



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

March 21, 2016

The Honorable Kevin Cramer
U.S. House of Representatives
1032 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Cramer:

Thank you for your letter regarding the need for support for standalone broadband in rate of return areas. Your views are very important and will be included in the record of the proceeding and considered as part of the Commission's review.

I share your goal of ensuring that the universal service program better reflects today's marketplace and technology in areas served by rate-of-return carriers. To that end, in February, I circulated to my fellow Commissioners an Order to modernize and reform the USF high-cost support program for rate-of-return carriers, including a straightforward support mechanism for standalone broadband. That Order is the result of months of bi-partisan efforts by Commissioners Clyburn, O'Rielly, and me to find the best approach. While this took longer than any of us anticipated, we appreciate that you recognized the importance of taking some additional time to make sure we got this right. Our efforts were aided by the rate-of-return carriers themselves. Working through their trade associations, they engaged with the three of us in a productive manner and I am pleased that NTCA and USTA have supported the result.

The proposed Order now on circulation sets forth a package of reforms to address rate-of-return issues that are fundamentally intertwined—the need to modernize the program to provide support for stand-alone broadband service; the need to improve incentives for broadband investment to connect unserved rural Americans; and the need to strengthen the rate-of-return system to provide certainty and stability for years to come. The proposed Order will help to ensure that federal universal service funds are spent wisely, for their intended purpose, and takes concrete steps to bring broadband to the millions of rural Americans who remain unserved today.

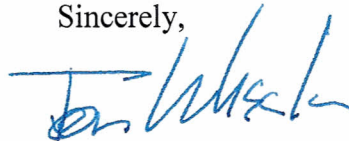
The proposed Order would create an *entirely voluntary* path for rate-of-return carriers that prefer the predictability of defined support amounts over a ten-year term. Similar to the approach that has successfully spurred deployment by larger "price-cap" carriers, this model-based support comes with defined milestones for efficient, accountable deployment. Moreover, this model-based option has been actively sought by some rate-of-return carriers, and reflects significant updates and carrier-submitted data from the rate-of-return community.

For carriers who choose to continue receiving support based on traditional rate-of-return principles, the proposed Order would provide more certainty for carriers, increase fiscally

responsible management of the fund, and ensure that a reasonable portion of support is spent on new buildout to connect those that remain unserved. Notably, the proposed Order reflects the shared principle embodied in the “Walden Rule,” that we should limit the use of ratepayer funds to support service in an area that is served by an unsubsidized Internet provider. And the proposed Order would lower the authorized rate of return for incumbent carriers to better reflect current financial market conditions. Finally, a Further Notice included with the Order would seek comment on additional reforms that would further guard against waste.

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", with a stylized flourish at the end.

Tom Wheeler