

BILLY LONG
7TH DISTRICT, MISSOURI

COMMITTEE ON
ENERGY AND COMMERCE
SUBCOMMITTEE ON
COMMUNICATIONS AND TECHNOLOGY

SUBCOMMITTEE ON
ENERGY AND POWER

SUBCOMMITTEE ON
HEALTH

803

1541 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(PHONE) (202) 225-6536
(FAX) (202) 225-6604

Congress of the United States

House of Representatives

Washington, DC 20515-2507

September 28, 2017

The Honorable Ajit Pai
Chairman
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20536

Dear Chairman Pai,

Ajit

I write to share with you a local example of how the Universal Services Fund (USF) High Cost Program budget shortfall is impacting access and affordability of broadband in rural southwest Missouri.

In Granby, MO, a small town of about 2,500 people, there is a rural local exchange carrier (RLEC) - Granby Telephone Company (GTC Broadband). They are a small family owned company which has operated in southwest Missouri since 1904. They were the first small company in Missouri to cut to dial telephone service in 1948. They were the first in southwest Missouri to offer DSL services in 1999. And, since 2008 they have been undergoing a total plant rebuild resulting in all underground fiber to the home (FTTH) covering their service area, all of which they have done without Rural Utilities Service (RUS) or Rural Telephone Bank (RTB) loans.

GTC Broadband has risen to the challenge of providing robust communications services to rural Missourians. However, there is still more work to be done, and USF shortfalls have made it difficult for them to continue planned investments. The regulatory hurdles and USF reductions during the past few years have delayed completion of their FTTB project, but they have been keeping it going as fast as they can with funding most internally. It's becoming increasingly difficult for them to secure funding for future plant investment due to uncertainty.

GTC Broadband can no longer make new plant investment by saving and investing; any plant investment must come from borrowed dollars due to the effects of the reductions and caps they've had to endure recently. It is essential the USF is properly funded, these caps and limits are removed, and the funds are "right-sized" for the current requirements. This correction is critical to ensure that future networks can meet the increasing demands in high-cost rural areas and that those investments can be recovered and loans repaid.

I appreciate the FCC's continued engagement on issues facing RLECs and am hopeful the USF budget shortfall can be resolved. Thank you for your attention to this matter.

Great seeing
you last week!
Thanks again for
visiting MO.7!

Sincerely,


Billy Long
Member of Congress



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

November 16, 2017

The Honorable Billy Long
U.S. House of Representatives
2454 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Long:

Thank you for your letter regarding the importance of delivering affordable access to high-speed Internet to all Americans—including those in high-cost rural areas, such as Granby, Missouri. Thank you for hosting me in your district and giving me the opportunity to see some of these areas in need of connectivity. We will make sure your views are entered into the record of the proceeding.

In my first remarks to FCC staff as Chairman earlier this year, I declared that my highest priority would be making sure every American who wants high-speed Internet access can get it. Rural Americans deserve the same digital access as those living in more urban areas.

Four years ago, I called on the Commission to tackle the issue of affordable broadband in rural America head on. The problem back then was that the Universal Service Fund predicated support on providing voice service. This meant any rate-of-return carrying offering stand-alone broadband service risked losing the support it needed to deploy broadband networks in rural America. In other words, the business case for stand-alone broadband didn't exist for some rural telephone companies—not because consumers didn't want it, but because our arcane rules penalized companies for offering it.

I wish I could tell you that the FCC has fixed this problem, but we have not. Despite what was framed as an order adopting "significant reforms," the last Administration's *Rate-of-Return Order* has not had its intended effect. I still hear from small carriers that offering stand-alone broadband would put them underwater. This is unfortunate but unsurprising. As I said at the time, the Order complicated our rate-of-return system and in many ways made it harder, not easier, for small providers to serve rural America.

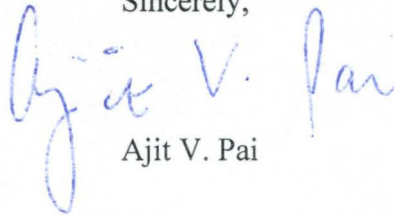
Nor, as I predicted in my dissent to that Order, have we given carriers "sufficient incentive to be prudent and efficient in their expenditures." Due to the complexity of the budget control mechanism, carriers do not have the certainty they need to make the long-term investment decisions that will lead to greater connectivity. It has become clear, as my colleagues and I have worked our way through the punch list of lingering issues from the 2016 Order, that our next focus must be on this issue. The statute directs that universal service support be specific, predictable, and sufficient. I supported the path for rate-of-return carriers to voluntarily

accept the offer of support under the Connect America Fund's alternative cost model (the A-CAM)—a system that is specific and predictable over a 10-year term and sufficient for those that elect support. I would do so again.

But for those carriers that continue to receive support from the legacy rate-of-return system, I am committed to exploring how this situation can be changed and to determine the appropriate budget levels. The Commission should address the uncertainty caused by the current budget control mechanism—such as guaranteeing at least some minimum level of support to ease the unpredictability and allow reasonable capital planning—while being mindful of mitigating the incentives for rate-of-return carriers to operate inefficiently and over-invest capital to increase profits.

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 "Ajit V. Pai". The signature is fluid and cursive, with the first name "Ajit" being the most prominent part.

Ajit V. Pai