

**Presentation to the Science, Technology & Telecommunications Committee
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Good Afternoon Mr. Chairman, members of the Committee.

I am Adriana Badal. I am a registered lobbyist for Sacred Wind Communications.

Sacred Wind is a New Mexico telecommunications company established in 2006.

It provides voice and broadband services in portions of the Navajo Nation in Northwestern New Mexico, the Four Corners Area, and Cañoncito west of Albuquerque.

I am here today to speak generally about the Federal Communications Commission's (FCC) Connect America program. Before we get to the handout, I will provide a brief background and will conclude by making some suggestions that could help you provide access to voice and broadband in rural New Mexico.

Thank you for the invitation and for the opportunity.

The Connect America Program has its origin in The Communications Act of 1934 and the Telecommunications Act of 1996.

With the establishment and passage of these two acts, the FCC was given the task first to provide universal access to basic telephone service at reasonable rates using adequate facilities, and later to deploy high-speed Internet connectivity to every household, business, rural health care facility, school and library in the country.

To accomplish this, the FCC established the Universal Service Fund (USF) to subsidize voice and Internet in high-cost rural areas, for low-income consumers including residents of tribal lands, for schools and libraries, and for rural health care facilities.

Entities that contribute to the Universal Service Fund are wireline and wireless companies, and interconnected Voice over Internet Protocol (VoIP) providers, including cable companies that provide voice service.

The Universal Service Administrative Company (USAC) a not-for-profit entity administers the Universal Service Fund. According to its website, from 1998 through end of 2014, more than \$100 billion in universal service funds have been disbursed to eligible service providers; approximately \$59 billion was disbursed via the “high cost for rural areas” program.

In 2009, Congress recognized the continuing importance of broadband to economic development, education, healthcare, and public safety, and directed the FCC to develop a national broadband plan to increase and expand access to broadband in un-served and under-served rural areas of the country.

As a result, in 2011, the FCC reformed the Universal Service Program and established the Connect America Fund; it has replaced the USF’s high-cost rural areas program.

Now in phase two, the FCC announced several months ago that 10 telecommunications carriers will receive approximately \$9 billion in CAF II support over the next six years for rural broadband deployment to nearly 7.3 million rural consumers in 45 states and one U.S. territory.

Companies eligible to receive funding are the larger, national providers, also known as price-cap carriers.

In New Mexico, CenturyLink, Frontier and Windstream were eligible for funding. Windstream declined \$3.8 million annually for six years for 8,720 eligible locations in New Mexico. CenturyLink accepted almost \$11 million annually for six years for 25,308 eligible locations, and Frontier accepted \$4.4 million annually for six years for 7,032 locations.

At this point, you may be wondering why I, on behalf of Sacred Wind Communications, a company not seemingly eligible for CAF II funding is making this presentation.

The FCC CAF II order obligated the eligible providers to accept or decline CAF II funding.

The FCC also announced that the declined subsidies are to be made available starting next year to other providers through a competitive bidding process.

Because Sacred Wind's customers are among the low of the lowest in terms of income and because it's service territory is in rural, un-served and underserved areas of New Mexico, it has an interest in understanding CAF II, and has begun to gather data in the event it will participate in the bidding process.

Earlier this year, Sacred Wind purchased a Google Earth program that allows it to use CAF II map legends to identify specific details about the eligible census blocks for which funds were accepted or declined.

Last month, I provided the Google Earth link to this committee so that you would have the list of eligible census blocks. Unfortunately, the state's firewall does not allow you to open the link. I wanted to print some of the data from the Google Earth program for today's presentation but when printed, some of the data disappears as it did on Map #4 in your packet

My plan B is the hand-out you have received.

Map Number 1: The pink shaded areas denote all eligible census blocks for CAF II funding. The blue shaded areas denote tribal lands only because Sacred Wind wanted to see if there is a direct correlation between eligible census blocks for CAF II and tribal areas.

Map Number 2: Same as map number 1 with the addition of dark blue shaded areas that denote the census blocks that will be up for auction for which Windstream rejected support.

Map Number 3: A blown-up view of census blocks in New Mexico. The yellow shaded areas denote eligible census blocks. Throughout the map, mostly in the northern part of the state, the orange shaded areas denote census blocks that the FCC determined to be in the extremely high cost areas and it did not provide funding for these.

Map Number 4: A blow-up of one census block in the East Mountains within the Albuquerque area that has been designated for support. This map was produced with the Google Earth program that we purchased. On the electronic version of the map, one can see that this area has 26 homes and that only two homes are eligible for support.

