FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

October 20, 2014

The Honorable Lamar Smith
U.S. House of Representatives
2409 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Smith:

Thank you for your letter requesting the Commission to consider proposals from broadband providers to permit some flexibility in the implementation of Phase II of the Connect America Fund (CAF II). Your views are very important and will be included in the record of the proceeding and considered as part of the Commission's review.

The universal service program is one of the most important tools at our disposal to ensure that consumers and businesses in rural America have the same opportunities as their urban and suburban counterparts to be active participants in the United States of the 21st century. We are focused on updating the universal service high-cost program to ensure that we are delivering the best possible voice and broadband experiences to rural areas of states within the confines of our Connect America budget, while providing increased certainty and predictability for all carriers and a climate for increased broadband expansion.

In April, the Commission adopted a *Connect America Fund Phase II Report and Order* to move forward with Phase II of the Connect America Fund for price-cap carriers. In addition, in an associated *Further Notice of Proposed Rulemaking* (*FNPRM*), the Commission sought comment on a number of the issues you raise, including revising the current broadband performance obligations to require minimum speeds of 10 Mbps downstream, and applying the same performance obligations to all recipients of Phase II support and to rate-of-return carriers. In addition, the *FNPRM* seeks comment on the approaches that you raise in your letter – including lengthening the term of support and using the new speed standard to determine whether an area is served. As you suggest, these proposals would allow CAF II recipients more flexibility in meeting their performance obligations. We must consider these proposals in the contexts of our other policy goals, such as encouraging competition and private investment, to ensure that we are fulfilling our universal service mandate.

We have a robust record on these topics and the Commission's staff is giving these issues all due consideration. I welcome a dialogue with stakeholders as to how best to accomplish our shared objectives, and I look forward to working with you as we continue reforming and modernizing the universal service fund high-cost program – as well as other components of the

Universal Service Fund – to ensure that all Americans have access to robust voice and broadband services.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,

Tom Wheeler