companies did not elect the 2016 model offer because it was significantly below their historical amounts of support or was less than the amount of legacy support that they forecasted they would receive in the future based on their projected actual costs. However, now that the BCM has reached an estimated 15.52 percent for tariff year 2018/2019, unless the budget for legacy RoR support is increased significantly, that initial A-CAM offer, or something similar, may be far more appealing now. Naturally, the Concerned Rural LECs would also like to see additional funding for both legacy RoR carriers and A-CAM carriers, which would allow each to continue on the path they elected in 2016, and would provide the legacy carriers with greater assurance that their support projections will come to fruition.

If the Commission is to make a new model offer, it should make offers to both glide path carriers as well as carriers that would receive additional support. Offers accepted by glide path

carriers at amounts below their legacy support would free up support that can be retargeted to help alleviate the impacts of the BCM for those carriers remaining on legacy support. On the other hand, a new offer to non-glide path carriers is essentially another opportunity for them to evaluate the pros and cons of model-based support now that the ramifications of the *2016 Rate-of-Return Reform Order* are better understood. Doing so would move more carriers to model-based support, which the Commission appears to prefer.

In order to make a glide path offer appealing to a significant number of carriers, it should be reasonably consistent with the initial offer made in 2016 and the offer that was accepted by existing glide path carriers, so that it is equitable for all glide path A-CAM recipients. We performed an analysis based on the illustrative model results released by the Wireline Competition Bureau via *Public Notice*¹³ on May 11, 2018, to determine the average impacts on potential glide path carriers and to estimate the likelihood that carriers would accept such an offer. We broke down each set of illustrative results based on the percentage reduction that individual carriers would receive, consistent with the tiered phase down in support for the 2016 glide path carriers. There are three tiers included in the analysis: (1) carriers with a reduction in the range of 0-10 percent (Tier 1); (2) carriers with a reduction in the range of 10-25 percent (Tier 2); and (3) carriers with reductions greater than 25 percent (Tier 3). Once individual carriers were split into the three tiers, we combined all of the carriers in each tier to develop total impacts as well as average impacts. The results of this analysis are summarized in the tables below.

¹³ See DA 18-481, *Wireline Competition Bureau Releases Illustrative Model Results to Aid Preparation of Comments in Response to 2018 Rate-of-Return Reform NPRM* (WC Docket 10-90), Rel. May 11, 2018

Table 1: Summary of Annual Glide Path Impacts - \$146.10 Funding Cap Per Location

Tier	# of Companies	2017 Average Support	Support Reduction	Average Reduction	% Reduction
(a)	(b)	(c)	(d)	(e) = (d)/(b)	(f)=(e)/(c)
Tier 1	22	\$3,738,422	\$ 5,322,465	\$ 241,930	6.47%
Tier 2	47	\$2,705,190	\$ 21,984,140	\$ 467,748	17.29%
Tier 3	314	\$3,043,724	\$585,713,862	\$1,865,331	61.28%
Total	383	\$3,042,085	\$613,020,466	\$1,330,912	52.61%

Table 2: Summary of Annual Glide Path Impacts - \$200 Funding Cap Per Location

Tier	# of Companies	2017 Average Support	Support Reduction	Average Reduction	% Reduction
(a)	(b)	(c)	(d)	(e) = (d)/(b)	(f)=(e)/(c)
Tier 1	23	\$3,398,701	\$ 3,873,294	\$ 168,404	4.95%
Tier 2	44	\$2,313,072	\$ 17,400,395	\$ 395,464	17.10%
Tier 3	285	\$3,062,207	\$521,396,910	\$1,829,463	59.74%
Total	352	\$2,990,552	\$542,670,599	\$1,541,678	51.55%

In order to better understand the impacts of a glide-path offer, one also has to look at the overall support reduction over the life of the funding, as transitional payments lessen the reduction in support in the earlier years. We performed a further analysis to better understand the impacts of transitional payments on a potential offer at the different funding caps, again using average support and average support reductions within three tiers. To estimate transitional payments, we used the same transitional schedule identified in the *2016 Rate-of-Return Reform Order* and applied it over an assumed eight-year funding period¹⁴ for a new glide-path offer. We then calculated a total reduction in support over the eight-year funding period and divided by the average 2017 legacy funding times eight to determine the transition-weighted average percentage reduction in support. The results of this analysis are summarized in the tables below.

