



## **Introduction**

ITTA, the Voice of Mid-Size Communications Companies, is a Washington, DC-based industry association dedicated to representing mid-size, incumbent local exchange carriers that provide a variety of communications services to consumers in predominantly rural areas across 45 states.

ITTA is pleased to respond to the Subcommittee on Communications and Technology's White Paper on Universal Service and welcomes the Subcommittee's interest in updating the outdated Communications Act.

Section 254 of the 1996 Telecom Act has served as one of the cornerstones of our nation's communications policy for nearly 20 years. Section 254, which established the federal Universal Service Fund (USF), helped lay the foundation of our modern communication networks. But just as the networks built and maintained by ITTA members continue to evolve, so must our country's universal service policy. ITTA looks forward to continuing to work with Congress to help ensure that our nation's universal service policies continue to keep pace with our dynamic communications ecosystem.

Thank you again for the opportunity to comment on this important subject.

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**1) How should Congress define the goals of the Universal Service Fund? Should Congress alter or eliminate any of the six statutory principles, codify either of the principles adopted by the FCC, or add any new principles in response to changes in technology and consumer behavior?**

The Universal Service Fund is just as important today as it was when Congress enacted Section 254, which directed the FCC to adopt policies based on the principle that quality services should be available at just, reasonable and affordable rates to every American. Today, while technology has evolved, the economics of delivering modern telecommunications services to millions of Americans who live in rural areas has not changed significantly. It continues to be uneconomical to serve vast segments of rural America and Universal Service support remains a critical means of ensuring that rural consumers are not left behind. The underlining public policy goals of the Universal Service Fund therefore remain highly relevant and should be maintained by Congress.

At the same time, Congress should ensure that the FCC or the states do not impose or maintain obligations on carriers to serve high-cost areas unless carriers are afforded access to adequate support. In order to avoid unfunded mandates, Congress needs to ensure that Universal Service programs are sufficiently funded to enable service providers to meet the public policy goal of connecting millions of Americans to reliable and sufficient broadband. In order to continue the success of universal service policy, ensure the sustainability of the existing budget, Congress should direct the FCC to expand the universal service contribution base to include broadband services.

**2) Universal service was created to fund buildout in areas incapable of economically supporting network investment. How should our policies address the existence of multiple privately funded networks in many parts of the country that currently receive support?**

The rules adopted by the FCC's Transformation Order in 2011 that are in the process of being implemented limit universal service support to areas where there is no unsubsidized competition. ITTA supports these rules.

**3) What is the appropriate role of states and state commissions with respect to universal service policy?**

The states have played a valuable role in promoting universal service over the past decades. However, as technology has evolved it is reasonable to consider the proper role the states should play on universal service policy going forward.

The states traditionally have played an important role by providing "boots on the ground" analysis of the practical impact policies passed by Congress and administered by the Federal Communications Commission have had on consumers. Going forward, the states should continue this advisory role to the FCC on universal service policy. They are in the best position to

advise the Commission as to whether the universal service obligations adopted by the FCC are being met and whether those obligations are having their intended effect for consumers.

To the extent Congress concludes that the states should exercise a more substantive role with respect to filling the gap between the federal Fund and the total funding that is needed to achieve universal service in a state, Congress should ensure that no state-imposed universal service obligation imposes an unfunded mandate on any service provider. In addition, Congress should prohibit the states from imposing or maintaining any universal service obligations on incumbent carriers that they do not also apply to competitive or non-regulated service providers. Congress should insist on regulatory parity among all providers in today's competitive marketplace.

**4) What is the appropriate role of the Federal-State Joint Board on Universal Service in a broadband, IP-enabled, largely interstate world? What is the appropriate role of related joint boards, such as the Federal-State Joint Board on Separations or the Federal-State Conference on Advanced Services?**

As stated in response to Question #3, the states can play a valuable role in advising the Commission on how federal universal service policies are being implemented at the local level and the impact they are having on consumers. In 1996, Congress rightfully established the Federal-State Joint Board on Universal Service to advise and make recommendations regarding universal service. Going forward, Congress should encourage the Commission to utilize the expertise of the Federal-State Joint Board on a consistent basis.

**5) The Universal Service Fund is one of several federal programs that support buildout of communications facilities. Are current programs at other federal agencies, like NTIA or RUS necessary?**

First, Congress should end the practice of RUS and NTIA using taxpayer dollars to overbuild existing networks. The Universal Service Fund is unique in that consumers, not taxpayers, contribute to the USF. Programs administered through NTIA and RUS are funded directly by American taxpayers. Therefore, to the extent NTIA and RUS play a role in building or supporting communications networks, their role should be limited such that no taxpayer dollars are being used to overbuild where existing private networks perform the same functions.

One area where federal agencies like NTIA and RUS can play an important role is in broadband education and adoption. Broadband adoption rates among Americans living in rural areas tend to be significantly lower than for those living in more urban areas. Government agencies like RUS can serve an important function by educating consumers on the benefits of broadband. They also can work with service providers and the states to develop grant programs that promote the value of broadband to consumers.

**6) How can we ensure that the Universal Service Fund is sufficiently funded to meet its stated goals without growing the fund beyond fiscally responsible levels of spending?**

As stated earlier, Congress and the FCC must immediately address the contribution mechanism of the Universal Service Fund. Failure to date to revise how contributions are assessed and who contributes to the Fund is irresponsible in light of the fundamental changes that have occurred in the telecommunications marketplace over the past decade. Continued use of an outdated mechanism that does not reflect today's competitive realities will have the unintended consequence of compromising the viability and success of the overall Fund.

Once the contribution mechanism has been updated, Congress should avoid setting a hard dollar cap on the Universal Service Fund. The FCC should retain the flexibility to set the Fund size to address industry and consumer demands and concerns.

**7) Are all of the funds and mechanisms of the current USF necessary in the modern communications marketplace?**

The value of the country's broadband networks increases as more Americans are afforded access to those networks. So as the Commission transitions the Universal Service Fund to support broadband services, it is vitally important that Congress continue to promote policies that encourage more, not less, network participation. The USF currently funds the Lifeline Program, the Schools and Libraries Program, and the Rural Health Care Program in addition to providing support to serve high-cost areas. Each of these programs helps make universal service more attainable for more Americans.

**8) In lieu of the current support mechanisms, could any of the programs be better managed or made more efficient by conversion to:**

- a. A state block grant program;**
- b. A consumer-focused voucher program;**
- c. A technology-neutral reverse auction; or,**
- d. Any other mechanism.**

The federal Universal Service Fund has been a public policy success in large part because of the way in which high-cost support is administered. By collecting surcharges on consumers' telephone bills and distributing those funds to eligible telecommunications carriers (ETC) to provide service in high-cost areas, the Fund operates very efficiently. ETCs understand the demands of their networks and are able to use limited USF support in the most efficient manner possible while meeting the policy priorities established by Congress and enforced by the FCC. ITTA encourages Congress to maintain the current framework for providing support to serve high-cost areas. However, Congress may want to explore whether the current federal Lifeline Fund which, unlike the High Cost Fund, is a social welfare assistance program, would be better administered through a voucher program.