

May 11, 2016

The Honorable Thomas Wheeler
Chairman
Federal Communications Commission
445 12th Street, SW
Washington DC 20554

Dear Chairman Wheeler:

I write today to urge you, in considering how to allocate unclaimed Connect America Fund (CAF) money, to ensure that money be spent to deploy broadband in the states to which the funding was originally awarded. I understand that you are considering a proposal to reallocate this unclaimed money into a national pot; such a proposal would be unfair to states like New York and would also be contrary to the intent of the program.

The funding allocated under Phase II of the CAF in 2015 was intended to subsidize the construction of high-speed broadband networks, at least 10 mbps, in unserved and undeserved areas throughout the United States. I was happy to work with you and your predecessor to ensure that the CAF funding was structured fairly and effectively. Due to its large, unserved population, New York made up a considerable chunk of those awards, receiving \$49 million in annual CAF funding for six years. Three of the four price cap companies accepted their award and have been successfully deploying broadband in New York. However, Verizon declined to accept the CAF funds, which amounted to over \$28 million annually. As a result, the territories served by Verizon, including parts of the North Country, Capital, and Western regions, are currently denied the opportunity to receive high-speed broadband supported by CAF funds.

This does not have to be the case. New York State is eager to partner with you to ensure that these funds are utilized effectively in the areas to which they were originally dedicated. I am extremely alarmed to learn that, instead of this course of action, you are considering a national auction which would result in New York's dedicated funding being spent in other parts of the country. These funds are critical for the deployment of broadband services across New York, and New Yorkers should not be made to suffer just because one carrier does not want to participate in the program. It would be particularly unfair for New York to lose this money as it has always been a significant net contributor to the Universal Service Fund programs.

In order to address these concerns, I propose that the FCC instead adopt rules that enable states like New York, who are conducting their own state-funded broadband auctions to achieve deployment objectives that meet or exceed those of the CAF program. For instance

a partnership with the New NY Broadband Initiative would allow the Commission to continue its stated goal of encouraging state funding of broadband development in unserved communities, while allowing New York and other states to implement policies that deliver high-speed broadband. Instead of diverting CAF funds, the FCC should empower states to use their allocated funding to address their broadband needs.

In addition to these partnerships being the right thing to do, they are also the legally justified course of action. Indeed, Congress did not intend to give the FCC the legal authority to reassign the allocated funds. Likewise, I do not believe the proposed national bidding process would be appropriate or consistent with the Commission's broadband goals. Although I recognize that the Commission must ensure that CAF funding is efficiently allocated, this should not come at the detriment of states that are in desperate need of broadband services or in contravention of legislatively delegated authority and Congressional intent.

I would encourage the Commission to partner with states on broadband initiatives for the remaining CAF monies. I look forward to discussing this issue further with you.

Sincerely,

A handwritten signature in blue ink that reads "Charles E. Schumer". The signature is written in a cursive, flowing style.

Charles E. Schumer

cc:

Commissioner Mignon Clyburn
Commissioner Jessica Rosenworcel
Commissioner Ajit Pai
Commissioner Michael O'Rielly



OFFICE OF
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

July 21, 2016

The Honorable Charles E. Schumer
United States Senate
322 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Schumer:

Thank you for your letter urging the Commission to adopt rules for the Connect American Fund (CAF) Phase II competitive bidding process that ensures an equitable allocation of funding for states such as New York.

I share your interest in bridging the rural digital divide in our country. The universal service program is one of the most important tools at our disposal to ensure that consumers and businesses in rural America have the same opportunities as their urban and suburban counterparts to be active participants in the 21st century economy. The Commission is focused on updating the universal service high-cost program to ensure that we are delivering the best possible voice and broadband experiences to rural areas while providing a climate for increased broadband expansion, all within the confines of the CAF budget.

In May, the Commission adopted an Order and Further Notice of Proposed Rule Making (FNPRM) addressing the framework for the CAF Phase II competitive bidding process. Through the CAF Phase II bidding process, the Commission will allocate more than \$2 billion over the next decade to expand broadband in targeted rural areas. One of the primary policy goals for this competitive bidding process is to ensure widespread participation from all providers that can deliver a high-quality service. Simply put, more competition between providers means that finite universal service funding will be used efficiently to deliver the best possible solutions.

Among the key issues we seek comment on in the FNPRM are the concerns you and others have raised regarding those states where significant amounts of Phase II funding were initially declined by incumbent, price cap carriers. In my view, a decision by a price cap carrier to decline CAF Phase II funding support in no way diminishes our universal service obligations to provide support to connect the unserved communities in those states.

Accordingly, the FNPRM seeks comment on a number of measures to achieve the public interest objective of ensuring appropriate support for all states. The Order recognizes and applauds state initiatives to advance broadband deployment and access to unserved and underserved consumers, such as New York's. We seek further comment on how best to coordinate with such initiatives to achieve our universal service goals. Finally, we seek further comment on a number of ways that the Commission can structure the CAF Phase II auction to

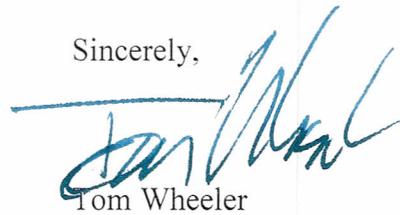
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ensure an equitable distribution of funds to states like New York, where the price cap carrier declined to accept significant amounts of universal support.

As the Commission moves forward with finalizing the structure of the CAF Phase II reverse auction, please be assured that we will take into consideration the issues and concerns presented by all stakeholders, including those voiced by you and your constituents, and give full attention to the best ways to ensure that rural communities have access to robust and reliable broadband service.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tom Wheeler", is written over a horizontal line. The signature is stylized and cursive.

Tom Wheeler