

**Before the  
Federal Communications Commission  
Washington, DC 20554**

In the Matter of	)	
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	)	
Federal-State Joint Board on	)	CC Docket No. 96-45
Universal Service	)	

**COMMENTS OF THE UNIVERSAL  
SERVICE ADMINISTRATIVE COMPANY**

The Universal Service Administrative Company (USAC) submits these comments regarding the Further Notice of Proposed Rulemaking released in the above-captioned proceeding on January 12, 2001.<sup>1</sup> In the *RTF FNPRM*, the Commission sought comment from interested parties on issues related to implementation of the Rural Task Force plan for reform of the rural high cost support mechanism.<sup>2</sup> The Federal-State Joint Board on Universal Service (Joint Board) sent to the Federal Communications Commission (FCC or Commission) the Rural Task Force Recommendation as a foundation for implementing a rural high cost universal service plan that benefits consumers and provides a stable environment for rural carriers to invest in rural America.<sup>3</sup>

USAC is the private not-for-profit corporation that administers the universal service support mechanisms pursuant to the Commission's Part 54 rules.<sup>4</sup> USAC administers the universal service support mechanisms for companies that provide service to high-cost areas, low-income consumers, rural health care providers, and schools and libraries, as well as the billing, collecting, and disbursing of all universal service funds.

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<sup>1</sup> See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Further Notice of Proposed Rulemaking, FCC 01-8 (rel. Jan. 12, 2001) (*RTF FNPRM*).

<sup>2</sup> *Id.* at ¶ 7.

<sup>3</sup> See *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Recommended Decision, FCC 00J-4 (rel. Dec. 22, 2000) (*Recommended Decision*) at ¶¶ 1, 10-13.

<sup>4</sup> See generally 47 C.F.R. Part 54.

USAC is governed by a board of directors which includes a broad representation of both industry and non-industry interests.<sup>5</sup> Commission rules provide that USAC “may advocate positions before the Commission and its staff only on administrative matters relating to the universal service support mechanisms.”<sup>6</sup> USAC, therefore, submits these comments solely to address the administrative issues raised by the Commission in the *RTF FNPRM*.

## BACKGROUND

In the *First Report and Order*, the Commission concluded, among other things, that rural carriers initially would not use a cost model or other means of determining forward-looking economic cost to calculate high cost support.<sup>7</sup> Accordingly, the Commission stated that it would not implement forward-looking support for rural carriers before January 1, 2001, and only after selecting an appropriate high cost support mechanism based on recommendations from the Joint Board and a Rural Task Force appointed by the Joint Board.<sup>8</sup>

The Joint Board announced the creation of the Rural Task Force in September 1997 and appointed the Rural Task Force members in July 1998.<sup>9</sup> The Joint Board requested that the Rural Task Force provide its recommendations no later than nine months after implementation of the forward-looking high cost mechanism for non-rural

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<sup>5</sup> See 47 C.F.R. § 54.703.

<sup>6</sup> 47 C.F.R. § 54.702(d).

<sup>7</sup> *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 8834, ¶ 291 (1997) (*First Report and Order*).

<sup>8</sup> *Id.* at 89127, ¶ 252-53.

<sup>9</sup> See *Federal-State Joint Board on Universal Service Announces Rural Task Force Members*, CC Docket No. 96-45, Public Notice, FCC 98J-1 (Jt. Bd. rel. July 1, 1998); *Federal-State Joint Board on Universal Service Announces the Creation of a Rural Task Force*, CC Docket No. 96-45, Public Notice, 12 FCC Rcd 15752 (Jt. Bd. 1997).

carriers, which became effective on January 1, 2000. Pursuant to that request, the Rural Task Force presented its Recommendation to the Joint Board on September 29, 2000.<sup>10</sup>

