



# Ad Hoc Telecommunications Users Committee

Reform of USF Contribution Methodology

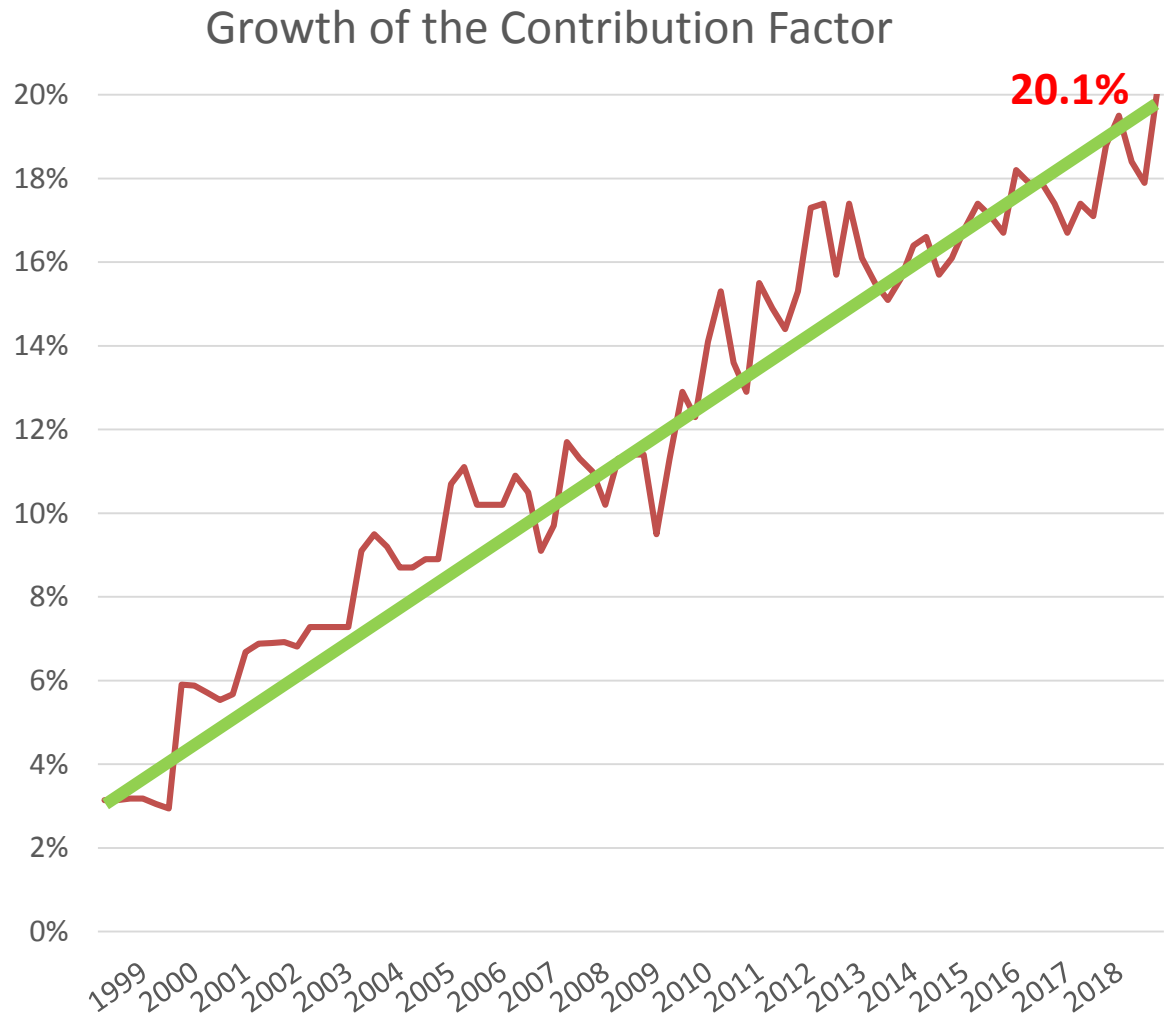
*Ex Parte* Meeting  
December 17, 2018

# Background

- About the Ad Hoc Telecom Users Committee
- Ad Hoc's participation and interest in reform of contribution methodology
- The cost to American businesses of Commission inaction on USF reform
- The contribution methodology proceeding has been lost to a Joint Board referral made more than *four years ago*

# USF Assessments Have Big Impact on Businesses

- End users ultimately pay the USF bill
- Short term: volatile and unpredictable
- Long term: burdensome and very predictable
- Without reform, the factor will only continue to increase



# The Current Contribution Methodology is Broken and Unsustainable

**1998**

**2018**

**\$3.9B**

**Fund is INCREASING**

**\$8.1B\***

**\$80B**

**Revenue base is SHRINKING**

**\$42B**

**\* The Fund is authorized to grow to > \$12 B**

# The “USF Death Spiral” is real

- Support for USF programs and goals is seriously undermined by
  - Extraordinarily high contribution factor
  - Unfair and inequitable distribution of USF funding burden on business end users
- The Commission’s inaction has created economic incentives to substitute non-assessed services
  - Promoting regulatory arbitrage is a terrible outcome and a market perversion
  - This will accelerate the reduction in assessable revenues

# No New Options for Reform

- Ad Hoc has been urging reform on this issue for 15+ years
- The options before the FCC have not changed (and are not going to change)
  - Numbers
  - Connections
  - Revenues (with a broadened base)

# Ad Hoc's Position

- We can support any of the three options, but a new approach must treat all contributors fairly and equitably
  - No residual funding mechanism
  - No disparate application of methodology to businesses or business services (whether for high speed circuits, numbers, etc.)
- “Numbers” based methodology
  - provides the most predictable, stable, and equitable funding mechanism
  - is the only viable option if BIAS is not assessed



# Next Steps Required

- FCC needs to refresh the record to get real data for the methodologies on the table
- If the Joint Board is going to develop a proposal, it needs to
  - Use the real data collected by the FCC above
  - Ensure that contributions are fairly and equitably distributed—
    - No discrimination
    - No residual funding mechanism
  - Actually develop a proposal through a transparent process then seek public comment
- If the Joint Board developed a proposal, it needs to be released for public review—transparency and disclosure
- Ad Hoc will work with other interested parties to promote any viable consensus proposal for the Commission to consider