



policy that further supports USAC's development of systems and processes necessary to efficiently process applications and invoices. *Second*, in evaluating the processes needed to administer these funds, USAC should not eliminate those that are cost effective (e.g., the SLC web site used to post service requests). *Third*, to the extent that the Commission considers the recommendations to add or change the composition of the USAC Board, the number of incumbent local exchange carriers ("ILEC") representatives should not be altered. *Fourth*, the Commission must also establish a fair and efficient process in which the affected party may seek and obtain reconsideration of a USAC decision without unnecessary delay. *Finally*, the Commission should not adopt rules under the proposed reorganization plan that would give the three USAC divisions overly broad authority that would require a super-majority of the full USAC Board to reverse.

**II. WHILE GENERALLY ENDORSING THE PROPOSED USAC REORGANIZATION, THERE ARE CONCERNS THAT THE PLAN DOES NOT ADEQUATELY ADDRESS USAC'S ADMINISTRATIVE EFFICIENCY AND EFFECTIVENESS.**

Generally, the comments filed by service providers, applicants and private citizens alike endorse the proposed USAC plan of reorganization. Notwithstanding those endorsements, several parties expressed concern that the reorganization proposal does not adequately establish guidelines necessary to ensure the administrative effectiveness and efficiency of the proposed reorganized USAC and its three divisions or address the implementation issues that each organization, but particularly the SLC, must resolve immediately. As BellSouth expressed (at 5), "apart from the issues raised through inclusion of internal connections in the program, the complex reimbursement process adopted by the Commission has proven to be

administratively burdensome and expensive for all program participants - service providers, fund recipients and program administrators alike. These procedural matters must be addressed by the Commission, with input from the restructured USAC."

Similarly, many parties expressed concern about USAC exceeding its authority by interpreting or establishing policy.<sup>2</sup> While the fund administrators have been compelled to implement programs that are still under development, the Commission must rectify this to ensure that USAC and its three divisions do not promulgate new rules and guidelines through the decisions they make.

In his comments, Greg Weisiger noted (at 3) that the administrative contractor hired by the SLC was woefully unprepared to receive and process the flood of applications initiated by the Schools and Libraries program. As the American Library Association pointed out (at 3), libraries and schools (and, GTE would add, service providers) have had to deal with several reconsideration orders which have, for example, altered discount calculations, eligible products and services and other important areas in the middle of the application period, leaving many parties concerned and confused about proper application procedures. As recently as August 7, 1998, the Commission adopted an order clarifying the application of its "lowest corresponding price" requirement.<sup>3</sup> While GTE agrees with the recent decision, this example demonstrates that continuous changes impose significant costs on service providers

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<sup>2</sup> American Library Association at 4; Sprint at 1; Intermedia Communications at 2; Bell South at 4; U S West at 13.

<sup>3</sup> The Commission adopted an Order in CC Docket No. 96-45, DA 98-1581, clarifying that the Commission did not intend to require carriers to base the lowest corresponding rate on rates that may not lawfully be offered to eligible schools and libraries under state law.

who had to develop and implement processes and procedures to comply with the prior program rules. There is little that can be done about the past, but the Commission, in conjunction with USAC, the SLC and the RHCC, must ensure that the fund administrators have the appropriate systems in place to process applications and issue invoices prior to the next phase.<sup>4</sup> As an example, GTE has been working with the SLC and its contractor for several months to develop a process that would allow service providers to prepare and electronically submit invoices to the fund administrator. Under the current rules, such a process is critical to ensure that service providers obtain reimbursement in a timely manner; unfortunately, such a process still does not exist today. Despite the heavy demand for support funds, GTE believes that the SLC should not implement a program that is, as BellSouth describes, still "under development."

In addition, the American Library Association recommended (at 2) that the Commission "establish benchmarks for all the programs to evaluate the success or failure of the processes in place to accomplish the universal service goals."<sup>5</sup> Without such guidelines, the SLC and the RHCC may mishandle applications to the detriment of the applicants, service providers and ultimately school children, patrons of libraries and patients of rural health care providers (the true beneficiaries of each of the programs). In its comments (at 4), GTE recommended direct disbursement to the applicants. If

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<sup>4</sup> The application period for the 1999 is scheduled to begin October 1, 1998.

<sup>5</sup> GTE does not object to the establishment of benchmarks as long as they are designed to measure USAC's effectiveness and the data that is compiled does not subject incumbent local exchange carriers to administratively burdensome reporting requirements from which other competitors are exempt. See GTE Comments, May 26, 1998, In the Matter of Program to Monitor Impacts of Universal Service Support Mechanisms, CC Docket No. 96-45, CCB-IAD File No. 98-101, DA 98-580.

adopted, this proposal would alleviate some of the monitoring requirements necessary to evaluate the current programs' effectiveness. The keys to the success of these programs are standardized processing and timely responsiveness.

**III. INCUMBENT LOCAL EXCHANGE CARRIER REPRESENTATION SHOULD NOT BE REDUCED NOR SHOULD USAC MEMBERSHIP BE DETERMINED BY THE COMMISSION.**

Some parties recommend altering the composition of the USAC Board.

