

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
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  
SPRINT NEXTEL CORPORATION**

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**COMMENTS OF SPRINT NEXTEL CORPORATION**

Sprint Nextel Corporation, pursuant to the Notice of Proposed Rulemaking (NPRM) released on June 14, 2005 (FCC 05-124), hereby respectfully submits its comments in the above-captioned proceedings regarding steps to simplify and safeguard the various federal universal service programs. Sprint Nextel discusses below various proposals to improve the management and administration of the Universal Service Fund (USF).

**I. INTRODUCTION AND SUMMARY.**

In this proceeding, the Commission seeks comment on ways to “improve the management, administration, and oversight of the USF, including simplifying the process for applying for USF support, speeding the disbursement process, simplifying the billing

and collection process, addressing issues relating to the Universal Service Administrative Company (“USAC,” or the “Administrator”), and exploring performance measures suitable for assessing and managing the USF programs” (NPRM, para. 1, footnote omitted). The USF programs have become increasingly complex over the past several years, and the financial burden on fund contributors is now so heavy that redoubled efforts are required to ensure that the billions of USF dollars collected annually are spent wisely. Sprint Nextel applauds the Commission’s efforts to make administration of these programs simpler and more effective, and offers the following comments and proposals in support of this goal:

- Selection of a USF administrator through a periodic competitive bid process;
- Codification or at least publication of USAC administrative procedures and FCC-USAC policy guidance;
- Revision to the E-rate program by adopting a formulaic approach for Priority 1 (telecommunications and Internet access) services; by distributing Priority 2 (Internal Connections) funds in part on the basis of a service provider’s status as a telecommunications carrier/USF fund contributor; and by adopting deadlines for Commission and USAC action on pending E-rate matters;
- Rejection of the “threshold” audit approach; and
- Simplification of data filing requirements associated with participation in the High Cost fund.

## **II. A USF PROGRAM ADMINISTRATOR SHOULD BE SELECTED THROUGH A PERIODIC COMPETITIVE BID PROCESS.**

In the NPRM (para. 12), the Commission requested comment on whether it should seek competitive bids for an entity other than USAC to administer the USF, subject to replacement after a period of time. Sprint Nextel acknowledges USAC’s past contributions in administering USF collections and distributions. However, to ensure efficient and neutral fund administration, Sprint Nextel believes that the Commission

should periodically consider other entities to administer the USF through a competitive bidding process.<sup>1</sup>

As a rule, monopolies perform less efficiently than do entities subject to competitive pressures. Even the most effective organization can become stale over time, entrenched in its existing way of doing things, and unable or unwilling to conceive of a better way of performing its duties; organizational complaisance is a particular risk where the incumbent has a permanent appointment. A potential competitor may offer new ideas, improved technology, state-of-the-art computer systems, or a less bureaucratic organizational structure. Implementation of a periodic competitive bid process to select a USF administrator offers the possibility of obtaining improved quality of service at a lower cost. Because of the size and complexity of the various USF programs, the need for some continuity in program administration, and the time and resources necessary to run a successful competitive bid process, Sprint Nextel suggests that the entity selected to be the administrator serve for a several (at least five) year period.

Absent drastic circumstances (such as a criminal indictment), there is no reason to preclude the incumbent administrator from participating in the periodic competitive bid

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<sup>1</sup> Because the four federal universal service programs (High Cost, E-rate, rural health care and low income) are funded from a common federal purse, such a bidding process should focus on the selection of a single entity to manage the entire fund and all four of the USF programs. Certain discrete functions (*e.g.*, help desk services, or billing and collection activities) could be sub-contracted out to other entities (presumably at the discretion of the overall fund administrator) if such action were cost-effective. However, Sprint Nextel opposes efforts to contract out administration of either one or all of the USF mechanisms to multiple administrators, such as state commissions. As noted in Sprint Nextel's Joint Board High Cost reform comments (filed on September 30, 2005 in CC Docket No. 96-45), any move to devolve authority over USF distributions to multiple state (or regional) administrators would almost certainly undermine the predictability and uniformity of the Commission's national rules governing USF distributions.

process; if it can demonstrate that it is the most qualified, cost-effective entity to perform the job -- based on publicly announced and competitively neutral selection criteria -- it should be re-appointed. Sprint Nextel believes that the mere threat/possibility of replacement will make the incumbent more responsive to the needs of all of its customers (applicants, service providers, fund contributors, and fund recipients), and will enhance the administrator's feelings of accountability for the accurate, efficient performance of its duties.