¹⁴ We assumed an eight-year funding period to coincide with the 2026 termination of existing A-CAM support.

Table 3: Summary of Transitional Impacts - \$146.10 Funding Cap Per Location

Tier	2017 Average Support	8-Year Average Support	Average Annual Reduction	8-Year Transitional Reduction	% Transitional Reduction
(a)	(b)	(c) = (b)*8	(d)	(e)	(f)=(e)/(c)
Tier 1	\$3,738,422	\$29,907,380	\$ 241,930	\$ 1,814,477	6.07%
Tier 2	\$2,705,190	\$21,641,418	\$ 467,748	\$ 3,150,295	14.56%
Tier 3	\$3,043,724	\$24,349,790	\$1,865,331	\$10,122,482	41.57%

Table 4: Summary of Transitional Impacts - \$200 Funding Cap Per Location

Tier	2017 Average Support	8-Year Average Support	Average Annual Reduction	8-Year Transitional Reduction	% Transitional Reduction
(a)	(b)	(c) = (b)*8	(d)	(e)	(f)=(e)/(c)
Tier 1	\$3,398,701	\$27,189,604	\$ 168,404	\$ 1,263,031	4.65%
Tier 2	\$2,313,072	\$18,504,573	\$ 395,464	\$ 2,671,239	14.44%
Tier 3	\$3,062,207	\$24,497,659	\$1,829,463	\$10,089,561	41.19%

The Concerned Rural LECs favor a new model offer for glide path carriers at a funding cap of \$200 per location because it minimizes the annual support impact on carriers that are most likely to elect such an offer. That said, we do not believe that the adoption rate for either funding cap would be significant, as neither option appears to be viable for more than 69 carriers in total, and it is questionable for more than two-thirds of those that fall into Tier 2.

In order for a carrier to elect a new glide path offer, they would need to be reasonably confident that their costs were going to stay the same or decline (which would mean that their legacy support would not otherwise increase), and that the BCM is going to continue increasing at a rapid pace. The combination of these two factors may provide incentive for these carriers to opt into transition-weighted average support reductions in the range of 4.65-6.07 percent as calculated for Tier 1, but it is difficult to believe that many Tier 2 carriers would accept the risk of transition-weighted average support reductions of greater than 14 percent. Finally, it is

extremely difficult to believe that more than a handful of Tier 3 carriers would elect transition-weighted average support reductions of more than 41percent. If carriers were inclined to opt in to such significant support reductions, we believe that they would have already done so in 2016. The Concerned Rural ILECs certainly support the initiation of a new model offer for glide path carriers, but it is clear that doing so is not going to free up a significant amount of funding for legacy RoR support, so it remains crucial that the Commission increase the budget to address the BCM.

The Commission should also initiate a new model offer for non-glide path carriers as well, as nearly two years of experience under the new A-CAM and legacy support mechanisms has provided a greater level of clarity about how these mechanisms work, as well as potential future needs for, and availability of, support. Carriers will have observed and analyzed the pros and cons of participation in model-based support and can now make a better educated decision on the appropriate support system to enable the provision of universal voice and broadband service within their service territories.

The illustrative results published by the Wireline Competition Bureau give some indications of the scope of what a revised A-CAM offer would look like at funding caps of both \$146.10 and \$200 per location.¹⁵ Both options would require significant increases in the overall budget, ranging from an estimated \$121 million to more than \$183 million per year if all non-glide path carriers were to elect model-based support. This represents an increase in support of approximately 48 percent for 167 carriers with a funding cap of \$146.10 per location and approximately 51 percent for 198 carriers with a funding cap of \$200 per location.

