



PENNSYLVANIA STATE ASSOCIATION OF BOROUGHES

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July 19, 2017

The Honorable Ajit Pai
Chairman
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

RE: Petition by Pennsylvania Public Utilities Commission and Department of Community and Economic Development Re: Modification of Connect America Fund Phase II Auction Rules, WC Docket Nos. 10-90, 14-58, and 14-259

Dear Chairman Pai:

The Pennsylvania State Association of Boroughs (“PSAB”) is a non-profit, non-partisan association that has been serving and advocating for the interests of Pennsylvania’s 958 Boroughs since 1911. PSAB provides a unified voice on matters of public concern at the state and federal levels. It assists more than 16,000 elected and appointed borough officials across the Commonwealth with providing effective local government for both residents and taxpayers.

We are writing in support of the Petition filed with the FCC by the Pennsylvania Public Utility Commission and the Pennsylvania Department of Community and Economic Development (“Petition”) requesting a modification to the FCC’s Connect America Fund Phase II (“CAF II”) auction rules.¹ Nearly \$140 million in CAF II funding over six years was recently declined by the Verizon local exchange carriers operating in Pennsylvania. This is federal universal service support that was objectively designed on the basis of an FCC cost model to be used in underserved areas of Pennsylvania. It is critical that these funds remain in Pennsylvania to be used for broadband deployment in those rural areas that desperately need it.

According to the FCC’s 2016 *Broadband Progress Report*, 50% or more of rural Pennsylvanians in several counties served by Verizon do not have access to high-speed internet service under federal standards. These residents and businesses are effectively locked out of the educational, healthcare, and economic development benefits that are derived from access to modern broadband service. It would be misguided for the decision of a single company to result in the loss of the opportunity for broadband access inherent in the CAF II program.

This is especially true given that Pennsylvania has demonstrated a long term commitment to broadband deployment. In 1993, the Pennsylvania General Assembly enacted an innovative plan in which ILECs were freed from onerous rate of return regulation in return for their commitment to broadband

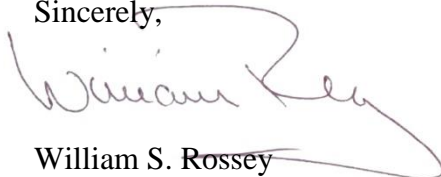
¹ In the Matter of Connect America Fund, ETC Annual Reports and Certifications, and Rural Broadband Experiments, WC Docket Nos. 10-90, 14-58, and 14-259 dated April 19, 2017

deployment. The program was re-enacted in 2004 with new regulatory financial incentives. Since 2005, the PUC has approved nearly \$1 billion in ILEC revenue and rate increases, including nearly \$68 million to support specific broadband programs. Over this same period, Pennsylvania's net contribution to the federal Universal Service Fund ("USF") was approximately \$1.7 billion. Pennsylvania has consistently ranked fifth in the country in net USF funds in which significantly more money is paid into the fund than is returned to the Commonwealth.

On January 26, 2017, the FCC granted the petition of New York State to retain CAF II funds that were declined by Verizon in that state. While the type of commitment to broadband deployment in New York is different from that of Pennsylvania, the level of commitment, not to mention the level of need, is similar in both states. We respectfully ask that the FCC afford the same consideration to Pennsylvania as it has to New York, and grant Pennsylvania's request to modify the auction formula for bids in Pennsylvania to the extent resources are made available through the state on a non-discriminatory and technology-neutral basis.

The expansion of broadband access to our rural areas is critical to their future survival. Whether the residents of these areas are farmers, doctors, students, or local government officials, they must have high-speed internet access to succeed. We cannot allow them to be victims of the digital revolution as the result of the business decision of one provider. We urge you, therefore, to grant the Petition to avoid this outcome and achieve a just and equitable result for Pennsylvania.

Sincerely,

A handwritten signature in purple ink, appearing to read "William Rossey", with a long horizontal flourish extending to the right.

William S. Rossey
President

cc: Marlene H. Dortch, Secretary
Jay Schwarz, Ph.D.
Claude Aiken, Esq.
Amy Bender, Esq.
Kris Monteith, Bureau Chief, Wireline Competition Bureau
Alex Minard, Deputy Division Chief, Wireline Competition Bureau
Heidi Lankau, Telecommunications Access Policy Div., Wireline Competition Bureau