

STATE OF WASHINGTON
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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October 19, 2011

The Honorable Jay Rockefeller
Chairman
Committee on Commerce, Science
and Transportation
254 Russell
Washington, D.C. 20510

The Honorable Kay Bailey Hutchison
Ranking Member
Committee on Commerce, Science
and Transportation
560 Dirksen
Washington, D.C. 20510

**Re: Senate Commerce Committee Hearing on “Universal Service Reform:
Bringing Broadband to All Americans” – October 12, 2011**

Dear Chairman Rockefeller and Ranking Member Hutchison:

Thank you again for inviting me to testify on universal service reform. I am submitting this letter for the record to provide (i) a revised attachment outlining the net flow of USF dollars by State, (ii) a list of States that operate their own universal service programs, and (iii) clarification of responses to a few questions posed by members of the Committee during the hearing.

My October 12 written testimony contained an attachment that estimates the flow of federal USF funds by State.¹ Members should pay the most attention to the column which describes the net flow of high cost federal dollars to or from their States. I have edited the attachment to allow each member to easily determine the net impact on their State. *The FCC’s proposed modifications will unquestionably – over the next 5-10 years – change this number significantly.* The amount your State contributes is unlikely to be reduced. The amount that is most likely to change is *how much your State receives (or does not receive)*. But to really understand the impact of the FCC’s proposals on constituents in your State, please consult with in utility commission which has jurisdiction over ETC designations and often administers a State-sponsored universal service fund as well. These experts can provide you with detailed State-specific insight. Staff with the National Association of Regulatory Utility Commissioners can put you in touch with them. (NARUC Contact Brian O’Hara at (202)898-2205, bohara@naruc.org)

My written testimony points out that over 20 States have complementary universal service programs that distribute over \$1.5 billion each year: Alaska, Arizona, Arkansas, California,

¹ See, The chart was based on the FCC 2010 USF Monitoring Report, December 2010 (which has the most recent data publicly available, online at <http://transition.fcc.gov/wcb/iatd/monitor.html>).

Colorado, Idaho, Illinois, Indiana, Kansas, Maine, Nebraska, Nevada, New Mexico, Oklahoma, Oregon, Pennsylvania, Puerto Rico, South Carolina, Texas, Utah, Vermont, Wisconsin, and Wyoming (23).² *Whatever action the FCC takes is long term likely to impact the both the operation of and the financial support needed (provided by your constituents) to maintain such State programs.*

Finally, I would like to take this opportunity to expand on my answers to two questions posed at the hearing.

- **Sen. Warner expressed grave concern with the ability of all carriers to interconnect.**

States have long played an important role in arbitrating intercarrier interconnection disputes. As communications moves over to IP we are still seeing the same problems as we did before. In short, there are problems currently with IP-to-IP interconnection which the FCC doesn't appear to address in its draft order. We understand the FCC is planning on asking questions in a further notice about the application of the duty/negotiation/State-arbitration process to IP-to-IP interconnections under Sections 251 and 252 of the 1996 Act. I believe seeking further comment is not a good policy choice, since these statutory provisions apply on their face to such traffic. Given the rapid movement from a circuit-switched to an IP network, we should recognize that reality and use the good-faith efforts of state commissions to arbitrate disputes of interconnection when they arise, and most certainly they will. If a competitive carrier can't get interconnection to the network, whether it be the PSTN or an IP network, competition will not develop as robustly as it should, and ultimately consumers will suffer. There is no need for the FCC to seek further comment. The FCC should simply clarify the existing obligations of IP providers to interconnect under Section 251(c)(2).

- **Sen. Pryor asked how the proposed ABC plan would hurt consumers.**

There are several portions of the plan that I believe will harm consumers. First is the increase in the subscriber line charge (SLC) (and the separate access charge replacement fee) add-ons to local phone rates. In these economically troubling times, the very last thing the FCC should be suggesting is rate increases on a basic service that people rely upon in emergencies and to find and keep employment. Also, the failure of the FCC to classify VoIP fee based services as "telecommunications services" is long overdue. I understand why the carriers want to delay and obstruct a proper classification decision, which allows them to continue to press flawed arguments that State Carrier-of-last-resort obligations (COLR), State service quality/outage oversight, and other State consumer protection laws have no application to the service. But it makes no sense for consumers to continue to suffer from this "regulatory gap" and the lack of regulatory clarity. In fact, as in other industries that have some type of regulatory construct, I believe the telecommunications/information markets today need regulatory certainty in order to build out advanced broadband networks and applications; uncertainty leads to delays in investment decisions and continued litigation at both the federal and state levels. Proper, effective regulation should allow markets to function properly with adequate competition, and hopefully eliminate arbitrage opportunities, while providing us with the means to protect consumers at the State level.

²

Information obtained from a 2009 information survey of State PUCs.

I appreciate your leadership on this important issue. The WUTC stands willing to work with Congress, the FCC, and other stakeholders to ensure all Americans have access to advanced services. If you have questions or would like to discuss it further, please contact me at 360-664-1169 or pjones@wutc.wa.gov.