¹⁵ This is analyzed by selecting “No” in the column labeled “Model Offer Eligible Yes/No” in reports 12.3 and 13.3, which then shows all companies that are not eligible for a glide path offer.

We performed an analysis based on the illustrative model results to determine the average impacts on potential non-glide path carriers and to estimate the likelihood that carriers would accept such an offer. We broke down each set of illustrative results based on the percentage increase that individual carriers would receive. There are three tiers included in the analysis: (1) carriers with an increase in the range of 0-25 percent (Tier 1); (2) carriers with an increase in the range of 25-50 percent (Tier 2); and (3) carriers with an increase of greater than 50 percent (Tier 3). Once individual carriers were split into the three tiers, we combined all of the carriers in each tier to develop total impacts as well as average impacts. The results of this analysis are summarized in the tables below.

Table 5: Summary of Annual Impacts - \$146.10 Funding Cap Per Location

Tier	# of Companies	2017 Average Support	Support Increase	Average Increase	% Increase
(a)	(b)	(c)	(d)	(e) = (d)/(b)	(f)=(e)/(c)
Tier 1	50	\$2,329,189	\$ 12,088,293	\$241,760	10.38%
Tier 2	27	\$1,962,470	\$ 18,706,236	\$692,824	35.30%
Tier 3	90	\$ 887,189	\$ 89,826,865	\$998,076	112.50%
Total	167	\$1,492,774	\$120,621,393	\$722,384	48.39%

Table 6: Summary of Annual Impacts - \$200 Funding Cap Per Location

Tier	# of Companies	2017 Average Support	Support Increase	Average Increase	% Increase
(a)	(b)	(c)	(d)	(e) = (d)/(b)	(f)=(e)/(c)
Tier 1	60	\$2,808,279	\$ 15,736,457	\$ 262,274	9.34%
Tier 2	28	\$2,600,523	\$ 27,627,358	\$ 986,691	37.94%
Tier 3	110	\$1,094,781	\$140,007,698	\$1,272,797	116.26%
Total	198	\$1,826,956	\$183,371,513	\$ 926,119	50.69%

The Concerned Rural LECs favor a new model offer for non-glide path carriers at a funding cap of \$200 per location because it likely increases the number of carriers that will elect such an offer. It also allows for more robust broadband deployment obligations that will further

the goals of universal service. Under any of the scenarios analyzed, the budget impact is significant, so the Commission would have to weigh the benefits of migrating carriers to model-based support versus the corresponding increase in the budget. Under either the \$146.10 or \$200 per-location funding cap scenarios, we believe that Tier 2 and Tier 3 carriers would seriously consider a new offer of model-based support, which would mean that 117 to 138 carriers are likely to newly elect the A-CAM for approximately \$108 million to \$168 million in additional support. Doing so would mitigate the impacts of the legacy RoR budget increase discussed above, but would result in an even further increase in the overall budget because those most likely to elect a new A-CAM offer would do so for an increase that is greater than the current BCM.

One option the Commission may want to consider to make a new non-glide path model offer more budget friendly is to adopt a transition to increased support, much like the glide path transition, just in the other direction. The Concerned Rural LECs would prefer an immediate increase to the model-calculated support amount, as it is consistent with the treatment that existing A-CAM carriers received. However, if the Commission determines that it does not have the budget available to do so over the next eight years, a transition plan may be a reasonable compromise to achieve the desired results for both the Commission and RoR carriers. As an illustrative example, we modeled a transitional plan similar to the glide path transition, with a two-year transition for Tier 1 carriers, a five-year transition for Tier 2 carriers, and an eight-year transition for Tier 3 carriers¹⁶. Doing so reduces the overall budget for this new A-CAM offer from approximately \$121 million to \$76 million with a per-location funding cap of \$146.10, or from approximately \$183 million to \$115 million with a per-location funding cap of \$200. This

¹⁶ To keep the analysis simple, an equal annual transition is assumed.

is an approach that would allow the Commission to make a new model offer to all legacy RoR carriers within a limited budget, rather than having to choose which carriers can participate in the offer.

