Before the Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

In the Matter of	)	
	)	
Comprehensive Review of Universal Service Fund Management, Administration, and Oversight	)	WC Docket No. 05-195
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Schools and Libraries Universal Service Support Mechanism	)	CC Docket No. 02-6
	)	
Rural Health Care Support Mechanism	)	WC Docket No. 02-60
	)	
Lifeline and Link-Up	)	WC Docket No. 03-109
	)	
Changes to the Board of Directors for the National Exchange Carrier Association, Inc.	)	CC Docket No. 97-21

Comments of
The Keep USF Fair Coalition

Re:

NOTICE OF PROPOSED RULEMAKING
AND
FURTHER NOTICE OF PROPOSED RULEMAKING

The following organizations jointly provide these Comments in response to the Federal Communications Commission's Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking in the above referenced dockets.

I. Statements of Interest

Alliance for Public Technology (APT) is a nonprofit membership organization based in Washington, DC. Membership is open to all nonprofit organizations and individuals, not members of the affected industries, concerned with fostering access to affordable and useful information and communication services and technologies by all people.

Alliance for Retired Americans (ARA) is a nationwide organization with three million union retirees and other older and retired Americans working together to make their voices heard in the laws, policies, politics and institutions that shape our lives.

American Council of the Blind (ACB), founded in 1961, is the nation's leading membership organization of blind and visually impaired people. ACB, through its 51 state and regional affiliates and 20 national special interest and professional affiliates, strives to improve the well-being of all blind and visually impaired people by: serving as a representative national organization of blind people; elevating the social, economic and cultural levels of blind people; improving educational and rehabilitation facilities and opportunities; and encouraging and assisting all blind persons to develop their abilities and conducting a public education program to promote greater understanding of blindness and the capabilities of blind people.

American Association of People with Disabilities (AAPD) is the largest national nonprofit cross-disability member organization in the United States, dedicated to ensuring economic self-sufficiency and political empowerment for the more than 56 million Americans with disabilities. AAPD works in coalition with other disability organizations for the full implementation and enforcement of disability

nondiscrimination laws, particularly the Americans with Disabilities Act (ADA) of 1990 and the Rehabilitation Act of 1973.

Black Leadership Forum (BLF) is a nonprofit advocacy organization working to promote creative and coordinated Black Leadership, to empower African Americans to improve their own lives and to expand their opportunities to fully participate in American social, economic and political life.

Consumer Action is a San Francisco-based education and advocacy organization that has worked on telephone, banking and privacy issues for more than 30 years. Consumer Action works through a national network of more than 6,500 community-based organizations that serve low and moderate-income consumers, recent immigrants and people of color.

Gray Panthers is an inter-generational advocacy organization with over 40,000 activists working together for social and economic justice.

Latino Issues Forum (LIF) is a non-profit public policy and advocacy institute dedicated to advancing new and innovative public policy solutions for a better, more equitable and prosperous society. Established in 1987, LIF's primary focus is on the broader issues of access to higher education, economic development, health care, citizenship, regional development, telecommunications issues and regulatory issues.

League of United Latin American Citizens (LULAC) is the largest and oldest Hispanic Organization in the United States, with approximately 115,000 members throughout the United States and Puerto Rico. LULAC advances the economic condition, educational attainment, political influence, health and civil rights of Hispanic Americans through community-based programs operating at more than 600 LULAC councils nationwide.

National Association on the Deaf (NAD) The mission of the NAD is to promote, protect, and preserve the rights and quality of life of deaf and hard of hearing individuals in the United States of America. The purpose of the NAD Law and

Advocacy Center (LAC) is to educate, advocate, and litigate on behalf of and to empower deaf and hard of hearing people. The NAD LAC advocates on legislative and public policy issues of concern to the deaf and hard of hearing community, particularly at the federal level, and often in collaboration with other disability related organizations. The issues are broad: captioning, communication, education, employment, emergency preparedness, health care, rehabilitation, security, technology, telecommunications, and transportation.

National Grange is America's foremost volunteer & grassroots organization comprised of families and individuals who share a common interest in community involvement, agricultural and rural issues.

National Hispanic Council on Aging (NHCoA) is dedicated to improving the quality of life for Latino elderly, families, and communities. NHCoA participates in national and local coalitions, task forces, and committees that address issues and their impact on Latino seniors.

National Native American Chamber of Commerce (NNACC) promotes job creation, economic growth, sustainable development and improved living standards for Tribal Nations, Native Americans, and Native American businesses. Additionally, NNACC serves as an advocate for Native American communities and businesses as well as a resource for consumers and businesses dedicated to serving both the needs of our members and the economic development needs of the broader Native American community.

Telecommunications Research & Action Center (TRAC) was founded in 1983 to promote and advocate for the interests of residential telecommunications customers. TRAC has, for almost 20 years, been conducting studies and publishing charts to aid consumers in choosing the correct and most efficient service for their calling needs. TRAC publications have been featured in and quoted by a broad range of both local and national media including The New York Times, The Washington Post, Kiplinger Magazine, Good Housekeeping, Communications Daily, CNN, and the major television networks and their affiliates.

World Institute on Disability (WID) is a nonprofit public policy center that is dedicated to promoting the civil rights and full societal inclusion of people with disabilities. Since its founding in 1983 by Ed Roberts, Judy Heumann and Joan Leon, WID has earned a reputation for high quality research and public education on a wide range of issues. The Board of Directors and staff, over half of whom are people with disabilities, are respected national leaders in the disability field as well as in industry, government and social services. This enables WID to bring a cross-disability perspective to the policy arena. WID's innovative personnel policies are national models of affordable reasonable accommodation, including personal assistance, adaptive technology and flexible work scheduling.