**III. CODIFICATION OR PUBLICATION OF CERTAIN OF USAC'S ADMINISTRATIVE PROCEDURES, AND OF FCC-USAC POLICY GUIDANCE, IS IN THE PUBLIC INTEREST.**

The Commission has asked (NPRM, para. 22) whether it should codify certain USAC administrative procedures in the Commission's rules. For purposes of transparency, equity, and efficiency, Sprint Nextel supports codification of certain USAC administrative procedures, and public notification of any FCC-USAC policy guidance.

Although USAC is prohibited from making policy or interpreting unclear provisions of the statute or rules (*see* Section 54.702(c) of the Commission's Rules), the line between these prohibited activities and operationalizing FCC rules and policies is often blurry. Codification or at least publication of new processes, procedures, and FCC-USAC policy guidance prior to their implementation, all preceded by proper rulemaking processes whenever they go beyond existing Commission rules, will help to ensure that all parties have equal knowledge of decisions made, and an opportunity to address problem areas in a timely way.

One example of an instance in which public review of USAC's administrative actions would have been extremely beneficial involves its implementation of its own "red

light” system. Under the Debt Collection Improvement Act of 1996,<sup>2</sup> entities doing business with the FCC must pay their debts in a timely manner; failure to pay such debts will cause a “red light” to be turned on against the entity, so that its applications and other requests for benefits are put on hold or are dismissed. USAC’s red light system has been extremely problematic (Sprint Nextel has received several erroneous red lights because of glitches in USAC’s systems, which have caused serious operational problems for Sprint Nextel, and which have been time-consuming and frustrating to resolve), is inconsistent in certain key respects with the red light systems implemented by the FCC and by other fund administrators, and includes certain aspects which arguably are contrary to the FCC’s red light rules. In addition to USAC’s apparent lack of authority to make up its own red light rules, it does not appear that USAC made program participants aware of the details of its new red light system prior to implementation of such system; Sprint Nextel became aware of some of the specifics of USAC’s system only after we became entangled in our first erroneous red light. Even if USAC had received unofficial blessing from FCC staff of its red light plan (and it is not clear whether this is in fact the case, or how detailed any FCC review may have been), public review is critical because the FCC and USAC are poorly situated to evaluate how specific new red light procedures affect program beneficiaries and service providers from an operational viewpoint.

Another area in which public review is critical involves changes to USF-related forms. The Commission has recognized that prior public review is desirable; for example, last spring, it sought comment on proposed revisions to FCC forms 472, 473

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<sup>2</sup> Implementing rules found primarily in Section 1.1910 of the Commission’s Rules.

and 474.<sup>3</sup> As became clear in that proceeding, even seemingly innocuous changes to the forms, when reviewed with the critical eye of entities that will have to live with such forms, often turn out to exceed statutory or FCC mandate, to be excessively broad, or to be unreasonably vague. The public interest is best served by eliminating flawed language *before* a form is made official.

A third general area where publication or codification is critical involves policy discussions between the FCC and USAC. It appears that clarifications of existing rules and regulations are sometimes developed based on informal contacts between the Commission and USAC.<sup>4</sup> (Of course, any new policies or rules are subject to the Administrative Procedure Act and must be subject to notice and comment prior to their adoption.) To ensure that all potentially affected parties are aware of the guidance being provided, and have an opportunity to challenge what they perceive to be incorrect interpretations or conclusions, FCC-to-USAC guidance must be publicly memorialized.

#### **IV. THE E-RATE PROGRAM COULD BE STREAMLINED OR OTHERWISE MODIFIED WITHOUT RISKING ADDITIONAL WASTE, FRAUD OR ABUSE.**

The E-rate program has generated significant benefits to students, teachers, and library patrons across the country since its inception in 1998. Over the past 7½ years, approximately \$14 billion<sup>5</sup> has been spent to wire classrooms and library reading and reference rooms, and to provide state-of-the-art telecommunications and Internet access

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<sup>3</sup> See Public Notice DA 05-513, released March 1, 2005.

<sup>4</sup> See, e.g., *Request for Clarification of Clerical Changes and for Direction to USAC* filed by GCI on June 29, 2005 (Public Notice DA 05-2184, released July 27, 2005).