C. The FCC should establish a threshold level of support for legacy RoR carriers that is not subject to the BCM

Legacy RoR carriers are in a state of shock over the level that the BCM has risen to in just two years. Prior to September 2016 the only budget control that HCLS and CAF BLS (formerly ICLS) were subject to was the HCLS-specific RGF and company-specific limitations on certain expenses, such as the corporate operations expense limitation. In two short years, the BCM that has been applied to HCLS and CAF BLS has steadily risen to 15.52 percent and it seems unlikely that its growth will abate anytime soon.

The growth of the BCM is driven by the costs that legacy RoR carriers incur in the provision of universal service, the obligations of which have only increased over time. As a result of the *2016 Rate of Return Reform Order*, legacy RoR carriers with less than 80 percent deployment of 10/1 Mbps broadband service in their study areas have a defined five-year broadband deployment obligation based on a forecast of the amount of CAF BLS they are projected to receive from 2017 through 2021. The lower the carrier's starting point for 10/1 Mbps or greater broadband availability, the more locations that they must upgrade over this five-year window. As a result of these obligations, investment in broadband-capable local loop facilities will continue to grow, which causes the costs that flow into the legacy support mechanisms to grow as well. At the same time, a growing number of RoR carriers are beginning to offer standalone broadband service which, as discussed earlier, places upward pressure on CAF BLS. It is clear that demand for legacy RoR support is increasing rapidly, which is

evidenced by the analysis outlined earlier in section II.B. on the need for inflation-adjusted support.

In order for legacy RoR carriers to continue investing in a broadband-capable network to meet the deployment obligations established by the Commission, these carriers must have a sufficient level of support to recover their costs and earn a reasonable rate of return. In addition, these carriers must have access to capital in order to make the necessary network upgrades, which requires the ability to repay the lenders and shareholders that provide this capital. The Concerned Rural LECs have experienced firsthand the difficulties of obtaining capital through traditional lenders to rural telecommunications providers as a result of regulatory uncertainties and limitations on support. Lenders have become far more regulation savvy in their analysis of financial forecasts and are insisting that loan applications include analysis and forecasts of support limitations like the BCM. What legacy RoR carriers and lenders alike need is a greater level of regulatory certainty that will allow them to forecast the likely financial outcomes of future investments so that they can invest and borrow with confidence that sufficient funds will be available to repay the loans.

Therefore, in addition to increasing the overall budget for RoR high-cost support, the FCC must establish a threshold level of support below which the BCM, and potentially other company-specific limitations, do not apply. This will allow carriers to forecast their costs and revenues with a greater level of certainty, and lenders to analyze these forecasts with a greater level of comfort that they will be realized. The present 15.52 percent BCM, with no end in sight to its rapid rise, does not provide that certainty to carriers or comfort to lenders.

The tough question then, is: At what level of support should a threshold be established that will provide the necessary financial stability and predictability? This is a difficult question

to answer and the Concerned Rural LECs are hopeful that members of the lending community will submit comments on what the Commission can do to allow them to confidently finance RoR carriers and rural broadband for the long term.

We do know that the consistent support “haircuts” that have been experienced by legacy RoR carriers since the *2016 Rate-of-Return Reform Order* was adopted are untenable. In the *2018 Rate-of-Return Reform Order*, the Commission thankfully provided relief from the BCM currently in place for the 2017/2018 tariff year, which will provide legacy RoR carriers a one-time true up of approximately \$180 million in total. At the same time, however, the *2018 Rate-of-Return Reform Order* codified and clarified prohibitions on expenses that may be recovered through high-cost support. While the Concerned Rural LECs do not necessarily agree with all of these limitations, we would be more accepting of them were the Commission to increase the RoR budget and establish a threshold level of support. Now that the Commission has established obligations for broadband deployment and has clarified which expenses are ineligible for recovery through high-cost support, it is time to provide the funding needed for legacy RoR carriers to meet their obligations and be able to offer reasonably comparable services at affordable and reasonably comparable rates.

