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**Organizations Concerned
about
Rural Education**

901 Monroe Street N., #1507
Arlington, VA 22201
703-469-1443
cconrad37@comcast.net

President Dale Lestina
Vice President Karin Arfstrom
Secretary-Treasurer Christopher Schepis
Trustees Steve Kohrt, Randy Moody
Executive Director Charles Conrad

July 17 2003

JUL 17 2003

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re Ex Parte Comments to FCC Staff on Study of Universal Service
Fund CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116,
98-170. NSD File No. L-00-72

Dear Ms. Dortch

Member Organizations

- American Association of School Administrators
- American Association of State Colleges and Universities
- American Library Association
- Communicating for Agriculture
- Forest Counties School Coalition
- Lightspan, Inc
- M W Financial Inc
- National Association of Counties
- National Association of Elementary School Principals
- National Association of Federally Impacted Schools
- National Association of Secondary School Principals
- National Education Association
- National Education Knowledge Industry Association
- National Farmers Union
- National Grange
- National Indian School Boards Association
- National Rural Education Association
- National Rural Electric Cooperative Association
- National School Boards Association
- North Country Education Foundation of New Hampshire
- Rebuild America's Schools
- Rural School and Community Trust
- Rural Telephone Finance Cooperative
- SBC Telecommunications, Inc
- US West Communications
- Verizon

The achievement of parity in telecommunications standards in rural America is a major purpose of the universal service fund (USF). Rural schools, libraries and homes deserve to have equal access to telephones and other telecommunications services when compared to those located in more densely populated areas of the United States. In rural America, some great strides have been made in the delivery of telecommunications services. For example, it is estimated that 89% of rural homes have wireline telephone service and the e-rate program, paid for by the Universal Service Fund, has made some progress in bringing services to our rural schools and libraries.

The very formation of the Organization Concerned about Rural Education (OCRE) was predicated on the belief of equality in educational standards with respect to the condition of physical structures, quality teachers and the access to technology. As a result, OCRE has long been a staunch advocate for the sustainability of the universal service fund. Yet, recently, some concerns have been expressed that the future holds a decline in funds available to sustain the universal service fund. Among the reasons cited for this trend are a decline in interstate revenues, the bundling of local and long distance calling packages and customer demand for universal service programs.

Consequently, there are those who believe that the current collection system simply needs minor modifications while others believe a major change in the collection methodology is necessitated. To that end, and much to the credit of the FCC, a Staff Study was done that attempted to project the effects various proposals would have on the universal service fund. The FCC seeks to ensure the full funding of the USF by changing collection methodology. Three of the four proposals would drastically change the method of collection from a revenue based system to a connection based system.

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In all of the connection based proposals presented in the study, there seems to be a significant shift in the burden of payment from interstate and international business community calls to the residential customer base. Can such a radical change in the formula for collection methodology be justified if the people, including families with school-aged children, who are to benefit from the universal service fund are those who must shoulder the greatest burden of payment? In addition, the ever protected reserve fund, considered to be an absolute necessity by industry and consumer groups, although briefly mentioned, is conspicuously absent from the staff study. This leads to questions revolving around the reserve fund, and its subsequent condition if this radical change in collection is made.

As an organization whose focus is on the success of rural education, OCRE views the universal service fund as a necessity in the achievement of parity of services to all segments of the United States. Therefore, we support the current revenue-based methodology as the most fair and least market intrusive manner in which funds are collected. In that way, the FCC avoids taking the inevitable blame for capriciously changing collection methodologies that disproportionately affect customers who make few or no long distance calls. With that in mind, OCRE suggests that the FCC seriously considers an expansion in the base of contributors to the USF. This would be more inclusive of all types of telecommunications providers, would solve the existing concern of decline in interstate revenues, as well as thwart the potentially inequitable result that a connection based methodology will cause. Furthermore, it certainly would conform with market trends.

In another decision, the FCC increased the safe-harbor rate used as the basis for wireless providers to contribute to the USF from 15% to 28.5%. OCRE commends the Commission for its ability to timely recognize shifting market trends and act accordingly. As time progresses, this will likely prove to be a wise decision on the part of the FCC that will help the USF to remain sustainable and predictable.

OCRE views the proposed connection based changes as unnecessarily extreme, and opposes any drastic changes to the method of collection of universal service funds. We encourage the Commission to make small changes to correct minor inefficiencies or inequities, as done in the recent past. In addition, we respectfully urge the Commissioners to allow an adequate passage of time between implemented changes, to allow the results to be observed fully.

We urge the Commissioners to retain the current revenue based mechanism for assessing universal service fund contributions.

Sincerely,



Dale Lestina
President