



OFFICE OF
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

July 21, 2016

The Honorable Charles E. Schumer
United States Senate
322 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Schumer:

Thank you for your letter urging the Commission to adopt rules for the Connect American Fund (CAF) Phase II competitive bidding process that ensures an equitable allocation of funding for states such as New York.

I share your interest in bridging the rural digital divide in our country. The universal service program is one of the most important tools at our disposal to ensure that consumers and businesses in rural America have the same opportunities as their urban and suburban counterparts to be active participants in the 21st century economy. The Commission is focused on updating the universal service high-cost program to ensure that we are delivering the best possible voice and broadband experiences to rural areas while providing a climate for increased broadband expansion, all within the confines of the CAF budget.

In May, the Commission adopted an Order and Further Notice of Proposed Rule Making (FNPRM) addressing the framework for the CAF Phase II competitive bidding process. Through the CAF Phase II bidding process, the Commission will allocate more than \$2 billion over the next decade to expand broadband in targeted rural areas. One of the primary policy goals for this competitive bidding process is to ensure widespread participation from all providers that can deliver a high-quality service. Simply put, more competition between providers means that finite universal service funding will be used efficiently to deliver the best possible solutions.

Among the key issues we seek comment on in the FNPRM are the concerns you and others have raised regarding those states where significant amounts of Phase II funding were initially declined by incumbent, price cap carriers. In my view, a decision by a price cap carrier to decline CAF Phase II funding support in no way diminishes our universal service obligations to provide support to connect the unserved communities in those states.

Accordingly, the FNPRM seeks comment on a number of measures to achieve the public interest objective of ensuring appropriate support for all states. The Order recognizes and applauds state initiatives to advance broadband deployment and access to unserved and underserved consumers, such as New York's. We seek further comment on how best to coordinate with such initiatives to achieve our universal service goals. Finally, we seek further comment on a number of ways that the Commission can structure the CAF Phase II auction to

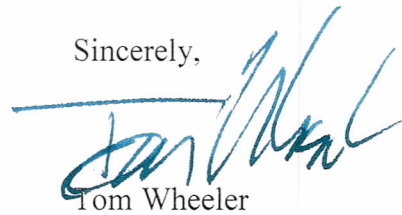
Page 2—The Honorable Charles E. Schumer

ensure an equitable distribution of funds to states like New York, where the price cap carrier declined to accept significant amounts of universal support.

As the Commission moves forward with finalizing the structure of the CAF Phase II reverse auction, please be assured that we will take into consideration the issues and concerns presented by all stakeholders, including those voiced by you and your constituents, and give full attention to the best ways to ensure that rural communities have access to robust and reliable broadband service.

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", is written over a horizontal line. The signature is stylized and cursive.

Tom Wheeler