<sup>5</sup> See USAC 2004 Annual Report, p. 32.

services to eligible schools and libraries, including many schools and libraries that are so poor that they might never have had access to such capabilities absent E-rate funding.<sup>6</sup> Sprint Nextel sincerely believes that the E-rate program has helped to dramatically enrich the learning experience for millions of students and educators, and has transformed public libraries from largely paper environments to broadband-equipped information centers.

Notwithstanding the many success stories associated with the E-rate program, the Commission and program participants must remain keenly aware that the E-rate fund is, and should remain, capped. Because funding the E-rate and other universal service programs imposes a tremendous financial burden on telecommunications service providers (and, of course, their customers) that are required to contribute to the USF,<sup>7</sup> every effort must be made to ensure that available E-rate dollars are spent wisely. In order to maximize the “bang for the E-rate buck,” improve program administration, and ensure a more equitable balance between service provider contributions to and receipt of program funds, Sprint Nextel suggests the following revisions to the E-rate program:

- Adoption of a streamlined E-rate funding program which offers 50% funding for a prescribed list of eligible services. The 50% discount would apply irrespective of the applicant’s economic circumstances; however, the applicant would not be required to submit many of the forms associated with the E-rate program, making the process far simpler and less prone to error.
- Adoption of a new competitive bid evaluation criterion for Internal Connections -- the Commission should require that applicants select a winning bidder in part on

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<sup>6</sup> In 2004, for example, 100% of internal connections dollars (\$304.4 million) went to 90% schools and libraries, and approximately one-third of Priority 1 (Internet Access and Telecommunications services) dollars (\$253.5 million) went to schools and libraries with a discount level of 80% or higher. *See* USAC 2004 Annual Report, p. 33.

<sup>7</sup> For the fourth quarter of 2005, the USF contribution factor is 10.2% (*see* Public Notice DA 05-2454, released September 15, 2005).

the basis of whether the service provider is a telecommunications carrier/USF contributor.

- Adoption of new deadlines for the FCC and USAC to resolve pending E-rate matters.

**1. A “Formulaic Approach” for Priority 1 Services Would Significantly Streamline the E-rate Program.**

There can be no dispute that the existing E-rate program is rife with forms, rules, and requirements -- some explicit, many others very ill-defined -- at each stage of the E-rate process, from vendor selection, to request for funding, to provision of service, to invoicing, to reimbursement, to audit. If either the applicant or the service provider makes an error at any point in the process -- inadvertent or deliberate, minor or major, by commission or by omission -- E-rate funding (including for previously completed projects or services already rendered) may be denied, reduced, or revoked, to the financial distress of all parties involved.

Sprint Nextel believes that there are some eligible schools and libraries that have either chosen not to participate in the E-rate program, or are deeply frustrated and anxious about their on-going participation in this program, because of the program’s complexities and uncertainties. It takes significant resources to learn the many program rules, and to ensure that all of the requisite forms are filled out timely and correctly, that adequate records are retained, that invoices are dealt with appropriately, and that audit information requests are addressed. The Commission has recognized the need to simplify E-rate, and has asked for comments on whether to use a formula “to distribute funds directly to schools and libraries according to their size and allow funds to be used in a more flexible way...rather than requiring applications that identify needed services and equipment and their cost” (NPRM, para. 33).

Sprint Nextel endorses a formulaic approach and submits the following proposal to streamline the E-rate program: eligible schools and libraries would receive a flat, 50% discount off their invoice for specified Priority 1 (telecommunications and Internet access) services.<sup>8</sup> This discount would apply irrespective of the school or library's financial status. Although some schools and libraries would receive less E-rate funding under the formulaic approach than is available under the current discount matrix approach, applicants would no longer be required to fill out a Form 470 (services requested), Form 471 (services ordered), Form 486 (services confirmed), or Form 472 (BEAR form to receive direct reimbursement). Elimination of the multiple form filing requirement would substantially simplify and speed the process, sharply reduce the likelihood of inadvertent administrative error on the part of the applicant, and expedite the USAC disbursement process. Moreover, the flat discount would encourage applicants to evaluate their telecommunications and Internet access needs much more carefully, and to request only what they truly need, since they have a greater financial stake in the process. Gold-plated solutions are much less likely if the school or library is required to pay a more substantial share (certainly more than the 10% which the poorest applicants currently are required to pay) of the total cost of the project or service.