Suggestions include increasing library and rural health care representation<sup>6</sup> and/or reducing ILEC representation.<sup>7</sup> BellSouth stated (at 6) that while it does not oppose the addition of two RHCC members, "this action should not be at the expense of telecommunications service provider representation on the Board." In its comments (at 3), GTE agreed. GTE also agrees with the National Telephone Cooperative Association ("NTCA") that ILEC representation on the High Cost and Low Income division should not be altered. At a minimum, as long as there are two different high cost support mechanisms for rural and non-rural ILECs and these mechanisms follow two separate compliance dates, rural and non-rural ILECs must retain separate representation on the USAC Board and the High Cost and Low Income division. As NTCA stated (at 2) "despite changes in the industry, the landline carriers are still the largest group of carriers to be affected...and have the most diverse interests."

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<sup>6</sup> Reach Montana at 1; National Association of County and City Health Officials at 1; Central Utah Public Health Department at 1; Pennsylvania Public Utility Commission at 2; Nebraska Association of Hospitals and Health Systems at 1; American Library Association at 3; National Association of Community Health Centers, Inc. at 1; and Midwest Rural Telemedicine Consortium at 1.

<sup>7</sup> Weisiger at 5.

GTE further believes that BellSouth's recommendation (at 6) for the "selection of Board members by the professional/trade organization of the group represented, rather than appointment by the Commission or Commission Chair" can best be accomplished by adopting a nomination and selection process that parallels the process used by NECA. Similarly, GTE is not opposed to BellSouth's proposal (at 7) for CEO selection based upon two-thirds majority vote of the USAC Board members.

**IV. USAC SHOULD NOT ABANDON ANY PROCESSES THAT ARE COST EFFECTIVE AND EFFICIENT.**

The State of Florida Department of Management Services claimed (at 2) that the SLC engaged in contrary practice by interpreting a universal service fund regulation (master contract renewals) needlessly inconsistent with the procurement law and practices not only of Florida, but those of many other states. It was also suggested that USAC formulate new procurement rules more in line with the states' rules and that the Commission reexamine its requirement to post service requests on the SLC web site for 28 days.<sup>8</sup> As stated in its comments (at 2), GTE agreed that only the Commission has the authority to establish and interpret policy. In establishing federal procurement policy and rules, the Commission, supported by the SLC, should consider existing state and local procurement rules. However, as it is unlikely that all states have similar procurement rules and processes, GTE believes that, at this time, a centralized point for posting service requests such as the SLC web site may be the more cost effective means of notification for two reasons. *First*, service providers need only go to one location, not fifty or more web sites; and *second*, a centralized point for posting service

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<sup>8</sup> Weisiger at 7.

requests does not shift the administrative burden and associated costs back to the states or the service providers. A solution to the SLC's administrative shortcomings should not be to shift the administrative burden of the federal plan to the states or the service providers.

**V. COMMENTORS AGREE THAT THE APPELLATE REVIEW PROCESS MUST BE STREAMLINED TO BE EFFECTIVE.**

While several alternatives to the proposed process for dispute resolution have been recommended, one common theme is clear. The Commission must establish an efficient, fair and streamlined process in which the affected party may seek and obtain reconsideration without unnecessary delay. The complexity of the review process, as proposed, would not only "increase the uncertainty for the support recipient and service provider, it could result in recipients 'missing out' on alternative funding sources."<sup>9</sup> Additionally, SBC Communications, Inc. noted (at 3) that the appeal process does not acknowledge any decisions made previously by the current administrators. GTE supports SBC's proposal that the same appellate process adopted by the Commission under the guise of reorganization should apply to prior decisions made by the current administrators.

**VI. THERE IS NO VALID REASON TO ADOPT RULES THAT GIVE OVERLY BROAD AUTHORITY TO USAC'S THREE DIVISIONS.**

While Bell Atlantic (at 2) and NTCA (at 2) state that the joint proposal is correct in requiring a super-majority of the USAC Board to overturn a decision by any of the three divisions, others urge the Commission not to adopt such a proposal.<sup>10</sup> As Intermedia

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<sup>9</sup> MCI at 2.

<sup>10</sup> GTE at 2, Intermedia Communications, Inc. at 3, U S West at 14.

stated (at 3), "there is no valid reason for permitting each committee to bind USAC financially or otherwise when USAC itself lacks the authority to make such decisions." U S West also opposed (at 14) the requirement of a super-majority Board vote on the basis that "such a requirement is designed to discourage appeals of division decisions."

## **VII. CONCLUSION**

While the proposed plan for USAC reorganization is generally supported, the Commission must set clear policy guidelines that assist USAC in the effective and efficient administration of the federal universal service programs and funding mechanisms. Further, the Commission must establish an appellate process that resolves disputes in a fair and timely manner.

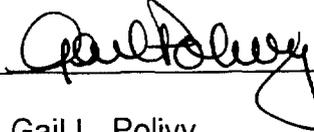
Dated: August 12, 1998

Respectfully submitted,

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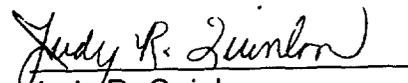


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**Certificate of Service**

I, Judy R. Quinlan, hereby certify that copies of the foregoing "Reply Comments of GTE" have been mailed by first class United States mail, postage prepaid, on August 12, 1998 to all parties of record.

  
Judy R. Quinlan