The ***Small Company Coalition*** (SCC) is an alliance of small, rural telecommunications and broadband Internet service providers from across the United States. As the companies who build and maintain the infrastructure necessary to deliver advanced services to rural and remote communities, we are well-acquainted with the unique challenges presented, and how government policies impact our ability to operate and serve our communities.

Since our formation in 2012, SCC members have dedicated significant time and resources to: 1) analyzing our business practices and the applicable public policies and regulations; 2) identifying areas of tension between policy and practice, and developing alternative approaches; and 3) sharing proposed solutions with the FCC and Congress to best achieve our mutual objectives.

1. **Small Company Coalition Priorities:**
2. **Adequacy and Transparency of Funding for Rural Broadband.** “Universal service” -- the idea that all Americans deserve access to affordable communications – has been official U.S. government (USG) policy since The Communications Act of 1934, which created the program we now know as the Universal Service Fund (USF). Established to fill-in where markets failed, the USF became the primary financier for the construction of America’s rural telecommunications network.

Despite dramatic technological advancements over the ensuing decades, economic disincentives to investment persist, elevating the necessity of the USF for consistent, sufficient and adequate support in the digital era[[1]](#footnote-1).

* 1. **Don’t Cap the Universal Service Fund.** The SCC strongly opposes the recent proposal to cap the overall USF at $11.4 billion[[2]](#footnote-2) because such a cap is premature, destabilizing, contrary to program intent, and demonstrably unnecessary.
     1. The Cap is Premature. The FCC cannot cap the USF while the compliance costs of other recent FCC regulatory initiatives – i.e. 25/3 service, and performance testing – are unknown.
     2. The Cap is Destabilizing. The cap would increase political in-fighting among the four USF programs, creating cycles of “winners and losers” in violation of the USF’s statutory obligation for predictable support.
     3. The Cap is Unnecessary. The FCC currently possesses: A) the ability to assess program value and performance; B) the authority to adjust funding as desired; and C) USF collections in excess of fund expenditures.
* *The FCC should focus its efforts on the more fundamental issue of contributions reform*.
  1. **Reform the Rural Growth Factor.** The cap onHigh Cost Loop Support is adjusted annually by the “rural growth factor” (RGF), which is determined by the rate of inflation and the number of working rural connections. Established to accommodate growth in rural service, the RGF now has the opposite effect in an era where Americans are steadily abandoning voice-only service. Pegged to obsolete technology, the RGF now reduces rural high cost support, and forces providers to maintain voice-only connections in lieu of expanding broadband, whether customers want it or not.
* *The RGF must be eliminated or reformed to reflect program intent and comport with modern technology.*
  1. **Full and Transparent Universal Service Fund (USF) Accounting.** While the USF Reserve is a widely-known entity, routinely collecting more than it is distributing, little more is known about how the reserve is accounted for and managed. Meanwhile, the rate paid by consumers via the ***Federal Universal Service Charge*** (FUSC) climbs each year to a new record (now just under 25%).
* *Current FUSC collections are more than sufficient to fund increased USF support for small Rate of Return (RoR) carriers, and the SCC calls upon the FCC to issue a full and public accounting of the USF reserve*.
  1. **Infrastructure Funding.** The Internet is not a luxury – it is now the dominant medium of communication, critical to education, economic development, and civic engagement. While 97% of Americans in urban areas have access to broadband, only 65% living in rural areas do (60% on Tribal lands). This digital divide places rural Americans at a distinct disadvantage in a modern economy.
* *The various infrastructure packages currently being discussed in Congress must include funding to build out the network to connect all Americans, utilizing the on-the-ground expertise of existing broadband service providers.*

1. **Regulatory Reform**.
   1. **Eliminate overlapping or outdated reporting requirements.** An internal study sponsored by the SCC found that reporting requirements consumed over 900 hours per year, or over 5 months of full-time labor.

* *The FCC should build on the regulatory streamlining introduced in its* ***Report and Order*** *released on July 7, 2017, including reducing Form 477 to an annual filing for smaller carriers.*
  1. **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.
* *USAC audit targeting should focus on demonstrably problematic programs and bad actors, and utilize a “materiality” threshold in accordance with generally accepted auditing standards.*
  1. **Performance Measures for Connect America High-Cost Support Recipients.** SCC members support measures ensuring that broadband network speeds match those advertised by carriers receiving high-cost support. The testing protocols outlined in the FCC’s *Performance Measurements Order,* however, will not be finalized prior to scheduled implementation in the first quarter of 2020, and significant questions regarding cost and practicality of these requirements persist. At present, the broadband tests currently outlined by the Commission are unfeasible if not outright harmful.
* *The FCC must significantly revise the proposed testing protocols*. (For further discussion,, see SCC *ex parte* filing “In the Matter of Connect America Fund, WC Docket No. 10-90; Performance Measures for Connect America High-Cost Support Recipients” 05/21/19)

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).

1. e.g. the December 12, 2018 ***Report and Order and Further Notice of Proposed Rulemaking*** including, *inter alia* an updated inflationary factor and suspension of the ***Budget Control Mechanism*** *(BCM).* [↑](#footnote-ref-1)
2. <https://docs.fcc.gov/public/attachments/FCC-19-46A1.pdf> [↑](#footnote-ref-2)