



**United States Department of Agriculture
Rural Development**

May 31, 2012

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20544

Notice of Oral Ex Parte Contact

Re: *Rural Utilities Service* notice of oral *ex parte* contact involving the proceedings captioned: *In the Matter(s) of the Connect America Fund*, WC Docket No. 10-90, *National Broadband Plan for Our Future*, GN Docket No. 09- 51, *Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135, *High-Cost Universal Service Support*, WC Docket No. 05-337, *Developing an Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Lifeline and Link-Up*, WC Docket No. 03-109, *In the Matter of Universal Service Reform Mobility Fund*, WT Docket No. 10-208.

Dear Secretary Dortch:

On Tuesday, May 29, 2012, the Honorable Tom Vilsack, the Secretary of the Department of Agriculture (USDA), Lindsay Daschle, Senior Advisor to the Secretary, and I met with the Honorable Julius Genochowski, the Chairman of the Federal Communications Commission (FCC), Zac Katz, Chief of Staff to the Chairman, and Michael Steffen, Advisor to the Chairman, for a discussion about the importance of broadband to the rural quality of life.

The Secretary expressed appreciation for the Chairman serving on the Rural Council, his openness to hearing rural concerns, and specifically his willingness to consider USDA's perspective on the impact of the FCC's reform of the Federal Universal Service Fund (USF) and inter-carrier compensation (ICC) rules on rural providers and their consumers. The Secretary and I discussed the long, successful history of the cooperative efforts between the USDA, RUS and the FCC to improve rural telecommunications service. The Secretary expressed an interest in building on existing coordination efforts through continued dialogue, data sharing and outreach to maximize the benefits of USF and ICC reforms for rural consumers. The goal is to promote the mutual commitment of both agencies to deliver on the President's goal of closing the digital divide.

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The USDA has policy, planning and lending responsibilities in all of rural America, including areas served by telecommunications providers that do not participate in USDA/RUS telecommunications loan and grant programs. USDA also has an institutional interest in the FCC reform efforts. Changes to the federal USF and ICC can have a direct impact on the ability of existing RUS borrowers to repay their outstanding loans and complete the construction of wireline broadband systems. These systems provide backhaul needed to facilitate wireless 4G deployment in rural areas, which are also critical to public safety. Robust broadband networks are essential to the future of rural economic development and the vitality of rural communities.

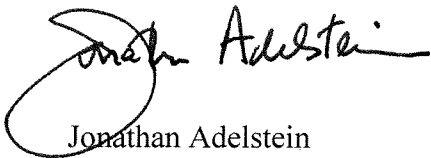
The Secretary noted that the RUS makes loans to finance the construction and upgrade of high capacity broadband networks whose terms can exceed 20 years. He noted these investments were made under then-current rules with the understanding that the revenues would be necessary to recover costs and repay loans to lenders including RUS. He noted that consumers and lenders need certainty and predictability in their investment horizon. The Secretary noted that the regression analysis model can affect long term revenues and USF predictability.

The Administrator noted that RUS only finances capital infrastructure, and that every RUS loan and grant dollar is scrutinized by program and field staff, and that each dollar spent in the RUS program is tied to specific purchases that are audited. RUS does not tolerate waste, fraud or abuse, ensuring that dollars are prudently spent.

The Secretary suggested that the waiver process could be improved by incorporating key elements of the "safety net" process, which was suggested in the October 11th filing by the RUS Administrator which recommends *inter alia* that the standard for relief should be tied to a default on an obligation to government, not the loss of voice service.

The Secretary underscored the need for USDA and the FCC to continue to work together to address the communications needs of rural America. That way, the partnership that has succeeded for so long in facilitating the build-out of state-of-the-art rural telecommunications networks can continue successfully into the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Jonathan Adelstein". The signature is fluid and cursive, with a large initial "J" and "A".

Jonathan Adelstein
Administrator
Rural Utilities Service