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<sup>8</sup> As the Commission has noted (NPRM, para. 37), "relatively few instances of waste, fraud, and abuse occur in requests for priority 1 services." Because it appears that most of the waste, fraud and abuse identified to date has occurred in the Internal Connections (Priority 2) basket, Sprint Nextel would extend the formulaic approach only to Priority 1 services, at least until all parties have garnered enough experience with this approach to evaluate its effectiveness.

Finally, lowering the discount percentage could help to spread the available E-rate dollars to a greater number of schools and libraries.<sup>9</sup>

Under the Sprint Nextel proposal, USAC would continue to be responsible for making eligibility determinations. First, it would develop a list of eligible schools and libraries (updated each funding year), and would make such list available to E-rate service providers. Second, USAC would adopt a list of basic Priority 1 services that are indisputably eligible. While the list would be more limited than the current eligible services list, it would also be much simpler to understand and administer. Applicants would not have to wait months to receive USAC funding approval, and reimbursement from USAC would be faster than is the case today, since there would be far less need for exhaustive review to determine service eligibility.

As noted above, the service provider would discount the customer's invoice, and obtain E-rate payment for the discounted portion directly from USAC.<sup>10</sup> Because the BEAR payment option would not be available under Sprint Nextel's formulaic approach, there would of course be no BEAR paperwork or flow-through of E-rate dollars from the service provider to the customer (at least for Priority 1 services).

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<sup>9</sup> As noted above, it seems likely that some applicants do not participate in the E-rate program because the headaches associated with program participation exceed the projected benefits. Adoption of a flat discount and simpler program rules would encourage their participation. In addition, it is possible that this proposal would increase available Priority 2 funding (currently limited to 90% schools), to the benefit of other applicants further down the current discount matrix scale.

<sup>10</sup> Application of a flat discount percentage for all E-rate customers presents less of an invoicing challenge to service providers than does application of a sliding scale of discount percentages which varies by customer and could change from year to year.

The formulaic approach involves certain trade-offs (fewer eligible services and potentially lower E-rate discount percentage, but a far simpler “application” process with reduced likelihood of inadvertent administrative errors, and faster processing time on USAC’s part) which Sprint Nextel believes would be beneficial to many schools and libraries. However, because the Sprint Nextel proposal could reduce total potential funding for an individual school or library, the Commission might consider a brief transition period to more gradually reach the recommended 50% flat discount percentage.

**2. Equity Requires that Distribution of Internal Connection Funds Be Made At Least In Part On the Basis of the Service Provider’s Status As A Telecommunications Carrier/Contributor to the USF.**

Under current E-rate rules, any entity may be reimbursed for providing eligible Internal Connections services or equipment to eligible schools and libraries. Although the Internal Connections bucket is funded from the general pool of universal service dollars contributed by telecommunications carriers providing interstate telecommunications services, there currently is no requirement that Internal Connections service providers also be contributors to the federal USF. Sprint Nextel believes that the substantial majority of entities receiving Internal Connections funds are *not* USF contributors.

As noted above,<sup>11</sup> it appears that most of the waste, fraud and abuse identified to date have involved Internal Connections transactions. While most Priority 2 service providers presumably are legitimate entities operating in general compliance with program rules, Sprint Nextel would note that many “non-traditional” Internal Connection

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<sup>11</sup> See footnote 8 *supra*.

contractors are in a different position vis-à-vis the FCC and the school or library than are telecommunications service providers: many offer a one-time service (such as wiring or equipment installation) rather than providing an on-going, month-to-month service to the school or library; and they tend to offer services not regulated by the Commission. Under these circumstances, bad actors have less of a vested interest in complying fully with all E-rate regulations, and have less to lose from Commission- or USAC-imposed sanctions for E-rate violations. In contrast, a telecommunications carrier such as Sprint Nextel, which provides a wide range of wireline and wireless services subject to FCC regulation and/or oversight (most of those services provided totally outside the E-rate program), has an enormous incentive to obey program rules and to maintain goodwill and credibility at the Commission. A Commission-imposed sanction for an E-rate violation could have significant repercussions for a telecommunications carrier's other regulated service operations.<sup>12</sup> For this reason alone, it could be argued that telecommunications carriers are at a competitive disadvantage compared to "non-traditional" providers in bidding to provide Internal Connections services.

