

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)
)
Universal Service Contribution Methodology) WC Docket No. 06-122
)

**Comments of the Pennsylvania Association of Intermediate Units
In Response to
Notice of Proposed Rulemaking**

The Pennsylvania Association of Intermediate Units (PAIU) opposes the Federal Communications Commission's Notice of Proposed Rulemaking that seeks to establish an overall combined single cap on the consolidated Universal Service Fund that comprises four entirely different Universal Service programs, and also seeks to combine the individual caps on the Rural Health Care and E-rate programs.

If the Commission has determined that the demand of the Universal Service Fund is growing at too rapid of pace, we do not believe that the E-rate program is the culprit. E-rate is already capped at the overall level, and at the entity level for Category 2 funding requests. Further, the program has very strict safeguards in place to ensure that applicants submit competitively bid, responsible funding requests, and that funding obligations are not excessive. In fact, we cannot think of a single other program whose resources are as highly regulated, fiscally conservative, and closely controlled as the E-rate program.

More importantly, PAIU strongly opposes the combining of the individual caps on the Rural Health Care and E-rate programs into a single cap. Although the NPRM doesn't explicitly state this, it is widely known that any effort to combine the caps of these two programs would be

done to seize E-rate funds in order to augment the Rural Health Care cap. We believe that if the RHC initiative is underfunded, the Commission should undertake a thorough review of that program, just as they did with the E-rate program five years ago. During that review, the Commission not only increased the E-rate cap based on input and evidence, but also reduced the list of services that were eligible and imposed financial caps on the remaining eligible services in order to spread the funds fairly. Simply because the E-rate demand has not hit the available cap in recent years does not mean there are funds to spare. In fact, we believe that E-rate demand is suppressed due to the secondary Category 2 funding caps that have been imposed.

Should the Commission impose an overall USF cap, or an E-rate/RHC cap, it would grind both programs to a halt while the Administrator reviewed applications to determine if rules of priority would need to be imposed in order to stay under said funding cap. The thought of returning to the days when E-rate could only fund half the applications because there wasn't enough funding available to fund the other half, or waiting 12 months to see how far down on the priority list they could fund, is unbearable. When the Commission acted in 2014 to modernize E-rate, it rightfully inserted predictability and certainty into the program. It's not to say that more improvements aren't needed, but it is a marked improvement from the old version of the program.

We believe that each program should be reviewed independently and funding established based on the individual needs of that program. E-rate should not have to compete with any other Universal Service program, or compromise its goals for the sake of another initiative(s). Despite the fact that the fund is derived from the same resources, we believe that the respective USF

programs should be fully independent of one another and their caps should be set separately and administered separately.

Respectfully submitted by:

/s/ Thomas E. Gluck

Thomas E. Gluck
Executive Director
Pennsylvania Association of Intermediate Units
55 Miller Street
Enola, PA 17025
717-732-8464
tgluck@paiu.org