The Recommendation represents the consensus of individual Rural Task Force members, who work for a broad range of interested parties, including rural telephone companies, competitive local exchange carriers, interexchange carriers, wireless providers, consumer advocates, and state and federal government agencies. The Rural Task Force offered its Recommendation as an integrated package and asked that it be adopted without modification. It urged that the Recommendation be implemented immediately and remain in place over a minimum five-year period.<sup>11</sup>

On December 22, 2000, the Joint Board recommended adoption of the Rural Task Force Recommendation as a foundation for implementing a long-term rural universal service support plan. The Joint Board also identified specific issues for the Commission to address in implementing the Rural Task Force Recommendation, and recommended that the Commission seek additional comment on a number of those issues.<sup>12</sup>

Accordingly, the Commission released the *RTF FNPRM* on January 12, 2001, in which it sought comment on several specific issues, as well as any issues related to implementation of the Rural Task Force Recommendation.<sup>13</sup>

## DISCUSSION

USAC's comments are limited to a discussion of the administrative aspects of implementing the RTF plan for reform of the rural high cost universal service support

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<sup>10</sup> Letter from William R. Gillis, Chair, Rural Task Force, to Magalie Roman Salas, FCC, (Sep. 29, 2000 (Rural Task Force Recommendation or Recommendation)).

<sup>11</sup> *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Recommended Decision, FCC 00J-4 (rel. Dec. 22, 2000) (*Recommended Decision*). The Rural Task Force Recommendation is incorporated as Appendix A to the *Recommended Decision*.

<sup>12</sup> *Id.* at ¶¶ 15-21.

mechanism. USAC expresses no opinion on the desirability of changing or retaining the existing support mechanism.<sup>14</sup> The Commission sought comment on several specific proposals to change the rural high cost support mechanism, as well as on implementation issues in general.<sup>15</sup> In these comments, USAC addresses general implementation issues as previously provided to the Joint Board. USAC also seeks clarification of responsibilities for administration of the collection of high cost data.

**A. USAC's Testimony Before the Joint Board Concerning Implementation**

On November 13, 2000, the Joint Board held a meeting in San Diego at which it heard testimony on various facets of the Rural Task Force Recommendation. At the request of the Joint Board, Cheryl Parrino, USAC's Chief Executive Officer, testified regarding implementation and administrative issues raised by the Recommendation.

USAC raised three points in its testimony. First, USAC asked the Joint Board to consider carefully the costs and administrative burden associated with implementing and administering the Rural Task Force Recommendation. Second, USAC asked the Joint Board to recognize that a sufficient period of time will be required for effective and efficient implementation of a reformed rural high cost support mechanism. USAC noted that a shorter implementation period may result in higher administrative costs. Third, USAC asked the Joint Board to provide USAC with adequate guidance in implementing the Rural Task Force Recommendation. USAC noted that detailed rules would assist greatly with the implementation process. USAC asks the Commission to consider these three points in the context of the present rulemaking proceeding.

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<sup>13</sup> *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Further Notice of Proposed Rulemaking, FCC 01-8 (rel. Jan. 12, 2001) (*RTF FNPRM*).

<sup>14</sup> See 47 C.F.R. § 54.702(d).

<sup>15</sup> See *RTF FNPRM* at ¶. 7.

## **B. Data Collection Issue**

USAC would like to bring to the attention of the Commission an administrative data collection issue that becomes even more important as the Commission contemplates changes to the existing rural high cost support mechanism. This issue is properly presented in the context of this rulemaking proceeding because the issue goes to the heart of the administration of the high cost support mechanism for both rural and non-rural carriers.