Sprint Nextel acknowledges that the Commission decided in its initial *USF Order* to allow non-telecommunications carriers to receive USF support for Internal Connections services.<sup>13</sup> However, in light of the ever-increasing financial burden the

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<sup>12</sup> For example, a red light for an E-rate violation could prevent a telecommunications carrier from receiving high cost and low income USF disbursements; TRS fund disbursements; numbering resources; or grant of applications (licenses, authorizations, *etc.*) pending before the FCC. A "non-traditional" Internal Connections service provider (Joe's Wiring Co. or ABC Computer Co.) is unlikely to have any of these benefits at risk.

<sup>13</sup> *Federal-State Joint Board on Universal Service*, 12 FCC Rcd 8776, 9084-5 (para. 589) (1997).

growing USF imposes on telecommunications carriers, and the evidence gathered over the past 7 years about the sources of waste, fraud and abuse in the Internal Connections bucket, the Commission should revisit the equities and public interest benefits of allowing USF monies to be paid to service providers who are not telecommunications carriers and who put no money into the fund.

Section 54.504(b)(2)(vii) of the Commission's Rules requires that price should be "the primary factor" in selecting a service provider in an E-rate competitive bid situation. Sprint Nextel proposes adoption of an additional evaluation criterion – the bidder's status as a telecommunications carrier and contributor to the federal USF. The applicant would be responsible for assigning a weight to this criterion; however, given the circumstances described above, it is reasonable to grant telecommunications carriers/USF contributors some preference over non-traditional, non-USF contributors in the evaluation of Priority 2 bids.

**3. Establishing Deadlines for Commission and USAC Action on Pending E-Rate Matters Would Significantly Improve the Program.**

The Commission has asked whether it should "create new deadlines for Commission or USAC action in various phases of the E-rate process."<sup>14</sup> Sprint Nextel enthusiastically endorses proposals to expedite the decision-making process. As the Commission correctly pointed out, "[l]engthy intervals for processing or reviewing applications could have a disruptive effect on the budget or procurement schedule for schools or libraries" (*id.*, para. 29). In addition, delayed decisions on appeals and on

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<sup>14</sup> NPRM, para. 29; *see also*, NPRM, para. 38.

pending petitions for reconsideration<sup>15</sup> or waiver<sup>16</sup> are extremely disruptive to applicants and service providers alike, sowing confusion as to the appropriate way to proceed and in many cases, causing financial distress, as well as additional work for the Commission. Sprint Nextel would also note that USAC and the Commission currently impose strict deadlines on applicants and service providers for filing numerous forms, appeals, regulatory comments and petitions; for installing/providing E-rate services; and for remitting payments. Failure to meet any of these deadlines can result in dismissal of the filing or reduction or revocation of E-rate funding. Thus, the lack of deadlines on the flip side (that is, deadlines applicable to USAC and the Commission) is very ironic.

Sprint Nextel recognizes that both USAC and the Commission have resource constraints, and that the volume of E-rate material to be processed is significant. However, creation of new deadlines for USAC and Commission action would contribute enormously to the smooth operation of the E-rate program, would give staff a firm target to plan against in resolving outstanding disputes, and would introduce a much-needed element of certainty into the process. Sprint Nextel therefore proposes adoption of a 90-

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<sup>15</sup> On November 8, 1999, Sprint and other parties filed petitions for reconsideration of the Commission's COMAD order; an order granting these petitions (FCC 04-181) was released on July 30, 2004. Pending release of the COMAD Reconsideration order, numerous petitions for waiver were filed at the Commission by service providers seeking to be relieved of COMAD obligations relating to statutory or program violations committed by the applicant.

<sup>16</sup> For example, Sprint filed a "Petition for Waiver – Expedited Action Requested" on February 3, 2004 regarding Priority 1 funding for PBX and key systems as part of an existing end-to-end telecommunications service arrangement. All comments filed were in support of Sprint's petition. This petition remains pending, 20 months later.

day deadline for resolving appeals, a 120-day deadline for addressing petitions for waiver, and a 180-day deadline for addressing petitions for reconsideration.<sup>17</sup>

**V. “THRESHOLD” AUDITS SHOULD NOT BE MANDATED.**

The Commission has sought comment on whether beneficiaries of the various universal service funds who receive above a particular threshold dollar amount should be subject to an independent audit requirement.<sup>18</sup> As discussed below, this proposal is not well-founded and should not be adopted.