IV. OTHER REFORMS

A. The construction allowance adjustment¹⁷ should be eliminated

In the *2016 Rate of Return Reform Order*, the FCC adopted a capital investment allowance¹⁸ and the associated construction allowance adjustment, which requires the application of a maximum average per location construction project loop plant investment

¹⁷ 47 C.F.R. §54.303(f)

¹⁸ 47 C.F.R. §54.303(b)-(m)

limitation (“per location limitation”). The capital investment allowance established a maximum amount of annual loop plant investment that may be recovered through high-cost support, and includes a carry-forward mechanism that allows for future recovery of investment that may be initially disallowed. The Concerned Rural LECs generally do not have significant concerns with this mechanism, as it is reasonably defined, not burdensome to administer, and has not resulted in substantial impacts on investment by most carriers. However, the Concerned Rural LECs have significant issues with the construction allowance adjustment and per location limitation, as they are not appropriately defined and can be extremely burdensome to administer, which causes uncertainty and increases the cost of doing business.

The per location limitation necessitates the definition of both a “project” and a “location,” but the Commission’s Orders and rules do not provide these definitions, which are vital for recordkeeping purposes and to ensure compliance with these rules. Is a project a work order? Is it the upgrade of facilities in an exchange, a group of exchanges, or all exchanges? Can the definition of a particular project change over time or must it be documented at the beginning and not change? Can a project last more than a year? If so, what per location limitation applies -- the one calculated in the year the project was started or the year it was completed? Why are general support facilities included in the calculation, when they are generally not directly related to loop plant? What locations are relevant to general support assets -- is it all locations or only new locations served in the year that the general support assets are purchased? Is a location defined the same way as for the reporting of broadband deployment obligations? If so, what if the loop project is related to a new development prior to home construction and there are no locations that would qualify to meet the broadband deployment obligations? Who will be

reviewing compliance with the per location limitation and what documentation is required? Can a future review overturn the initial definition of a project or a location?

These are just some of the questions RoR carriers have with respect to the construction allowance adjustment and per location limitation. We have raised these questions with the Commission and the National Exchange Carrier Association (“NECA”), and both have done their best to provide answers. But, in the end, the construction allowance adjustment and per location limitation are nearly impossible to interpret. Both were well intentioned mechanisms, designed to ensure that carriers are not recovering from the USF exceedingly high per-location costs, but they are not serving their intended purpose. Carriers are spending vast amounts of time interpreting and documenting projects and locations in an attempt to comply with these requirements, and the reality is that there are more effective and efficient rules that can accomplish similar goals.

For example, in the *2011 USF/ICC Transformation Order*, the Commission instituted a “reasonable request standard”, which was further clarified in a 2014 Declaratory Ruling,¹⁹ indicating that a request to extend facilities is only reasonable if the revenues derived from services provided over those facilities exceed the cost. Another example is the capital investment allowance itself, which limits the total amount of loop plant investment that a carrier can incur in a given year for recovery through high-cost support. Given carriers’ limited access to capital, they already have sufficient incentive to ensure that it is spent in areas that will provide the greatest return on investment while still meeting their broadband deployment

¹⁹ *Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, In the Matter of Connect America Fund (WC Docket No. 10-90), Universal Service Reform – Mobility Fund (WT Docket No. 10-208), ETC Annual Reports and Certifications (WC Docket No. 14-58), Establishing Just and Reasonable Rates for Local Exchange Carriers (WC Docket No. 07-135, and Developing an Unified Inter-carrier Compensation Regime (CC Docket No. 01-92), Rel. June 10, 2014 (FCC 14-54)*

obligations. The construction allowance adjustment and per location limitation are unnecessary regulations that cause uncertainty and increase administrative burden and costs, and should therefore be eliminated.

