



December 5, 2022

Ex Parte Notice

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
45 L Street, NE
Washington, DC 20554

RE: *Connect America Fund, WC Docket No. 10-90; ETC Annual Reports and Certifications, WC Docket No. 14-58; Telecommunications Carriers Eligible to Receive Universal Service Support, WC Docket No. 09-197; Connect America Fund – Alaska Plan, WC Docket No. 16-271; Expanding Broadband Service Through the A-CAM Program, RM-11868*

Dear Ms. Dortch:

By this letter, NTCA-The Rural Broadband Association (“NTCA”) submits additional information into the record of the above-referenced proceedings in support of updates to the Alternative Connect America Model (“A-CAM”) and the Connect America Fund-Broadband Loop Support (“CAF-BLS”) mechanism as previously proposed. *See Ex Parte* Letter from Michael R. Romano, Executive Vice President, NTCA, to Marlene H. Dortch, Secretary, Federal Communications Commission (the “Commission”), WC Docket No. 10-90, *et al.* (filed Oct. 14, 2022) (“October 14 *Ex Parte* Letter”); Reply Comments of NTCA, WC Docket No. 10-90, *et al.* (filed Aug. 1, 2022); Comments of NTCA, WC Docket No. 10-90, *et al.* (filed July 18, 2022).

In the October 14 *Ex Parte* Letter, building upon earlier submissions in the record, NTCA proposed specific updates for the A-CAM and CAF-BLS programs to promote the delivery and sustainability of much higher-speed services in rural areas in effective coordination with initiatives at other agencies. With respect to the CAF-BLS mechanism in particular, the Commission noted expressly in 2018 that it would need to revisit the program’s budget and service level commitments within the next year. *See Connect America Fund, WC Docket No. 10-90, et al., Report and Order, Further Notice of Proposed Rulemaking and Order on Reconsideration, FCC 18-176 (rel. Dec. 13, 2018), at ¶¶ 97 and 101.* To fulfill these long-identified tasks, the October 14 *Ex Parte* Letter proposed (among other things) providing CAF-BLS recipients a path to elect to deliver at least 100/20 Mbps broadband to all (100%) or nearly all (97%) of the locations in their study areas in exchange for relief for five or three years, respectively, from the budget control mechanism (“BCM”) that would otherwise be applicable. NTCA further recommended in that letter recalibrating the overall BCM at the current level of demand and then developing 100/20 Mbps commitments (as it has done in the past for 10/1 and 25/3 commitments) for those CAF-BLS recipients that do not elect the 100% and 97% options described above.

To aid in evaluating the effectiveness of these proposed CAF-BLS updates and fulfillment of the work teed up in 2018, NTCA has estimated both potential budgetary impacts of the reforms and the number of locations that would be served with at least 100/20 Mbps service following such updates. To develop these estimates, NTCA assumed that:

- Any CAF-BLS recipient already offering 100/20 Mbps to more than 80% of its current locations (based upon estimates from the most recent publicly available Form 477 data) would elect to deliver such service to 100% of customers under the plan.
- Any CAF-BLS recipient already offering 100/20 Mbps to more than 70% and up to 80% of its current locations (based upon estimates from the most recent publicly available Form 477 data) would elect to deliver such service to 97% of customers under the plan.
- Any CAF-BLS recipient offering 100/20 Mbps to 70% or fewer of its current locations (based upon estimates from the most recent publicly available Form 477 data) would decline either option and would instead have its obligations to deliver 100/20 Mbps broadband in the future defined by updated calculations leveraging the same basic process used to identify 10/1 and then 25/3 Mbps deployment program commitments in the past.
- Investment and ensuing growth in support over the next decade would occur at a pace slightly higher than relatively recent historical levels due to inflation and ramped investment to meet the higher deployment requirements; inflation is estimated to range between 5% and 7.5% over this period.

Based upon these assumptions and the recalibration of the baseline level of support for the budget control mechanism to current demand and support levels (*see* Budget Control Mechanism, 2022-2023 Budget Analysis, available at <https://www.usac.org/wp-content/uploads/high-cost/documents/Budget-Analysis/2022-2023-Budget-Analysis.xlsx>), NTCA estimates that the incremental cost of its proposed CAF-BLS reforms as compared to the status quo over time (*i.e.*, if no reforms occurred) would be approximately as follows:¹

Table 1

Year	Est. Support Increase Attributable to Reform	BCM %	BCM Reductions (in \$)
2023	\$215M	0.1%	\$0.6M
2024	\$235M	0.5%	\$3.0M
2025	\$258M	1.1%	\$7.5M
2026	\$283M	2.2%	\$20.4M
2027	\$314M	3.5%	\$35.8M
2028	\$296M	5.0%	\$108.8M
2029	\$312M	6.6%	\$154.1M
2030	\$329M	8.3%	\$209.4M
2031	\$345M	10.3%	\$276.0M
Avg.	\$287M	4.2%	\$90.6M

¹ It should be observed that while Table 1 shows support increases as compared to the status quo over time without reform, the currently applicable waiver of the budget control mechanism already affords approximately \$200 million in relief for this year. Put another way, even as it would create a track for delivery of materially better broadband services over time, this proposal would next year result in an increase in support that is only slightly higher than amounts afforded by the budget control mechanism waivers that have been granted the past few years.