The Commission's regulations provide that USAC "shall be responsible for administering the schools and libraries mechanism, the rural health care mechanism, the high cost support mechanism and the low income support mechanism."<sup>16</sup> The authority to collect certain data that is necessary to administer one of these support mechanisms, however, is currently held not by USAC, but by the National Exchange Carrier Association, Inc. (NECA). Specifically, Subpart F of Part 36 of the Commission's rules concerning the universal service fund requires incumbent local exchange carriers participating in the high cost universal service support mechanism to provide certain information to NECA.<sup>17</sup>

This regulatory framework creates an anomalous situation. USAC, which is responsible for the overall administration of the high cost support mechanism, is bearing the cost of the Part 36 data collection efforts associated with that program that are currently undertaken by NECA. The Part 36 data collection costs are the largest direct cost of administering the high cost mechanism. In 2001, for example, those costs are projected to be approximately 28.5% of USAC's projected \$3.3 million administrative

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<sup>16</sup> 47 C.F.R. § 54.702(a).

<sup>17</sup> 47 C.F.R. §§ 36.601 *et seq.*

costs for this mechanism.<sup>18</sup> The Commission's regulations, however, vest ultimate responsibility for actually collecting the data with NECA. Thus, although USAC is required to pay for the data collection, USAC has no ability directly to oversee the data collection and cannot independently verify, monitor, or otherwise evaluate the cost of performing the data collection function. Consistent with the fiduciary obligations of its Board members to safeguard USAC assets and the Universal Service Fund, USAC is concerned about its lack of oversight concerning these considerable expenses.<sup>19</sup>

USAC suggests that there are two possible ways to address this situation. First, the Commission could expressly assign USAC the data collection function that is currently assigned to NECA in Part 36 of the Commission's regulations. This would enable USAC to exercise appropriate oversight responsibility. Moreover, the data collection in Part 36 is intimately associated with USAC's other administrative functions as assigned by the Commission. Alternatively, the Commission could determine that USAC is not responsible for the Part 36 data collection costs. This would alleviate the USAC Board's concerns regarding accountability, but it would require an alternative funding mechanism for the data collection and USAC would still need access to the data filed by NECA in order to administer the support mechanisms.

USAC notes that NECA administered the high cost and low income support mechanisms prior to passage of the Telecommunications Act of 1996, and we also note that NECA was appointed temporary administrator of the universal service support

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<sup>18</sup> USAC's 2001 annual budget for the high cost support mechanism includes approximately \$1.5 million in contingencies associated with implementing potential changes to the mechanism. If the amount of those contingencies was removed from USAC's budget, the costs associated with the high cost data collection responsibilities currently held by NECA would comprise approximately 52.5 percent of USAC's 2001 annual budget for the high cost support mechanism.

<sup>19</sup> USAC previously brought this anomaly to the Commission's attention in December 1999. *See* Letter from D. Scott Barash, USAC, to Irene Flannery, FCC (Dec. 9, 1999).

mechanisms shortly after passage of the Act. USAC was appointed permanent administrator of all of the universal service support mechanisms effective January 1, 1999.<sup>20</sup> We respectfully suggest that it may have been an oversight on the Commission's part to retain the designation of NECA as the data collection agent for the Part 36 rules while at the same time appointing USAC as the permanent administrator. Regardless of whether this is the case, USAC believes that the Commission should clarify its intention concerning this important administrative matter. USAC believes that it is appropriate to address this issue in the context of rural high cost reform because the data collection responsibilities will become even more important in light of the changes to the existing mechanism recommended by the Joint Board and the Rural Task Force.

### CONCLUSION

USAC welcomes the opportunity to assist the Commission as it considers alternatives to the existing rural high cost universal service support mechanism. USAC stands ready to assist the Commission further as this process moves forward.

Respectfully submitted,  
UNIVERSAL SERVICE  
ADMINISTRATIVE COMPANY

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<sup>20</sup> *Federal-State Joint Board on Universal Service*, CC Docket Nos. 97-21, 96-45, Third Report and Order in CC Docket No. 97-21, Fourth Order on Reconsideration in CC Docket No. 97-21, and Eighth Order on Reconsideration in CC Docket No. 96-45, 13 FCC Rcd 25,058 at ¶. 20 (1998) (*USAC Reorganization Order*).