Why is that? The FCC used a cost model between \$52.50 and \$198.60 to determine eligibility. If the cost to deploy and expand access to broadband is extremely high – or above \$198.60, the FCC did not provide funding. The FCC also excluded for funding those areas that are served by Internet Service providers, by some cell phone companies, and by providers that receive federal USF support.

Sheets 5, 6, 7: From the FCC's CAF II website for New Mexico. I made a list of all of the eligible counties, number of eligible locations, and total support for each for CenturyLink (page 5), Frontier (page 6), and Windstream (page 7). The FCC will allow carriers some flexibility to shift deployment, so actual deployment may vary slightly.

The FCC maps do not provide the address of eligible homes, businesses or critical community facilities. For that level of detail, you will have to speak with CenturyLink or Frontier or if you wish, Sacred Wind will invite you to its Albuquerque office where you can view the Google Earth map.

As you can see, CAF II funding is necessary but also insufficient and price cap carriers will continue to face the huge, costly challenge of providing broadband to rural customers at reasonable rates and at speeds enjoyed by consumers in urban areas – or at 10 Mbps/1Mbps.

We believe that many New Mexicans will remain without broadband for quite some time, and that there is no easy, simple solution.

As an example, Verizon recently informed the City of Boston that it will not provide fiber to the home (FTTH) despite the City's willingness to ease regulatory restrictions.¹ One of its Vice Presidents was quoted as saying "we never said we would go everywhere. . . ."

If Verizon is unwilling to provide fiber to the home in Boston, what can we expect from our providers for our rural NM consumers?

As a policy matter, the legislature can help get broadband to every citizen in the state. My CenturyLink colleague, Mr. Leo Baca, suggested several weeks ago that property and/or sales tax incentives would help. The state could also provide

¹ <http://www.fiercetelecom.com/story>

matching funds for the expansion of broad.

In addition, the State of New Mexico could expedite the permitting process for right-of-way applications.

Currently, it can take six months to two years to obtain a permit to install towers or to lay fiber optic cable on state land, and if another company wants to co-locate its antennas on our towers, there is another permitting process and we must pay the State 25 percent of all revenue received from the second company - this is a disincentive for co-location.

A week ago, the U.S. House Energy and Commerce Committee's Subcommittee on Communications and Technology considered several pieces of draft legislation that could help make it easier for telecom companies to build the infrastructure critical to delivering high-speed internet service.²

One bill would mandate that federally funded highway projects also lay down fiber-optic cable conduit in certain areas.

Another bill would make it easier for companies to put their equipment on telephone poles.

And another would give providers access to locations controlled by the federal government and by non-federal governments. This is important because governments own thousands of buildings and millions of acres of land that are difficult for telecom companies to access.

The conclusion Mr. Chairman is this: Neither the government nor private industry can build this valuable and necessary infrastructure alone. Congress appears to be saying that this must be a collaborative effort. We agree.

Thank you Mr. Chairman – that concludes my remarks. I stand for questions.

² <http://thehill.com/policy/technology/258437-lawmakers-eye-broadband-deployment-issue>

fluctuate significantly from quarter to quarter.

As of the second quarter of 2015, the rate is 17.4%^[dated info] of a telecom company's interstate end-user revenues.^[2]

Proposed contribution factor for fourth quarter 2015 is 16.7 percent.
Contribution Factor: Based on interstate end-user revenues.

The FCC will now require companies receiving Connect America funding for fixed broadband to serve consumers with speeds of at least 10 Mbps for downloads and 1 Mbps for uploads. That is an increase reflecting marketplace and technological changes that have occurred since the FCC set its previous requirement of 4 Mbps/1 Mbps speeds in 2011.

Almost 19 M households remain un-served by broadband – many of these served by AT&T, CenturyLink, Windstream, Frontier, and others.

CAFI – April 2012: Up to \$300M for one-time capital support for broadband to areas with none. Allocations based on loop costs and population/business density; did not consider current broadband deployment, adoption rates or middle mile costs.

CAF II - August 2015: For expansion of broadband networks. Subsidies based on specific FCC cost models

Buildout: 40% by end of 2017
 60% by end of 2018
 80% by end of 2019
 100% by end of 2020

Since its inception in 1988, the contribution factor has increased over the years as the assessible revenue base has declined. The contribution factor changes quarterly but has been between 12 – 15 percent over the last two years. It can fluctuate significantly from quarter to quarter.

According to USAC website, from 1998 through December 2009, more than 65 billion in universal service funds have been disbursed to eligible service provided, \$39 billion via the high cost program.

Rural broadband experiments: about 3 years ago, the FCC established a rural broadband experimental lifeline program whereby the FCC set aside 100M for companies to submit proposals on how they would design broadband offering in low income areas for low income customer –existing is only for voice