II. Comments

We applaud the Federal Communications Commission's goal of finding ways to improve the Universal Service Fund Program, both from the perspective of USF beneficiaries and from the perspective of safeguarding the fund itself. We share the concern of some parties who cite mismanagement and intentional fraud as threats to the program. We are encouraged that the Commission is committed to finding constructive ways to continue meeting the needs of those who depend on the USF, many of whom are our constituents. We want to underscore, however, that any proposal regarding collecting funds to be used for USF ***should not*** include a change from the current revenue-based (usage) methodology to a connection or numbers-based (flat) methodology. Any USF contribution method which imposes charges on consumers without regard to those consumers' usage of interstate telecommunications service is tantamount to a regressive tax and is unduly burdensome on low volume users, especially low income consumers who deliberately limit their telephone usage to stay within a budget.

We understand that the Commission specifically seeks comment on whether to adopt rules clarifying or improving the contributions process to ensure the Administrator

collects sufficient funds.[1] As we noted in our February 3, 2005 Ex Parte Comments[2], maintaining the usage based collection methodology is generally fairer, less costly and easier to administer than contributions based on numbers or connections.

At the outset, it is important to note that the lack of data from the Commission justifying its concerns about the status of the USF contribution base makes it difficult to respond to these concerns. The Coalition suggests that the Commission look closely at how data is collected for calculating the total amount of funds that telecommunications companies contribute to the USF. Specifically, forms 499-A and Q are the main ways in which the FCC collects data on interstate telecom revenues. How a company characterizes its revenues on these forms determines how much they have to pay in to USF. Lines 418 and 117 on these forms invite companies to report non-telecommunications revenues that should not be included in the USF contribution base. We believe that some providers shift a portion of their revenues into this category to avoid the taxable telecom category (prepaid card revenues for example).

All information services fall into this exempt category. All of the various categories that claim exemption are recorded on lines 418 and 117. From what we are able to discern, the FCC reports total revenues ($65 billion in 2003) identified on these lines but does not provide a breakdown of such revenues. That is why it is impossible to review FCC statistical compilations to identify total revenues for categories like VOIP, advanced telecommunications, internet, IP, and enhanced services. It seems inappropriate that such estimates are accessible solely through private financial and consulting firms, such as Yankee Group.

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[1] *Comprehensive Review of Universal Service Fund Management, Administration, and Oversight; Federal-State Joint Board on Universal Service; Schools and Libraries Universal Service Support Mechanism; Rural Health Care Support Mechanism; Lifeline and Link-Up; Changes to the Board of Directors for the National Exchange Carrier Association, Inc.,* Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, WC Docket No. 05-195, CC Docket No. 96-45, CC Docket No. 02-6, WC Docket No. 02-60, WC Docket No. 03-109, CC Docket No. 97-21, FCC 05-124. at p.29, paragraph 65.

[2] Ex Parte Comments of Keep USF Fair Coalition, CC Docket No. 96-45, CC Docket No. 98-171, CC Docket No. 90-571, CC Docket No. 92-237, NSD File No. L-00-72, CC Docket No. 99-200, CC Docket No. 95-116 and CC Docket No. 98-170, pp 5-8 .

The safe harbor provision for wireless providers permits carriers to avoid reporting all of their interstate revenues. If total interstate revenues were required to be reported, there would at least be a basis for determining the impact of the safe harbor on the Fund. This data could be used to assess whether the safe harbor should be eliminated or increased. Currently, we must rely on rough approximations to judge the impact of safe harbor. If the various classifications were specifically reported, it would be easier to determine whether some were eligible to be USF assessable. If not, the FCC or Congress should consider making them taxable.

Finally, as our previous Ex Parte Comments detail, our proposed Fair Share Plan would improve the contributions process to ensure the Administrator collects sufficient funds in the following manner:

- Expand the USF contribution base to include revenues derived from all telecommunications, including services provided using Voice over the Internet Protocol (VoIP) technology.
- Establish a contribution factor cap to be applied to the revenue-based approach, e.g., somewhere between 12 and 15 percent of revenues derived from interstate telecommunications (including VoIP) .
- Carriers would still be assessed based on revenues up to that cap amount, and would still have the right to charge their end users a USF recovery charge not to exceed the capped amount.
- The balance of the funds needed to support USF would come from a numbers-based charge. Thus, the numbers component would not recover one-half of the total USF, but would only recover the residual amount needed over and above the amount recovered from a capped revenues-based system.
- Under such a plan, the per-number assessments on carriers assigning numbers (e.g., local telcos and wireless companies) would be relatively low.
- The plan would benefit those low-income users who make few interstate calls. They would be subject to flat assessments for their wireline and wireless telephone numbers, but the level of those assessments would be

measured in cents, not the $1.00 or more anticipated under a pure telephone number-based plan. (Note paragraph 65 of the recent USF NPRM relating to the contributions process. Although not directly aimed at the contribution methodology that concerns us, it is related because it has to do with how telecom revenues are counted and classified. The purpose of para. 65 is to obtain comments on improving the contributions process to insure that USAC collects sufficient funds. This could possibly boost the contribution base and reduce pressure for a new methodology.)

III. Conclusion

In summary, we commend the Commission for its long overdue focus on improving the current revenue-based contribution methodology. Appropriate measures for reducing fraud, waste and abuse have to be implemented. Maintaining a revenue-based collection methodology with a contribution factor cap and residual funds collected based on a numbers plan, eliminating the wireless safe harbor, and ensuring that all telephony services contribute to the Universal Service Fund (including VoIP) will ensure the viability and vitality of the program.