First, insofar as Sprint Nextel is aware, there is no record evidence to suggest that “large” (however defined) beneficiaries of any of these programs are more prone to waste, fraud and abuse than are smaller beneficiaries, calling into question the Commission’s apparent assumption (*id.*) that the benefits of an independent audit program for large program participants would outweigh the costs. To the contrary, it seems likely that the largest beneficiaries already have in place comprehensive and sophisticated financial controls; have significant administrative resources (for example, legal and regulatory review) available to help ensure compliance with program rules; and are already subject to careful scrutiny by their current independent auditors and by external financial analysts. Furthermore, because many of the largest program participants have a great deal at stake before the Commission outside the universal

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<sup>17</sup> The 90- and 120-day deadlines would be computed from the date the appeal or petition for waiver was filed, and the 180-day clock would begin ticking after completion of the pleading cycle on a petition for reconsideration.

<sup>18</sup> NPRM, paras. 72 and 77. The Commission has suggested a threshold amount of \$3 million per fiscal year for High Cost, low income, and rural health care, and \$3 million per funding year, or a total of \$3 million or more over a consecutive three-year period, for E-rate.

service programs, such entities have a vested interest in maximizing their USF program compliance.

Second, the Commission should consider whether adoption of the threshold approach will send the wrong message to “smaller” (however defined) program beneficiaries. Certainly, the Commission would not want to unwittingly discourage small beneficiaries from enforcing strict internal controls because the likelihood that they will be subject to audits (either routine or random) is minimal.

Third, there does not seem to be any basis for the \$3 million threshold referenced in the NPRM. As noted above, Sprint Nextel has misgivings about the threshold approach in general; however, if the Commission does proceed down this path, a far more compelling record must be developed to demonstrate that the \$3 million figure was not chosen arbitrarily or capriciously.

## **VI. SIMPLIFIED HIGH COST DATA SUBMISSIONS SHOULD BE ADOPTED.**

The Commission has asked (NPRM, para. 46) for proposals “to improve the High Cost program application process and participation by reducing or eliminating the administrative burden on carriers.” Sprint Nextel supports efforts to streamline the data submission process, and accordingly suggests that high cost carriers be allowed to file one set of data for a given time period, on a single comprehensive form, to be used for all of the high cost pools.

Currently, carriers submit 3-month-old data for the interstate access pool, and 6-month-old data for the other high cost pools, with each data filing submitted on a different, pool-specific form. This process results in true-ups to some (but not all) pools to reflect the difference in filed line count data, and resulting churn in receipts. The

redistribution of high cost funds among program recipients is fairly minimal, but nonetheless requires audits to validate net settlement amounts and revisions to company accounting records.

To simplify the process, Sprint Nextel suggests that carriers be allowed to file line count data quarterly, on a single form (listing access line counts by exchange),<sup>19</sup> and that this data be used for all of the high cost pools. In addition, Sprint Nextel recommends that receipts from high cost pools be calculated from line count data for the same time period. Using the same line count data and time period for each of the high cost pools would simplify the settlements process, and could facilitate communications between carriers about sale and exchanges of local exchanges to ensure accurate distribution of support.<sup>20</sup>

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<sup>19</sup> Sprint Nextel would commit resources to an industry effort to devise such a consolidated form.

<sup>20</sup> Currently, when an ILEC sells certain of its exchanges, it is no longer entitled to high cost support for those lines. However, if a competitive ETC operating in that ILEC's territory is unaware of this transaction, it may continue to request support based on the sold exchanges in error.

## VII. CONCLUSION.

Sprint Nextel applauds the Commission's efforts to improve and simplify the administration of the various universal service fund programs. In support of this goal, we urge the Commission to adopt the recommendations relating to overall fund administration as well as to the E-rate and High Cost funds specifically, discussed above.

Respectfully submitted,

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October 18, 2005

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing **COMMENTS OF SPRINT NEXTEL** was filed with the FCC by electronic mail and copies sent by electronic mail on this the 18<sup>th</sup> day of October 2005 to the parties listed below.

  
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