STATEMENT OF
COMMISSIONER MIGNON L. CLYBURN

Re: *Connect America Fund*, WC Docket No. 10-90, *ETC Annual Reports and Certifications*, WC Docket No. 14-58, *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92.

A system that penalizes providers when customers subscribe only to broadband is in tension with the directives in section 254 of the statute and our national priorities is indisputably past due for a total overhaul. Today we correct this with simple, significant fixes to our existing mechanisms that provide support to carriers when their customers subscribe to standalone broadband. As significant as these changes are, what makes me most proud is that we did not just stop there. We are also establishing a blueprint to connect unserved households and modernize the Connect America Fund to ensure that rate-of-return carriers use finite resources as efficiently as possible.

The reforms we adopt today are a win-win not only for consumers in rural areas that have been waiting patiently for broadband, but also for consumers who contribute to the fund. This is especially true on Tribal lands and I thank the Chairman for committing to move forward to address the acute deployment disparities on Tribal lands by the end of the year. It includes cost controls and mechanisms that promote efficiency as opposed to rewarding waste. And while there were things I would have done differently, compromises made possible significant and positive reforms.

The FCC has a duty to ensure that every dollar of federal universal service fund support is necessary but not excessive. The fund dedicates approximately $2 billion to rate of return carriers that serve 3.8 million lines, or, on average, over $500 per line per year with some areas receiving more than $3,000 per line every year.[1] Today, however, some funding is being used in some areas to distort the market by giving subsidies even when another provider that does not receive subsidies is offering a competing service in the same area. This creates an unequal, unlevel playing field in competitive markets, which is not the purpose of universal service nor is it what consumers who contribute to the universal service fund should be supporting. Today, we go a long way in addressing this distortion by creating a process to disaggregate support in census blocks where a competing provider serves 85 percent or more of the census block.

The Order also adopts limits on operating expenses and seeks comment on revising our rules so that universal service no longer pays for things like art work and other items of aesthetic value that are unrelated to the provision of service, such as vehicles for personal use, corporate aircrafts and boats, housing allowances and childcare. While companies are free, of course, to pay for such expenses, I firmly believe that such expenses unrelated to the provision of service should not be subsidized by our nation's hard working consumers through the universal service fund. Indeed, it is distressing our rules have permitted using support for such personal uses for so long.

That said, I recognize that most rate-of-return companies operate efficiently and are extremely careful with each dollar spent and work diligently to deploy broadband as quickly as possible to their communities. We need to ensure our rules are revised so that all carriers are playing by the same rules and are prohibited from using federal universal service funds, paid by hardworking ratepayers, for services and items that have absolutely nothing to do with the provisioning of telecommunications services.

I want to thank Chairman Wheeler and Commissioner O'Rielly for working with me in a very collaborative and inclusive manner. The consumers of our nation, I believe, would be proud of the process and I trust that it will serve as the gold standard for additional, much needed reforms.

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[1] While the Commission adopted a cap of $3000 per year per line in 2011, this limitation does not include support from Connect America Fund-Intercarrier Compensation. *See* 47 CFR § 54.302(a). As a result, some carriers continue to receive more than $3000 per line per every year.