B. The operating expense limitation should be modified to include business locations in the calculation of the limitation

The *2016 Rate of Return Reform Order* instituted a company-specific limitation on eligible operating expenses²⁰ based on the number of locations in the carrier's service area. However, in establishing this limitation, the Commission defined locations as housing units in the study area, thereby specifically excluding business locations. The Concerned Rural LECs believe that business locations should also be included in the calculation of eligible operating expenses, as the expenses incurred providing service to these locations are no less real than those incurred serving residences.

It is our understanding that business locations were not included in the calculation because they are not publicly available from census data. However, the Commission authorized the creation of the A-CAM model, which includes both residential and business locations. If the information is available and used in the A-CAM, then it should also be available and usable in the calculation of eligible operating expenses. In many cases, there are not enough business locations in a study area to make a meaningful difference, but there are exceptions to every rule. Rather than unfairly punishing those carriers that do have a substantial number of business locations in their study area, the Commission should ensure that the calculation is as accurate as possible to reflect the study areas of all that are impacted by this limitation. At a bare minimum,

²⁰ 47 C.F.R. §54.303(a)

the Commission should provide for a streamlined waiver process for those RoR carriers that believe their operating expenses are not properly reflected by the exclusion of business locations.

V. CONCLUSION

While the reforms made to the High Cost program for RoR carriers in recent years have generally been positive, there remain some significant deficiencies that presently make it impossible for many RoR carriers to achieve the goals of universal service in the rural areas that they serve. If not corrected soon, many of these areas will slip farther behind their urban counterparts, making it improbable that they will achieve anything close to reasonable comparability with respect to their services and rates in the foreseeable future. With that in mind, the Concerned Rural LECs offer the following recommendations:

- Since the 2004 HCLS filing, the RGF has been lowering the amount of funding available through HCLS, making it increasingly difficult for legacy RoR carriers that rely upon HCLS to meet their universal service obligations. The Commission should eliminate the RGF from the calculation of HCLS and replace it with a pure inflationary factor. It should also rebase the cap on HCLS to account for the negative impact of the RGF in prior years.
- There should be separate budgets for the various RoR support mechanisms, which would enable the Commission to account for their differences. However, should the Commission choose to maintain a single budget for all of the RoR mechanisms, it should apply an annual inflationary factor to the budget based on GDP-CPI. The application of the inflationary factor should occur after the Commission has rebased HCLS to eliminate the negative impact of the RGF.
- An increase in the RoR budget is essential to make it feasible for many RoR carriers to offer standalone broadband at affordable rates. Rural consumers should have the option to subscribe to wireline broadband without a voice line, just as their urban consumers do. In addition, a budget increase is necessary to address the deleterious impacts of the BCM.
- Support for existing A-CAM carriers should be increased to at least \$200 per location.

- The FCC should make a new A-CAM offer to all legacy RoR carriers – both would-be glide path and non-glide path carriers. Now that the BCM has reached approximately 15 percent, a new A-CAM offer similar to the one initially made in 2016 will likely be appealing to more legacy carriers.
- The FCC should establish a threshold level of support that is not subject to the BCM. This would provide greater financial stability and predictability for legacy RoR carriers, which is necessary to incent lenders to make capital available for network investments.
- The Commission should eliminate the construction allowance adjustment and the associated per location limitation. The rules for these mechanisms are unclear and create uncertainty. They are also unnecessary as there are more effective and efficient rules that can accomplish similar goals.
- The operating expense limitation should be modified to include business locations in the calculation.

