October 10, 2019

John,

In light of recent developments, I wanted to circle back with you and build off of the conversation we had in July.

As you surely know, on September 4th, the FCC proposed a second infusion of $950M for Puerto Rico as part of its *Uniendo a Puerto Rico* program. This latest funding comes as a follow-up to the initial $950M provided in 2016, which was designated for disaster relief.

As mentioned during our conversation this summer, the SCC does not oppose these provisions *per se*, but instead is concerned with the manner in which they are funded. Though no specifics are provided in the orders, we conclude that the funding is drawn from USF reserves (the High Cost program being the only USF program that has consistently taken in more than it has disbursed, owing primarily to the $2.5 billion cap).

As participants in USF programs, it is important to our companies to fully understand how USF monies are managed in order to better plan and manage our businesses. Along these same lines, for the second straight quarter this year, the Federal Universal Service Contribution (FUSC) factor has reached a record high in the fourth quarter. The FUSC rate is now over 25%.

Against this backdrop, the FCC is proposing to cap the overall USF program, and High-Cost support is being further reduced by the application of the Rural Growth Factor (RGF). This confluence of events, viewed in combination with the inception of new programs such as the *Uniendo* and *Connect USVI* funds, causes us genuine concern regarding whether our rural and Tribal communities are being adequately served by the very program designed to ensure our connectivity.

We know that the Committee shares our concerns about the importance of connecting rural America, and we are hoping to work with you to identify ways to reinvigorate the discussion, including a closer examination of the FCC’s management of the USF.

It would be my pleasure to meet and resume our discussion of these issues when the Small Company Coalition will be in D.C. on November 19th and 20th.

Sincerely,

Luke Kail

Manager of Membership and Government Affairs

Small Company Coalition