

**STATEMENT OF
CHAIRMAN AJIT PAI**

Re: *Connect America Fund*, WC Docket No. 10-90; *ETC Annual Reports and Certifications*, WC Docket No. 14-58; *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135; *Developing a Unified Inter-carrier Compensation Regime*, CC Docket No. 01-92

The Commission's adoption of this *Order* and *Notice* is a big win for rural communities that want high-speed Internet and are served by rate-of-return carriers. It means that such carriers will have over \$500 million more in funding to expand broadband deployment in rural America. And it tees up an examination of how to ensure that we provide sufficient and predictable support over the long term so that communities served by small carriers aren't stuck on the wrong side of the digital divide.

In the short term, we provide \$180 million in one-time funding to mitigate the effect of the budget control mechanism for the current funding year adopted by the prior Commission. I've heard from numerous parties that the large cuts or uncertain funding levels resulting from that mechanism have made it very difficult for many carriers to make investment decisions and to keep operations running smoothly. I hope this infusion of funds will provide needed relief while we consider broader reforms to shore up the system.

In the longer term, we're strengthening the Universal Service Fund and reinvesting in what works. The Alternative Connect America Cost Model (A-CAM), for example, is successfully helping carriers that opted into the model build out broadband networks in their service areas. Much of this success comes from having a fixed amount of support that allows them to plan efficiently and access capital markets. Recognizing the power of the A-CAM approach, we are also devoting over \$360 million toward additional broadband deployment by carriers currently participating in A-CAM.

We also seek comment in this *Notice* on ways to improve and simplify the funding system so that carriers have predictable support and the right incentives to efficiently invest in broadband connectivity. One key proposal is to let more carriers elect model-based support. And we will consider options for adjusting the model offer to better recognize the needs of the areas to which support is directed. For example, we seek comment on incorporating into the model offer a Tribal Broadband Factor to recognize the unique challenges of deploying broadband on rural tribal lands.

We also consider how the legacy rate-of-return system might be improved. Specifically, we look into setting a carrier-specific level of support that would not be subject to the budget control mechanism. Unlike today, carriers would then have a measure of predictability about the support they can expect to receive as they make their investment decisions.

Many of the details contained in this *Order* and *Notice* are quite arcane, but the Commission's overarching objective is simple: to expedite broadband deployment and deliver digital opportunity to more rural Americans. I'm confident that the extra funding that we are allocating and the reforms that we are proposing today will do just that.

I'd like to thank Commissioner O'Rielly for engaging in good faith and working with me on edits to the eligible expenses section that improved the item. With respect to the views expressed by my dissenting colleagues, it's important to note that they had 58 days to review the item but waited until after the close of business on the 57th day—the day before the “must vote” deadline, which itself had already been extended—to propose substantive edits. That's not a serious attempt to work towards consensus; rather, it smacks of a calculated delay tactic. But too many rural Americans have waited long enough for digital opportunity to countenance yet further delay. They expect action, and today, we're taking it.

This *Order* and *Notice* would not have been possible without the help of staff from the Wireline Competition Bureau and the Office of General Counsel. From WCB: Pamela Arluk, Theodore Burmeister, Talmage Cox, James Eisner, Justin Faulb, Victoria Goldberg, Athula Gunaratne, Christian Hoefly, Lisa Hone, Jesse Jachman, Katie King, Christopher Koves, Sue McNeil, Alexander Minard, Kris

Monteith, Ryan Palmer, Eric Ralph, Steven Rosenberg, Doug Slotten, Craig Stroup, Roger Woock, and Suzanne Yelen. From OGC: Billy Layton, Linda Oliver, and Bill Richardson.