

March 11, 2013

Honorable Barack Obama
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

We are writing as small businesses and significant employers that provide the critical communications services that link our small rural communities with the rest of the world. We applaud your consistent focus on promoting universal broadband access and the need to invest in infrastructure that will deliver returns for our nation's citizens and the economy for decades to come. However, we feel compelled to highlight how the effects of a specific federal agency policy – the flash-cut elimination of certain support needed to justify and maintain such communications network investments – threatens to harm small businesses, degrade broadband quality in rural areas, and undermine the success of your economic stimulus initiatives.

In 2009, you unveiled a bold vision to connect all of America through cutting-edge communications infrastructure. In a demonstrable commitment of that vision, the American Recovery and Reinvestment Act included \$7.2 billion in broadband infrastructure development programs, and more generally, challenged providers to hire workers with the aim of “building a 21st-century infrastructure.” Many small communications companies, such as those signing below, rose to your challenge by utilizing their own cash flows, borrowing capital, and/or leveraging stimulus awards to build cutting-edge networks in areas where broadband services were either not sufficiently robust or altogether unavailable. As intended, your call to action and your stimulus programs led to significant efforts to deploy broadband in unserved and underserved areas, leading to waves of job creation and network construction in 2010 and 2011.

That progress is now at risk. By virtue of a specific rule change by the Federal Communications Commission (the “FCC”) in November 2011, some of those who took up your call to build and hire in 2010 and 2011 now face a significant loss of universal service fund (“USF”) support that helped justify such efforts. This rule change not only threatens to undermine your flagship stimulus program, but it could put at risk millions of dollars in loans advanced by the U.S. Department of Agriculture’s Rural Utilities Service (“RUS”) and private capital.

As you may recall, the federal USF is a program that facilitates the delivery of affordable modern communications services in high-cost, rural areas, along with achieving a number of other public policy communications-related objectives, such as ensuring better connectivity for schools, libraries, and health-care facilities and making communications services more affordable for low-income consumers. The USF, which is overseen by the FCC, reflects a statutory commitment in the Communications Act of 1934, as amended, to these important public policy objectives. The USF program has been a striking success in keeping rural America connected for decades, and while it was in need of updating, it has been in many respects a model of how public-private partnerships can work for the betterment of our country.

This letter is not sent to quibble with the FCC's direction on USF reform generally – that is a broader debate. Instead, this letter is sent to seek your intervention with respect to a discrete part of that reform that threatens to undermine steps taken in the past few years to deploy broadband-capable communications networks. Specifically, in its November 2011 order, the FCC implemented the flash-cut elimination of support from a USF component mechanism called “Safety Net Additive” (or “SNA”). This mechanism has historically provided small rural telecommunications carriers with USF support over a five-year period starting two years after qualifying investments are made; for example, if a provider incurred costs in deploying network infrastructure in 2010, it would receive SNA support to help recoup some of those costs starting in 2012 and continuing through 2016.

The merits of eliminating this mechanism *going forward* could perhaps be debated, but the FCC's rule changes unfairly eliminated the mechanism *looking backward* for carriers who made qualifying investments in 2010 and 2011 – *prior to the release of the FCC's order*. That is, for many providers such as the undersigned – those who answered your call to create jobs and deploy infrastructure in 2010 and 2011 – the ability to start receiving SNA support was taken away through the stroke of the FCC's pen in November 2011. Under the FCC's rule change, carriers who built networks in 2009 or earlier are “grandfathered” and can continue to receive SNA support for the remainder of their five-year period, but carriers who incurred costs to hire staff and build networks in 2010 or 2011 (before the FCC's order was released and right at the time you were calling for companies to take on such efforts) now find that “the rug has been pulled out from under them” altogether in terms of SNA support.

Although the amount of SNA support at issue is relatively small in the grand scheme of things – totaling approximately 0.1 percent of the USF High Cost program budget and 0.06 percent of the total USF budget – the \$5 to \$10 million per year (collectively) in SNA support that has been yanked away from small businesses like ours pursuant to the FCC's rule change is meaningful. This anticipated SNA support represents the ability to keep prices affordable for consumers. It represents the ability to help pay down debt to RUS and private lenders. It represents the ability to complete infrastructure construction plans that have now been put on hold. And it represents the ability to keep employees on staff consistent with your mission of job creation and retention.

We are small businesses that have led the charge in deploying advanced communications infrastructure and hiring staff consistent with your vision. If we fail in our mission, the communities we serve will suffer from substandard, high-priced communications services and increased unemployment. Moreover, if we fail in our mission, this may translate to failure for aspects of the broadband stimulus program and for RUS loans too. In recognition of our significant efforts toward our common objectives – more jobs and affordable, high-quality broadband for all Americans – we ask that you please encourage the FCC to reconsider the retroactive, flash-cut elimination of SNA support and to address the risk it poses to our shared public policy objectives.

Sincerely,

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cc: The Honorable Tom Vilsack
The Honorable Dr. Rebecca Blank
The Honorable John Padalino
The Honorable Larry Strickling