



Advocates for Rural Broadband

David Shipley
President

Kelly Worthington
Executive Vice President

June 1, 2021

Filed Via ECFS

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

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

Dear Ms. Dortch:

On Friday, May 28, 2021, Mark Gailey of Totah Communications (Oklahoma and Kansas); Neo Nicolaou of Sacred Wind Communications (New Mexico); and Derrick Owens and Gerry Duffy representing WTA – Advocates for Rural Broadband (“WTA”) met via telephone with Ramesh Nagarajan, Acting Legal Advisor, Wireline, to Acting Chairwoman Jessica Rosenworcel, to discuss the continuing adverse impacts of the Budget Control Mechanism (BCM”) upon the broadband deployment and upgrade efforts of WTA members and other rural telephone companies that receive Connect America Fund – Broadband Loop Support (“CAF-BLS”) and High Cost Loop Support (“HCLS”).

Mr. Gailey indicated that his company has been making major efforts during the COVID-19 pandemic to extend and upgrade the broadband facilities needed by its customers to work and attend school from home, as well as to keep its customers connected at stable and affordable rates. Totah Communications (“Totah”) has been doing this both in Oklahoma where it receives CAF-BLS and HCLS support, and in Kansas where it receives Alternative – Connect America Cost Model (“A-CAM”) support. However, in Oklahoma, the BCM is expected to reduce Totah’s high-cost support by approximately \$150 thousand during the July 2021 - June 2022 year. This reduction constitutes a substantial hardship, particularly at a time when: (a) material and construction costs are rising rapidly due to increased broadband service demands at the same time that growing supply bottlenecks are being encountered; (b) it is very difficult to increase service rates when customers are still recovering from income lost during the COVID-19 pandemic; and (c) where most of the costs not being supported were incurred a year or two previously.

Mr. Nicolaou stated that Sacred Wind Communications (“Sacred Wind”) began operations in December 2006, and is still working hard to pay off the substantial loan that it obtained to build its network that serves major portions of the Navajo Reservation in New Mexico. He reported that Sacred Wind is expected to suffer a \$726 thousand reduction in its high-cost support due to the BCM during the 2021-2022 year. In addition to the hardships of increasing costs and reduced revenues affecting Totah and many other WTA members, Sacred Wind indicated that this BCM reduction will put even greater pressure on its broadband construction plans and day-to-day operations due to the substantial portion of its revenues that continues to be required to repay its initial construction loan.

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WTA urges the Commission to provide relief from the 8.59 percent BCM that is scheduled to go into effect for the July 2021 – June 2022 year. As the nation recovers from the COVID-19 pandemic, it is critically important that rural telecommunications companies receiving CAF-BLS and HCLS support have the resources necessary to continue extending and upgrading their broadband networks and to continue providing broadband service to their customers at affordable rates. In WTA’s view, the most effective relief would be for the Commission to suspend and eliminate the BCM for the duration of the COVID-19 pandemic and recovery, which would encompass at least the July 2021 – June 2022 year.

Whereas immediate BCM relief is of paramount importance, WTA also believes that the Commission needs to review and re-think the longer-term rationale and impact of the BCM. One of the key lessons of the COVID-19 pandemic has been the need for high-capacity, reliable, scalable and affordable broadband networks and services. However, it appears that the BCM makes long-term broadband investments riskier by rendering future CAF-BLS and HCLS support uncertain and beyond the control of individual carriers. A major reason is because the BCM appears to be impacted heavily by increases in Customer Broadband-Only Loop (“CBOL”) service adoption nationwide, as well as by national or regional increases in glass fiber prices and construction and engineering service costs. Without substantial revision, it is expected that the BCM may increase by as much as three percentage points a year during the foreseeable future no matter what steps an individual CAF-BLS/HCLS recipient takes improve its own efficiencies. This makes it increasingly difficult for small rural carriers to undertake substantial broadband extension or upgrade projects that require 12-to-15-year construction loans if they have reason to fear that the high-cost support they rely upon to repay those loans may be reduced by 11, 14 or 17 percent per year during the next few years.

WTA is filing this letter for inclusion in the public record of the referenced proceeding.

Respectfully submitted,
WTA – Advocates for Rural Broadband

/s/ Derrick B. Owens
Derrick B. Owens
Senior Vice President of Government
and Industry Affairs
400 Seventh Street, NW, Suite 406
Washington, DC 20004
Email: derrick@w-t-a.org

/s/ Gerard J. Duffy
Gerard J. Duffy, Regulatory Counsel
Boston, Mordkofsky, Dickens, Duffy &
Prendergast, LLP
2120 L Street, NW, Suite 300
Washington, DC 20037
Email: gjd@bloostonlaw.com

cc: Ramesh Nagarajan