

February 29, 2016

Ex Parte Notice

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

RE: *Connect America Fund, WC Docket No. 10-90*

Dear Ms. Dortch:

As the Federal Communications Commission (FCC) finalizes its current deliberations on the Universal Service Fund (USF) high-cost program reforms, it is time to consider what needs to be done next to continue to support the deployment and maintenance of broadband in rural America. CoBank believes that the examination and reform of the USF's contributions mechanism is long overdue to maintain the viability of the program.

CoBank's mission is to serve rural America.¹ Our customers' ability to thrive and compete in a world market place depends on reliable and affordable essential services – water, electric, telephone and broadband.

CoBank's customers include local, regional and national agricultural cooperatives, rural communications, energy, water and waste disposal systems, Farm Credit associations and other businesses serving rural America. CoBank is an experienced and sophisticated lender to the communications sector. CoBank has more than \$4.69 billion in loan commitments to more than 165 rural communication companies nationwide, including local exchange carriers, cable, wireless, fiber transport and data centers. In addition, CoBank has syndicated \$4.3 billion in communication loans to the Farm Credit System and commercial banks. The Farm Credit System is a unique cooperative network of borrower-owned lending institutions that is exclusively dedicated to improving life in rural America.

¹CoBank is a \$110 billion cooperative bank serving vital industries across rural America. The bank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. The bank also provides wholesale loans and other financial services to affiliated Farm Credit associations serving farmers, ranchers and other rural borrowers in 23 states around the country. CoBank is a member of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture and the nation's rural economy. Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore.

CoBank firmly believes that a sustainable cost-recovery mechanism is imperative to support the financing of rural broadband in high cost areas. If communication companies don't have a sufficient, sustainable predictable level of support, deploying affordable broadband in high cost areas is not economically viable and; therefore, not financeable. In addition to the high costs associated with constructing broadband infrastructure in rural areas, there are ongoing costs associated with maintaining and upgrading these networks to accommodate growth of data traffic. The broadband network is a dynamic infrastructure, subject to frequent technological advances that require upgrades and capital spending.

CoBank urges the FCC to continue to build on the successes of the USF to support plain old telephone service (POTS) to transition to supporting ubiquitous broadband. CoBank applauds the efforts of the FCC to implement policies and programs to facilitate this technological transition.

CoBank questions the current and long standing goal of a \$2 billion budget cap for the high-cost program. While USF programs such as E-Rate and Lifeline have seen budgetary growth, the budget for the high-cost program has not changed due to inflation or other factors. During this period, construction and operation of communications networks have become more expensive. The arbitrary \$2 billion budget cap for the high-cost program is not adequate for the expenses service providers face in bringing robust and affordable broadband to consumers, particularly in rural areas.

CoBank calls on the FCC to take on the task of reforming contributions to the USF. The current mechanism for contributions by consumers to the USF is outmoded and does not reflect current and future use of communications networks and services by consumers. The current contributions mechanism is in a death spiral. In recent years, fewer consumers are contributing a much higher percentage of their communications bill than was ever envisioned. Implementing a USF contributions mechanism that reflects the consumer broadband usage and current broadband network construction and operation costs will bring contribution percentages down while providing the funds needed for a bright broadband future.

There will be no need for any sort of arbitrary and inadequate budget for the high-cost program if all consumers that use the broadband network contribute to the funding that network.

For rural residents, farmers and businesses that need broadband capacity to support the current and future demands of commerce, health care, education, energy and public safety, the cost of supporting a stable communications backbone to enable the use of wireless, voice and data application should be shared by all those who benefit from America's agricultural economy. Americans have prospered from the principle that universally available and affordable telephone service benefits rural, urban and suburban

residents. The cost of not supporting universal service for broadband will far exceed the cost of providing it.

CoBank again thanks the FCC for their ongoing efforts to transition the USF's support of rural broadband. Thank you for your consideration of our comments.

Respectfully submitted,

COBANK, ACB

By: /s/ Robert F. West

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