

**Media Contact:**

Matthew Berry, (202) 418-2005  
matthew.berry@fcc.gov

**For Immediate Release**

**STATEMENT OF FCC COMMISSIONER AJIT PAI**  
*Announcing His Plan to Support Broadband Deployment in Rural America*

OMAHA, NEBRASKA, June 29, 2015.—Those living in rural America need high-speed broadband in order to compete in the digital economy. Today, I’m announcing my plan to help deliver the online opportunities they deserve.

When it comes to broadband, rural residents have waited long enough. Four years ago, the FCC committed to reforming the Universal Service Fund to support broadband throughout rural America—a commitment that echoed the promise of the Communications Act itself to “make available, so far as possible, to *all* the people of the United States . . . a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges.”

Since then, we have made progress for rural Americans living in areas served by our nation’s largest telecommunications companies, but we are failing those residing in areas served by the smallest. That’s because of a quirk of regulatory history: Our rules governing small, rural carriers continue to provide universal service support only to networks that supply telephone service, not stand-alone broadband service. That regulatory system has increasingly come under strain as consumers flee landlines in favor of wireless and Internet-based (or “over-the-top”) alternatives.

Indeed, it has put some carriers to a Hobson’s choice. On one hand, they can offer stand-alone broadband—which urban consumers have and rural consumers want—and lose universal service support. On the other, they can deny consumers the option of an Internet-only service, and risk them dropping service altogether (which they increasingly are). The net result is that rural carriers hold back investment because they are unsure if they can deploy the next-generation services that consumers are demanding.

It’s time we made good on the promise of delivering broadband to rural Americans. The time for talk is over; the time for action has arrived. That’s why I am putting on the table a concrete and specific plan for correcting this historical accident and giving rate-of-return carriers a chance to participate in the Connect America Fund if they want to do so.

*First*, I have concluded after careful study that targeted changes to existing universal service rules can solve the stand-alone broadband problem. In short, I agree with Senators John Thune, Amy Klobuchar, Deb Fischer, and 58 of their colleagues, who wrote to us last month: “No new models or sweeping changes are needed to adopt and implement a targeted update to fix the issue . . . instead a simple plan that isolates and solves this specific issue is all that is needed right now.” Rural telecommunications associations expressed support for this approach just last month.

This broad, bipartisan coalition is right. The rule changes needed to redirect funding to support stand-alone broadband facilities can fit on a single page, which I have attached as an appendix to this statement. They would include stand-alone broadband costs when calculating high cost loop support and

interstate common line support. They would determine how much of that support should be attributed to stand-alone broadband. And they would direct that support be used to offset the cost of service.

These simple amendments to our existing rules would have a big impact. They would give rural consumers the real option of choosing whether they want to purchase broadband and telephone service from the same company, and they would give carriers more assurance that arbitrary loopholes won't prevent them from meeting consumer demand. This will increase broadband deployment. They would also meet the FCC's own goals of distributing support equitably and efficiently and ensuring no double recovery of costs. And they would do all of this *within the existing budget*.

*Second*, I believe we need to open a path so that rate-of-return carriers that want to participate in the Connect America Fund can do so before the end of this year. The FCC's staff have worked diligently to create an alternative cost model for rate-of-return areas (the A-CAM). The model might not be perfect—it wasn't initially designed for small, rural companies, for example. But that is no reason to prohibit participation on a strictly voluntary basis.

The path to permitting voluntary participation by the end of this year shouldn't be hard. In fact, there already appears to be a consensus on key points: Participation should be voluntary. The model should last for 10 years. Support should target unserved locations that will meet the Connect America Fund's 10/1 broadband benchmark. And FCC Form 477 data can form the basis of a streamlined challenge process.

Let me add a few points of my own to help move things along. If a carrier's support would decrease under the A-CAM, I believe a five-year transition period—two more than the FCC gave price-cap carriers—is appropriate, and I believe there should be no limit on participation for such carriers. By contrast, if a carrier's support would increase under the A-CAM, numerous volunteers may swamp the rate-of-return budget. I am open to using some of the reserves that have built up within the rate-of-return budget over the past few years to fund additional volunteers. But we must be fiscally responsible and prioritize participation for those areas that have the lowest build out of high-speed broadband.

