April 1, 2015

Ms. Marlene H. Dortch
Secretary
Office of the Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Notice of Ex Parte Meetings

Re:  Ex Parte Contact in A National Broadband Plan for Our Future, GN Docket 09-51; Universal Service Contribution Methodology, WC Docket 06-122; and Protecting and Promoting the Open Internet, GN 14-28

Dear Ms. Dortch:

On behalf of the Ad Hoc Telecommunications Users Committee (“Ad Hoc”), the undersigned, of Levine, Blaszak, Block & Boothby, LLP, and Susan M. Gately, of SMG Consulting LLC, met on March 31, 2015 with Nick Degani, Legal Advisor to Commissioner Pai, and, separately, with Travis Litman, Legal Advisor to Commissioner Rosenworcel.

During this meeting we discussed Universal Service Fund contribution methodology reform, specifically focusing on the USF implications of the Commission's recent reclassification of broadband Internet access as a telecommunications service and the proposed expansion of the E-Rate component of the Universal Service Fund. We also discussed the status of the Joint Board’s consideration of the record in this proceeding as well as the various methodology options under consideration, including Ad Hoc’s continued support for adoption of a numbers-based system. All our discussions covered the material in the attached.

Pursuant to the Commission’s rules, this letter has been filed in the above referenced dockets. If you have any questions regarding this submission, please do not hesitate to contact me directly.

Sincerely,

Andrew M. Brown
Counsel, Ad Hoc Telecommunications Users Committee
Cc: Nick Degani
    Travis Litman

Attachments
Why Ad Hoc Cares

17.4%
USF Reform Never Completed

• FCC made significant progress in 2011 to reform how USF money is spent: disbursements
  • High Cost Fund rationalized and capped
  • Lifeline made sustainable and more effective
  • Net effect: Stabilized size of fund *temporarily*
• But FCC never finished reform of how money is collected: contribution methodology
• Contribution factor will continue to increase
  • The funding mechanism has well knowns flaws
  • Recent E-Rate expansion undoes much progress in stabilizing fund size—threatens sustainability of fund
A Flawed Funding Mechanism

1998

$3.9 Billion

Fund Increases

$80 Billion

Assessable Revenues Shrink

2014

~ $8.8 Billion

2014

$64 Billion
Impact on Businesses

- Quarterly contribution factor is volatile and unpredictable in the short term
- The long term trend... not so unpredictable
- For every $10M a business spends on telecom, it is cutting a check for $1.74M in USF surcharges
Impact of Potential $1.5 Billion E-Rate Expansion

Contribution Factor Growth with E-Rate Expansion

19.5%

17.4%

4% to 5% Factor if Broadband is included
No New Options for Reform

- Ad Hoc has been urging reform on contribution methodology for 15 years

- The options before the FCC have not changed and aren’t going to change
  - Numbers
  - Connections
  - Broadened base of revenues

- All of them work, but numbers still the best option
  - If FCC won’t assess Internet access, it’s now the only option
Next Steps

• The Joint Board referral/Recommended Decision
• Time to set a real timetable
• Pick a solution that fairly distributes USF funding obligations on a non-discriminatory basis