Respectfully Submitted,
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Company Name	SAC
3 Rivers Communications	482255
ACI/Pathway Com-Tel (Alenco)	442090
Alaska Telephone Company (AP&T)	613017
All West Communications	502288 (UT) 512290 (WY)
ATC Communications (Albion)	472213
Beaver Creek Cooperative Telephone Company	532359
Bettles Telephone, Inc.	613002
Brazos Telephone Cooperative, Inc.	442041
Canby Telephone Association	532362
Cap Rock Telephone	442046
Central Texas Telephone Cooperative, Inc.	442052
Citizens Telephone	421865
Ducor Telephone Company	542313
Eagle Telephone System, Inc.	532369
ENMR Telephone Cooperative	492262 (NM) 442262 (TX)
Farmers Mutual Telephone Company (ID)	472221
Filer Mutual Telephone Company	472220 (ID) 552220 (NV)
Guadalupe Valley Telephone Cooperative	442083
Hot Springs Telephone Co.	482241
InterBel Telephone Cooperative, Inc.	482242
LaValle Telephone Cooperative	330899
Lincoln County Telephone System, Inc.	552351
Missouri Valley Communications	382247
Molalla Communications Company	532383
Moultrie Independent Telephone Co.	341060
Mountain View Telephone Company	401712
Mud Lake Telephone Cooperative	472227
Nehalem Telecommunications, Inc.	532387
Nemont Telephone Cooperative, Inc.	482247
Nortex Communications	442116
North Country Telephone	613026
North Texas Telephone Company	442043
Northwestern Indiana Telephone Company	320800
Oklatel Communications, Inc.	432013
Panhandle Telephone Cooperative, Inc.	432016
Penasco Valley Telephone Cooperative, Inc.	492270
Pend Oreille Telephone Company	522418
Pigeon Telephone Company	310721
Pinnacles Telephone Co.	542346
Pioneer Telephone Cooperative, Inc. (OK)	432018
Prairie Grove Telephone Co.	401718
Project Mutual Telephone Cooperative	472231
Project Telephone Company	482250
Public Service Telephone Company	220381
Richland-Grant Telephone Cooperative	330942
Rochester Telephone Company	320815
Rural Telephone Company (ID)	472233
Santa Rosa Telephone Cooperative	442141 (TX) 432141 (OK)
Shawnee Telephone Company	341025
Sierra Telephone	542338
Siskiyou Telephone	542339
Table Top Telephone Company	453334
The Ponderosa Telephone Co.	542332
ToledoTel	522447
Totecom Communications	442060
Union Telephone Company	512297
Volcano Telephone Company	542343
West Texas Rural Telephone Cooperative	442166
Wheat State Telephone, Inc.	411847
Wiggins Telephone Cooperative	462209
Yelcot Telephone Company	401733

Concerned Rural LECs
 Analysis of High-Cost Support Budget
 Summary of All Support Mechanisms

Appendix B

Support Mechanism	2018	Uncapped Support
High Cost Loop Support ¹	\$ 1,198,051,444	\$ 1,459,000,000
CAF Broadband Loop Support ²	\$ 856,165,346	\$ 856,165,346
A-CAM ³	\$ 328,837,694	\$ 328,837,694
Alaska Plan ³	\$ 44,413,233	\$ 44,413,233
CAF Inter-carrier Compensation ³	\$ 389,748,852	\$ 389,748,852
Total 2018 GDP-CPI Inflated Support Budget	\$ 2,817,216,569	\$ 3,078,165,125
Variance		\$ 260,948,556

¹ Uncapped support based on \$240 Frozen NACPL = \$1.459B. See "*National Exchange Carrier Association, Inc. Overview and Analysis of 2016 USF Data Submission*" at <https://www.fcc.gov/general/necas-overview-universal-service-fund>.

² Calculated as 50% of USAC projected demand for 2017/2018 and 50% of USAC projected demand for 2018/2019. Includes 2018/2019 True Up. See <https://www.usac.org/hc/program-requirements/budget-control-rate-of-return.aspx>. No inflationary adjustment applied, as support is trued-up to demand.

³ Calculated as 50% of USAC projected support for 2017/2018 and 50% of USAC projected support for 2018/2019. See <https://www.usac.org/hc/program-requirements/budget-control-rate-of-return.aspx>.

