



C O N S U L T I N G L L C

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April 26, 2022

Via E-Filing – Notice of Ex Parte Communications

Marlene H. Dortch Secretary
Federal Communications Commission
45 L Street, NE
Washington, DC 20554

**Re: Report on the Future of the Universal Service Fund, WC Docket No. 21-476;
Universal Service Contribution Methodology, WC Docket No. 06-122**

Dear Ms. Dortch:

On April 22, 2022, the undersigned, along with Andrew Brown representing Ad Hoc Telecom Users Committee, Angie Kronenberg and Lindsay Stern of INCOMPAS, Michael Romano of NTCA – The Rural Broadband Association, Greg Guice of Public Knowledge, John Windhausen of the Schools, Health & Libraries Broadband (“SHLB”) Coalition, and Glenn Richards representing the Voice on the Net Coalition, met with the State members of the Federal-State Joint Board on Universal Service, specifically, Commissioner Chris Nelson of South Dakota, Commissioner Karen Charles Peterson of Massachusetts and her advisor Lindsay DeRoche, Commissioner Michael Caron of Connecticut, and Commissioner Brandon Pressley of Mississippi, along with Brad Ramsay of NARUC, via video conference call.

We discussed the findings in the *USForward Report*, which was previously filed in the above-captioned dockets.¹ We noted that the Universal Service Fund (“USF”) is under significant duress because revenues subject to assessment have declined from \$68.1 billion in 2004 to \$29.1 billion in 2021, with no expectation that those trends will reverse; the contribution factor could reach 40% in just four years if action is not taken; and including broadband internet access service (“BIAS”) revenues in the contribution base would decrease the contribution factor to less than 4%.

We also noted that there is growing support for the FCC to immediately reform the contribution methodology by including BIAS revenues. In February, 332 entities representing a broad and diverse group of stakeholders, including public interest groups, communications companies,

¹ Letter from Carol Matthey, Matthey Consulting LLC, to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket Nos. 21-476 and 06-122 (filed Feb. 14, 2022) (submitting Matthey Consulting, *FCC Must Reform USF Contributions Now: An Analysis of the Options* (Sept. 2021) (“*USForward Report*”).

anchor institutions, and consumers collectively called on the Commission to take immediate action to reform and stabilize the USF by expanding the contribution base to include BIAS as recommended in the *USForward Report*.² Since that filing, other interested stakeholders have agreed with the *USForward Report*'s recommendation, including Broadband Connects America, Lumen, the National Tribal Telecommunications Association, NASUCA, NRECA, the New York State Public Service Commission, Twilio, the Vermont Department of Public Service, Windstream, and WISPA.³

We discussed how the *USForward Report* recommendation would be smart public policy, reduce regulatory uncertainty, better reflect evolving uses of services, be straightforward to administer, and be more equitable and nondiscriminatory for residential and business consumers than the current system. Moreover, the Commission could make this change under its existing authority to assess providers of telecommunications—as it previously did when it chose to assess interconnected Voice over Internet Protocol service—without requiring new legislation.

We also discussed how expanding the current revenues-based system to include BIAS would mitigate gamesmanship and promote transparency by removing incentives of providers to arbitrarily allocate revenues from bundled services to one service and not the other. It would not require the development of complicated and untested reporting regimes to implement. This modification would lower the current USF assessment on voice service, resulting in a more equitable contribution system. We noted that the most recent empirical study to examine the issue concluded that assessing BIAS would have no material impact on consumer broadband adoption or retention.⁴

We urged the state commissioners to support the *USForward* recommendation and immediate Commission action to reform the contribution methodology to ensure that the USF is sustainable

² See Letter from Carol E. Matthey, Matthey Consulting LLC, to Marlene H. Dortch, Secretary of the Federal Communications Commission, WC Docket Nos. 21-476 & 06-122 (Feb. 14, 2022) (submitting *USForward Report* and Call to Action with 332 signatories stating that there should be “immediate action to reform and stabilize the funding mechanism that supports the USF by expanding the list of services that pay into it to include broadband internet access services (BIAS)”).

³ Comments of Broadband Connects America, at 4; Comments of Lumen, at 7-8; Comments of the National Tribal Telecommunications Association, at 15; Comments of the National Association of State Utility Consumer Advocates (“NASUCA”), at 9-10; Comments of the National Rural Electric Cooperative Association (“NRECA”), at 12; Comments of the New York State Public Service Commission, at 3; Reply Comments of Twilio, at 3-4; Comments of the Vermont Department of Public Service, at 2-5; Reply Comments of Windstream, at 2; and Comments of the Wireless Internet Service Providers Association (“WISPA”), at 28-29.

⁴ See Letter from Michael R. Romano, Senior Vice President, NTCA – The Rural Broadband Association, to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket No. 06-122 (filed May 11, 2020) (submitting a report prepared by the Berkeley Research Group, *NTCA-USF Study, Expert Report of Michael A. Williams and Wei Zhao* (May 7, 2020), that found a modest USF assessment on broadband service would have no material impact on broadband adoption and retention).

so it can continue to promote and enable the availability and affordability of communications networks and services for rural and low-income consumers, schools, libraries, and rural health care providers.

Please do not hesitate to contact the undersigned if there are questions regarding this submission.

Respectfully submitted,

/s/

Carol E. Matthey
Principal
Matthey Consulting, LLC

cc: Commissioner Chris Nelson, South Dakota Public Utilities Commission
Commissioner Michael Caron, Connecticut Public Utilities Regulatory Authority
Commissioner Karen Charles Peterson, Massachusetts Department of Telecommunications and Cable
Commissioner Brandon Presley, Mississippi Public Service Commission
Lindsay E. DeRoche, Director, Competition Division, Massachusetts Department of Telecommunications and Cable
Brad Ramsay, NARUC
Office of Chairwoman Jessica Rosenworcel
Office of Commissioner Brendan Carr
Office of Commissioner Geoffrey Starks
Office of Commissioner Nathan Simington
Trent Harkrader, Chief, Wireline Competition Bureau
Diane Griffin Holland, Deputy Chief, Wireline Competition Bureau
Jodie Griffin, Chief, Telecommunications Access Policy Division
Karen Sprung, Deputy Division Chief, Telecommunications Access Policy Division
Charles Eberle, Assistant Division Chief, Telecommunications Access Policy Division