It is important to note in considering the cost of this proposal that the budget control mechanism would apply to some CAF-BLS recipients throughout this process and then again to *all* CAF-BLS recipients again by 2028 (which is why the overall dollar amount of the BCM reduction increases significantly in that year in the table above), in addition to other caps that continue to apply within the programs. Moreover, this estimated cost does not account for the fact that some providers would undoubtedly elect to move to Enhanced A-CAM support if that opportunity is provided (as recommended by NTCA), nor does this capture any beneficial budget impacts that could likely arise if providers are given the opportunity to move to “incentive regulation” through fixed support (as also recommended by NTCA).

In any event, as a result of these updates, NTCA has estimated that more than 2,200,000 (or more than 75%) of the approximately 2,900,000 households in CAF-BLS study areas would have access by the end of this period to at least 100/20 Mbps broadband. For those companies with less than 80% availability at 100/20 Mbps, this proposal is estimated to increase availability of such service levels in their study areas by more than 20%. Moreover, these increases in availability could be far greater to the extent that more CAF-BLS recipients elect the 100% or 97% options proposed by NTCA; for purposes of this estimation, however, we have made the relatively conservative assumption that only those with 70% or greater availability of 100/20 Mbps broadband as of June 30, 2021 would elect these options. Similarly, the costs estimated above would likely decrease substantially if future inflation is less than projected and assumed above.

It should also be noted that any locations in CAF-BLS study areas where commitments to deliver at least 100/20 are *not* made under this proposal or where current deployments are not already at 100/20 Mbps or greater would potentially be eligible for competitive deployment awards through the Broadband Equity, Access, and Deployment (“BEAD”) program, underscoring how this proposal is well-coordinated with this grant initiative. Indeed, NTCA submits that this proposal represents an efficient alternative to BEAD efforts, providing wide rural geographies of CAF-BLS study areas with actual or committed service levels of at least 100/20 Mbps in lieu of leaving these areas to be picked apart and served selectively through provider-drawn polygons that are far more likely to create an inefficient “patchwork quilt” of service areas and potentially unserved remnants in the end.

Finally, a discerning review indicates that the timing of deployments under the programs should be comparable and complementary as well. If anything, if one considers a realistic timeframe of 2024 at best likely for BEAD funds to be awarded – and if one presumes that only after awards can BEAD recipients *even just begin* to order supplies and arrange for construction contractors – CAF-BLS and A-CAM deployments would almost certainly start deployment sooner and benefit from the ability to leverage existing networks and inventory of supplies in doing so. Moreover, even as the final locations under A-CAM and CAF-BLS might be delivered slightly later, this would be offset by the many Americans reached sooner – and the broader geographies to be served through A-CAM and CAF-BLS would once again avoid the risk of an inefficient “patchwork quilt” of grant awards and ensuing deployment of networks across rural geographies that will be *harder* to sustain once built.

Table 2

Year	BEAD Milestones ²	A-CAM & CAF-BLS 100%/97% Option Milestones
2023	0%	0% ³
2024	0% ³	30%
2025	20%	40%
2026	40%	50%
2027	60%	60%
2028	80%	70%
2029	100%	80%
2030	100%	90%
2031	100%	100%

Thank you for your attention to this correspondence. Pursuant to Section 1.1206 of the Commission’s rules, a copy of this letter is being filed via ECFS.

Sincerely,

/s/ Michael Romano

Michael Romano

Executive Vice President

cc: Ramesh Nagarajan
Danielle Thumann
Justin Faulb
Marco Peraza
Trent Harkrader
Ted Burmeister
Jesse Jachman
Joseph Sorresso
Stephen Wang
Suzanne Yelen
Michael Janson
Eric Ralph

² The BEAD program contains a baseline deployment expectation of four years from the date that funds begin to be distributed, but the Notice also makes clear that extensions should be relatively routine; specifically, a one-year extension will be available from a State “if: (1) the subgrantee has a specific plan for use of the grant funds, with project completion expected by a specific date not more than one year after the four-year deadline; (2) the construction project is underway; or (3) extenuating circumstances require an extension of time to allow the project to be completed.” See Notice of Funding Opportunity, BEAD Program, National Telecommunications and Information Administration, at Section II.B.

³ It is likely that limited BEAD deployment could occur in 2024 in areas where providers have longer construction seasons and if supplies and contractors can be obtained on a quicker basis than current supply chains and workforce constraints currently indicate. Similarly, it is almost certain that CAF-BLS and A-CAM recipients would start deployment in 2023 rather than waiting to achieve their first 30% milestones solely through construction activity in 2024. Nonetheless, this chart depicts only the most likely required milestone figures under the programs as proposed/designed, rather than attempting to capture ways in which providers might “outperform” those obligations.