



## SMALL COMPANY COALITION

WE BUILT IT, WE MAINTAIN IT, WE VALUE IT!

The Small Company Coalition (SCC), an alliance of rural telecommunication and broadband Internet service providers from across the United States, supplies advanced telecommunications services to rural and remote communities. As service providers and business owners, we are well acquainted with the unique challenges presented by both the logistics of furnishing such services, as well as how public policy and government actions impact our members' ability to operate.

The SCC was formed in 2012 to work collaboratively with the FCC and Congress. We bring real-world experience to the table, and dedicate significant time and resources to analyzing our businesses and the regulatory constraints under which we operate. We work to develop productive responses to issues we encounter, and share such solutions with responsible officials.

In this spirit, we have performed several analyses of issues encountered by our members, including Universal Service Fund (USF) shortfalls, USAC auditing procedures, and the multitude of FCC reporting requirements, among others.

The SCC believes the following policy changes embody the best interests of all Americans, not just those in rural communities:

- 1) **Increase the arbitrary \$2 billion USF cap.** Our analysis of unmet needs in the USF program greatly exceeds prior estimates, totaling nearly \$1.5 billion per annum. In light of the fact that the USF program now maintains over \$8 billion in reserves, we urge the FCC to take steps to utilize these reserves to reduce collections from end-users and address the annual shortfall in USF support for the small Rate of Return (RoR) carriers.
- 2) **Reform USAC auditing procedures.** The first three rounds of USAC audits have cost some \$250 million, yet in 2016, only \$8 million of questionable funding was recovered. Many RoR carriers across the country have been subjected to audits where the cost of the audit surely exceeded the recovery of any questionable USF payments. Combined, these factors lead us to conclude that the USAC audit process must be significantly reformed, including focusing on demonstrably problematic programs and bad actors, and the utilization of the "materiality" threshold in accordance with generally accepted auditing standards.
- 3) **Eliminate overlapping or outdated reporting requirements.** We laud the FCC's July 7, 2017 action eliminating several unnecessary and duplicative reporting requirements, and believe more can be done in this area. SCC members have assessed the resources necessary to comply with FCC reporting requirements, especially as they have grown since the issuance of the FCC's USF/ICC Transformation Order in November of 2011. Currently, the hours necessary for complying with reporting requirements alone amount to over 900 hours per year -- or 23 weeks (5 months!) of full time labor per year. Such demands represent an outsized (and unnecessary) burden on small operations like those of our member companies.
- 4) **Raise awareness on shrinking High-Cost Loop Support (HCLS) fund and its effect on recipients.** There are numerous problems with the HCLS fund stemming from the Rural Growth Factor and Budget Control Mechanism. If these components are left unaddressed, many service providers will risk their ability to continue providing this vital broadband service to their customers.

We are extremely hopeful that we are now in an atmosphere more conducive to reforming regulatory oversight, and we are grateful to the FCC for considering our recommendations. For further information concerning the SCC and our efforts on behalf of the rural customers we serve across the country, please visit our website at: [www.smallcompanycoalition.com](http://www.smallcompanycoalition.com).