



February 23, 2018

***Ex Parte Notice***

Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

**RE: *Connect America Fund, WC Docket No. 10-90***

Dear Ms. Dortch:

On Thursday, February 22, 2018, the undersigned, on behalf of NTCA–The Rural Broadband Association and WTA–Advocates for Rural Broadband (collectively, the “Associations”), respectively, together with Gerard Duffy also on behalf of WTA, met with Nicholas Degani and Jay Schwarz from the office of Chairman Ajit Pai to discuss matters in the above-referenced proceeding. Messrs. Duffy and Romano also met separately with Amy Bender, wireline legal advisor to Commissioner Michael O’Rielly, on the same day to discuss the same matters.

In the meetings, the Associations urged the Federal Communications Commission (the “Commission”) to provide clear and tailored guidance regarding the eligibility of certain expenses for recovery via high-cost universal service fund (“USF”) support and/or regulated interstate rates. To promote the integrity of the USF programs, to ensure effective use of support under a fixed budget, and to provide better direction to the small businesses that operate within these programs, the Associations support delineating explicit limitations with respect to the recoverability of specific expense categories as outlined in prior filings and as further indicated in the attached document. *See Ex Parte* Letter from the Associations to Marlene H. Dortch, Secretary, Commission, WC Docket No. 10-90 (filed Dec. 20, 2017) (“December 20 *Ex Parte*”); *see also* Attachment A hereto.

While the Associations expressed such support for clearer guidance regarding the recoverability of specifically delineated expense categories, they cautioned at the same time against, and objected to, any far-ranging, open-ended language in either a new rule or order text that could be read to recast, restate, or recharacterize decades of settled cost recovery standards and jurisprudence. The Associations indicated that the focus should be on promoting certainty and accountability by providing very direct, bright-line indication of what expenses are not recoverable through USF and/or rates, rather than including any broad language that might be read to alter cost recovery policies in a way that could create, rather than dispel, confusion for small businesses and increase, rather than decrease, complicated compliance risks and burdens.

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**ATTACHMENT A**

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

Sincerely,

/s/ Michael R. Romano

Michael R. Romano  
Senior Vice President –  
Industry Affairs &  
Business Development  
NTCA–The Rural Broadband Association  
4121 Wilson Blvd, Suite 1000  
Arlington, VA 22203  
[mromano@ntca.org](mailto:mromano@ntca.org)

/s/ Derrick B. Owens

Derrick B. Owens  
Senior Vice President of  
Government & Industry Affairs  
WTA – Advocates for Rural Broadband  
400 Seventh St., NW, Suite 406  
Washington, DC 20004  
(202) 548-0202 (Tel)  
[derrick@w-t-a.org](mailto:derrick@w-t-a.org)

Enclosure

cc: Nicholas Degani  
Jay Schwarz  
Amy Bender

ATTACHMENT A

**Investment and Operating Expenses**

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(n) Consistent with [the October 2015 Public Notice], the following kinds of expenses are not eligible for recovery via regulated interstate rates, Connect America Fund Broadband Loop Support, or High Cost Loop Support:

(1) Personal travel; expenses of employees, board members, family members of employees and board members, contractors, or any other individuals affiliated with the incumbent LEC to the extent such expenses are personal in nature, including but not limited to personal use of company-owned housing, buildings, or facilities used for entertainment purposes by employees, board members, family members of employees and board members, contractors, or any other individuals affiliated with the incumbent local exchange carrier;

(2) Aircraft, watercraft, and other motor vehicles designed for off-road use (but not prohibiting inclusion of reasonable business-related travel expenses associated with the use of any such), except insofar as necessary to access portions of the study area not reachable by motor vehicles travelling on roads during certain times of the year; any vehicles provided to employees, board members, family members of employees and board members, contractors, or any other individuals affiliated with the incumbent local exchange carrier to the extent for personal use;

(3) Political contributions; membership fees and dues in clubs and organizations (*e.g.*, social or athletic clubs), but not including organizations that provide education, training, or other services associated with the provision of communications services or otherwise associated with the operation of a business, such as legal bar association dues or accounting certifications; and

(4) Penalties or fines for statutory or regulatory violations; penalties or fees for any late payments on debt, loans, or other payments.

(o) On a prospective basis following the effective date of this rule, the following kinds of expenses shall not be eligible for recovery via regulated interstate rates, Connect America Fund Broadband Loop Support, or High Cost Loop Support:

(1) Food and beverage not in connection with the business of providing telecommunications services or work-related travel, including but not limited to meals to celebrate personal events, such as weddings and births; and

(2) tangible property not logically related or necessary to the offering of voice or broadband services.

(p) Consistent with [the October 2015 Public Notice], the following kinds of expenses are not eligible for recovery via Connect America Fund Broadband Loop Support or High Cost Loop Support:

(1) Housing allowances or other forms of mortgage or rent assistance for employees, except to the extent such expenses are included within taxable compensation or arise out of temporary assignment in connection with provision of telecommunications services; and

ATTACHMENT A

(2) Entertainment.

(q) On a prospective basis following the effective date of this rule, the following kinds of expenses shall not be eligible for recovery via Connect America Fund Broadband Loop Support or High Cost Loop Support:

- (1) Gifts to employees or childcare, except to the extent such expenses are included within taxable compensation;
- (2) artwork and other objects which possess aesthetic value;
- (3) Costs of operating cafeterias and dining facilities; and
- (4) Charitable donations; scholarships; sponsorships of conferences or community events.

(r) Any expense identified by subsections (p) or (q) as ineligible for recovery via Connect America Fund Broadband Loop Support or High Cost Loop Support may nonetheless be eligible for recovery via regulated interstate rates, but only to the extent reasonable and customary as a business expense for a company of similar size and operations.