Filing Payment Year Cost Year	2017-1 2018 2016	2016-1 2017 2015	2015-1 2016 2014	2014-1 2015 2013	2013-1 2014 2012	2012-1 2013 2011	2011-1 2012 2010	2010-1 2011 2009	2009-1 2010 2008	2008-1 2009 2007	2007-1 2008 2006	2006-1 2007 2005	2005-1 2006 2004	2004-1 2005 2003	2003-1 2004 2002	2002-1 2003 2001	2001-1 2002 2000
% Change in Working Loops ¹	-2.4465%	-2.9968%	-3.8850%	-4.3029%	-4.2321%	-4.6851%	-6.4253%	-6.7635%	-6.6759%	-5.2535%	-4.6467%	-2.7777%	-3.3729%	-1.8700%	0.0368%	0.3377%	
GDP-CPI ³	1.2790%	1.0667%	1.6449%	1.4880%	1.7490%	2.1324%	1.1555%	0.9392%	2.1276%	2.6938%	3.1530%	3.0294%	2.6263%	1.8300%	1.1333%	2.3760%	
RGF ⁴	-1.1675%	-1.9301%	-2.2401%	-2.8149%	-2.4831%	-2.5527%	-5.2698%	-5.8243%	-4.5483%	-2.5597%	-1.4937%	0.2517%	-0.7466%	-0.0400%	1.1700%	2.7137%	
Budget ⁵	587,400,000	594,300,000															
Budget w/ A-CAM/AK Plan ⁵		704,800,000	718,700,000	735,200,000	756,500,000	774,800,000	795,100,000	905,900,000	962,000,000	1,007,800,000	1,034,300,000	1,050,000,000	1,047,300,000	1,055,200,000	1,056,800,000	1,044,600,000	
Budget w/ PC Affiliates ⁵							858,200,000	905,900,000	962,000,000	1,007,800,000	1,034,300,000	1,050,000,000	1,047,300,000	1,055,200,000	1,056,800,000		
Working Loops - Total ²																	19,955,173 19,888,013
Budget Inflated by GDP-CPI Only	1,379,203,745	1,361,786,496	1,347,413,635	1,325,608,697	1,306,172,845	1,283,720,573	1,256,918,052	1,242,560,268	1,230,998,728	1,205,353,624	1,173,735,536	1,137,858,847	1,104,402,090	1,076,139,440	1,056,800,000		
Reduction for PC Affiliates	(69,239,006)	(68,364,622)	(67,643,074)	(66,548,419)	(65,572,697)	(64,445,544)	(63,100,000)										
Reduction for A-CAM & AK Plan	(111,913,295)	(110,500,000)															
Budget Inflated by GDP-CPI Only - Adjusted for PC & A-CAM/AK Plan	1,198,051,444																

¹ % Change in Working Loops for 2004-1 through 2017-1 from respective "National Exchange Carrier Association, Inc. Overview and Analysis of [Year] USF Data Submission " at <https://www.fcc.gov/general/necas-overview-universal-service-fund>. 2003-1 calculated based on known GDP-CPI & RFG. 2002-1 calculated based on variance from 2001-1 to 2002-1 Working Loops - Total.

² 2001-1 and 2002-1 Working Loops - Total from <https://www.fcc.gov/general/universal-service-fund-data-neca-study-results>.

³ GDP-CPI 2003-1 through 2017-1 from respective "National Exchange Carrier Association, Inc. Overview and Analysis of [Year] USF Data Submission " at <https://www.fcc.gov/general/necas-overview-universal-service-fund>. 2002-1 estimate from <https://www.bea.gov/newsreleases/national/gdp/2003/gdp303f.htm>.

⁴ RGF for 2003-1 through 2017-1 from respective "National Exchange Carrier Association, Inc. Overview and Analysis of [Year] USF Data Submission " at <https://www.fcc.gov/general/necas-overview-universal-service-fund>. 2002-1 calculated based on % Change in Working Loops & GDP-CPI.

⁵ Budget, Budget w/ A-CAM, & Budget w/ PC Affiliates for 2002-1 through 2017-1 from respective "National Exchange Carrier Association, Inc. Overview and Analysis of [Year] USF Data Submission " at <https://www.fcc.gov/general/necas-overview-universal-service-fund>. Minor variances exist due to the use of NECA estimates.