



OFFICE OF  
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

December 23, 2014

The Honorable Todd Rokita  
U.S. House of Representatives  
236 Cannon House Office Building  
Washington, D.C. 20515

Dear Congressman Rokita:

Thank you for your letter regarding implementation of certain aspects of Phase II of the Connect America Fund (CAF Phase II), including the potential establishment of a CAF for rate-of-return carriers. I appreciate your views and will ensure your letter is included in the record of the proceeding and considered as part of the Commission's review.

The Commission is focused on updating the universal service fund high-cost program to ensure that we are delivering the best possible voice and broadband experiences to residents and businesses in rural America within the confines of our Connect America budget, while providing increased certainty and predictability for all carriers and a climate for increased broadband investment and expansion.

Last week, the Commission adopted a *Connect America Fund Phase II Report and Order* to move forward with Connect America for price-cap carriers. Importantly, the Order raises the minimum broadband speed from 4 Mbps to 10 Mbps, consistent with our statutory obligation to ensure that rural Americans have access to services that are reasonably comparable to those available to their urban and suburban neighbors. And in response to concerns raised by price cap carriers regarding the increased speed requirement, the Order extends the term of support for price cap carriers that accept the state-level commitment and gives those carriers more flexibility in serving those areas.

As you also note, the Commission took an important step forward in the January 2014 *Technology Transitions Order*, when we unanimously adopted targeted experiments both to advance the deployment of voice and broadband-capable networks in rural areas with CAF support and to gain data on the impact of technology transitions on rural America where residential consumers, small businesses, schools, libraries, and health care providers may not have access to advanced broadband services. In the *Order* we adopted last week, the Commission also determined that we should adjust the offer of support for a Phase II state-level commitment based on the results of our rural broadband experiments. This approach will ensure that those areas where there is already a competitive provider willing to offer state-of-the-art broadband service will enjoy the benefits of competition as soon as possible.

Lastly, you raise the important issue of providing support in rate-of-return service areas. As you know, in April 2014, the Commission adopted a *Connect America Fund Further Notice of Proposed Rulemaking (FNPRM)*. Of particular relevance to your question, the *FNPRM* sought comment on the proposal from rural carrier associations and other possible methods to establish a CAF for rate-of-return carriers within the current budget for the program, as well as how to provide rate-of-return carriers with a way to transition to new forms of support. The Commission also eliminated the Quantile Regression Analysis benchmarks rule for all rate-of-return carriers because it was not serving its intended purpose. In last week's *Order*, the Commission took small steps to address support issue for rate-of-return carriers in the short-term but recognized that we still have work to do to find a long-term solution to this critical issue.

I look forward to working with you as we continue reforming and modernizing the universal service fund high-cost program – as well as other components of the Fund – to ensure that all Americans have access to robust voice and broadband services.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Wheeler", written in a cursive style.

Tom Wheeler