## United States Senate

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The Honorable Tom Wheeler Federal Communications Commission 445 12th Street, SW Washington, DC 20554 13-1119

Dear Chairman Wheeler:

I write to you today to express my concern regarding the Federal Communications Commission (FCC) 2011 Universal Service Fund Reform Order. This order updated the universal service program for the broadband era while maintaining the long-standing requirement that consumers in rural areas have access to telecommunications services that are comparable to those available in urban areas. However, I am concerned that implementation of this Order is limiting the ability of small rate-of-return carriers to provide rural consumers with the broadband services that they need.

The Universal Service Fund has always helped to provide small rate-of-return telecom carriers with the support they need to keep consumer rates affordable in rural areas. These small companies have long utilized this program, along with a number of public and private loan programs, to make long-term capital investments to expand the reach and effectiveness of broadband in hard-to-serve rural areas. Unfortunately, however, it appears that uncertainties created by the reform order have slowed these kinds of investments. Despite the fact that nearly one-fourth of the rural population lacks access to high speed broadband, The US Department of Agriculture has stated that demand for Rural Utilities Service loan funds for broadband investment has decreased to approximately 37 percent of the total amount of funds appropriated by Congress in FY 2012.

One of the primary causes of declining small company broadband investment is the Order's use of Quantile Regression Analysis (QRA) to cap support to individual rate-of-return companies. Many in the rural broadband community are concerned that the QRA caps and redistributes Universal Service Fund support in arbitrary and unpredictable ways and that it fails to provide incentives for broadband deployment, resulting in regulatory uncertainty and discouraging investment.

Unless the FCC finds a way to restore predictability and transparency to the Universal Service Fund program, many rural Americans may soon find it difficult to obtain the broadband services they need. If not addressed soon, the Reform Order has the potential to further the digital divide between urban and rural communities.

I appreciate your attention to this matter and look forward to your response.

Sincerely,

Tom Harkin

United States Senator