To be sure, taking these steps will not complete our work on the Universal Service Fund. For example, letting carriers choose to participate in the Connect America Fund this year does not resolve whether carriers might get a second chance in two or three years, nor what changes to the A-CAM would occur between now and then. But we should not let divisions on other high-cost reforms delay the adoption of a commonsense, broadly appealing solution to a specific problem. As Congressman Kevin Cramer and 114 of his colleagues put it last month: "Long-term options . . . can and certainly should be explored as well, but not at the expense of an immediate, targeted solution."

The lack of high-speed broadband in rate-of-return areas is causing real hardships to real people and real businesses today. Let's get this fixed. Let's get rural America connected once and for all.

###

**Office of Commissioner Ajit Pai: (202) 418-2000**

**Twitter: @AjitPaiFCC**

**[www.fcc.gov/leadership/ajit-pai](http://www.fcc.gov/leadership/ajit-pai)**

*This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See MCI v. FCC, 515 F.2d 385 (D.C. Cir. 1974).*

## APPENDIX

### Targeted Rule Changes to Support Stand-Alone Broadband

Add 54.303 to read:

#### § 54.303 Stand-Alone Broadband Support

(a)(1) Expense attributable to C&WF subcategory 1.2 investment in stand-alone broadband transmission service facilities and expense attributable to C&WF category 2 investment in stand-alone broadband transmission service facilities shall be treated as expense attributable to C&WF subcategory 1.3 investment for purposes of calculating high cost loop support pursuant to § 54.1310 and interstate common line support pursuant to § 54.901 through 54.904.

(2) Expense attributable to Exchange Line CO Circuit Equipment category 4.11 investment in stand-alone broadband transmission service facilities and expense attributable to Exchange Line CO Circuit Equipment category 4.12 investment in stand-alone broadband transmission service facilities shall be treated as expense attributable to Exchange Line CO Circuit Equipment category 4.13 investment for purposes of calculating high cost loop support pursuant to § 54.1310 and interstate common line support pursuant to § 54.901 through 54.904.

(b) C&WF loops used for stand-alone broadband transmission service shall be treated as working loops (or lines) for each study area for purposes of calculating high cost loop support pursuant to § 54.1310, interstate common line support pursuant to § 54.901 through 54.904, and the monthly per-line limit on universal service support pursuant to § 54.302.

(c) A study area's stand-alone broadband support shall equal the lesser of:

(1) the sum of the amounts calculated pursuant to § 54.1310 and § 54.901 through 54.904 (as adjusted pursuant to § 54.302) multiplied by the ratio of C&WF loops used for stand-alone broadband transmission service over the number of working loops as determined for calculating high cost loop support pursuant to § 54.1310, or

(2) the sum of the amounts calculated pursuant to § 54.1310 and § 54.901 through 54.904 (as adjusted pursuant to § 54.302) minus the interstate common line support calculated pursuant to § 54.901 through 54.904 (notwithstanding the provisions of this section).

(d) The expense adjustment for purposes of § 54.1301(a) shall equal the sum of the amounts calculated pursuant to § 54.1310 and § 54.901 through 54.904 (as adjusted pursuant to § 54.302) minus the sum of stand-alone broadband support calculated pursuant to § 54.303(c) and interstate common line support calculated pursuant to § 54.901 through 54.904 (notwithstanding the provisions of this section).

(e) The annual revenue requirement for the interstate Special Access element for a study area shall be offset by an amount equal to that area's stand-alone broadband support.

(f) Every non-price cap incumbent local exchange carrier must provide the National Exchange Carrier Association with the information necessary to carry out the provisions of this section.

(g) This section shall be effective beginning July 1, 2016.

#### § 54.1301 General

Effective July 1, 2016, amend section 54.1301(a) to replace the phrase "this subpart M" with the phrase "§ 54.303(d)".