Sincerely,

Philip Jones
Commissioner
Washington Utilities and Transportation Commission

cc: Members of the Commerce, Science and Transportation Committee

High-Cost Support					
State or Jurisdiction	Payments from USF to Service Providers		Estimated Contributions by Carriers to USAC		<i>Estimated Net Dollar Flow</i>
	Amount	% of Total	Amount	% of Total	Amount
Alabama	\$100,061,000	2.3%	\$68,579,000	1.6%	\$31,482,000
Alaska [BEGICH]	\$168,272,000	3.9%	\$11,250,000	0.3%	\$157,022,000
American Samoa	\$3,939,000	0.1%	\$298,000	0.0%	\$3,641,000
Arizona	\$67,204,000	1.6%	\$84,352,000	2.0%	(\$17,148,000)
Arkansas [PRYOR/BOOZMAN]	\$148,253,000	3.5%	\$39,246,000	0.9%	\$109,007,000
California [BOXER]	\$107,508,000	2.5%	\$474,280,000	11.0%	(\$366,772,000)
Colorado	\$79,397,000	1.8%	\$76,670,000	1.8%	\$2,727,000
Connecticut	(\$390,000)	0.0%	\$57,085,000	1.3%	(\$57,475,000)
Delaware	\$226,000	0.0%	\$15,761,000	0.4%	(\$15,535,000)
Dist.of Columbia	\$0	0.0%	\$19,773,000	0.5%	(\$19,773,000)
Florida [NELSON/RUBIO]	\$70,396,000	1.6%	\$285,907,000	6.7%	(\$215,511,000)
Georgia [ISAKSON]	\$136,139,000	3.2%	\$140,561,000	3.3%	\$4,422,000
Guam	\$16,650,000	0.4%	\$2,251,000	0.1%	\$14,399,000
Hawaii [INOUE]	\$58,416,000	1.4%	\$21,298,000	0.5%	\$37,118,000
Idaho	\$50,779,000	1.2%	\$21,336,000	0.5%	\$29,443,000
Illinois	\$74,939,000	1.7%	\$177,462,000	4.1%	(\$102,523,000)
Indiana	\$74,418,000	1.7%	\$83,888,000	2.0%	(\$9,470,000)
Iowa	\$127,435,000	3.0%	\$38,837,000	0.9%	\$88,598,000
Kansas	\$230,301,000	5.4%	\$37,973,000	0.9%	\$192,328,000
Kentucky	\$101,805,000	2.4%	\$55,949,000	1.3%	\$45,856,000
Louisiana	\$156,494,000	3.6%	\$61,345,000	1.4%	\$95,149,000
Maine [SNOW]	\$27,443,000	0.6%	\$18,209,000	0.4%	\$9,234,000
Maryland	\$3,966,000	0.1%	\$94,073,000	2.2%	(\$90,107,000)
Massachusetts [KERRY]	\$2,413,000	0.1%	\$97,758,000	2.3%	\$95,345,000
Michigan	\$63,193,000	1.5%	\$122,460,000	2.9%	(\$59,267,000)
Minnesota [KLOBUCHAR]	\$127,037,000	3.0%	\$68,112,000	1.6%	\$58,925,000
Mississippi [WICKER]	\$281,267,000	6.6%	\$38,489,000	0.9%	\$242,778,000
Missouri [MCCASKILL/BLUNT]	\$108,639,000	2.5%	\$82,943,000	1.9%	\$25,696,000
Montana	\$79,855,000	1.9%	\$14,539,000	0.3%	\$65,316,000
Nebraska	\$116,611,000	2.7%	\$24,051,000	0.6%	\$92,560,000
Nevada [HELLER]	\$25,570,000	0.6%	\$39,948,000	0.9%	\$14,378,000
New Hampshire [AYOTTE]	\$8,576,000	0.2%	\$20,901,000	0.5%	\$12,325,000
New Jersey [LAUTENBERG]	\$1,058,000	0.0%	\$143,512,000	3.3%	(\$142,454,000)
New Mexico [UDALL]	\$71,391,000	1.7%	\$27,820,000	0.6%	\$43,571,000
New York	\$44,967,000	1.0%	\$277,114,000	6.5%	(\$232,147,000)
North Carolina	\$85,635,000	2.0%	\$130,102,000	3.0%	(\$44,467,000)
North Dakota	\$94,452,000	2.2%	\$9,478,000	0.2%	\$84,974,000
Northern Mariana	\$1,309,000	0.0%	\$465,000	0.0%	\$844,000
Ohio	\$33,858,000	0.8%	\$149,536,000	3.5%	(\$115,678,000)
Oklahoma	\$142,547,000	3.3%	\$45,232,000	1.1%	\$97,315,000
Oregon	\$78,826,000	1.8%	\$51,882,000	1.2%	\$26,944,000
Pennsylvania [TOOMEY]	\$57,770,000	1.3%	\$177,475,000	4.1%	(\$119,705,000)
Puerto Rico	\$74,387,000	1.7%	\$9,829,000	0.9%	\$64,558,000
Rhode Island	\$34,000,000	0.0%	\$14,102,000	0.3%	(\$19,898,000)

South Carolina [DEMINT]	\$98,376,000	2.3%	\$63,774,000	1.5%	\$34,602,000
South Dakota [THUNE]	\$97,338,000	2.3%	\$11,053,000	0.3%	\$86,285,000
Tennessee	\$58,896,000	1.4%	\$91,074,000	2.1%	(\$32,178,000)
Texas [HUTCHISON]	\$262,049,000	6.1%	\$299,043,000	7.0%	\$36,994,000
Utah	\$19,221,000	0.4%	\$32,031,000	0.7%	(\$12,810,000)
Vermont	\$21,208,000	0.5%	\$10,415,000	0.2%	\$10,793,000
Virgin Islands	\$15,986,000	0.4%	\$2,961,000	0.1%	\$13,025,000
Virginia [WARNER]	\$72,933,000	1.7%	\$120,689,000	2.8%	\$47,756,000
Washington [CANTWELL]	\$94,459,000	2.2%	\$89,779,000	2.1%	\$4,680,000
West Virginia [ROCKEFELLER]	\$58,640,000	1.4%	\$28,323,000	0.7%	\$30,317,000
Wisconsin	\$139,287,000	3.2%	\$72,198,000	1.7%	\$67,089,000
Wyoming	\$50,740,000	1.2%	\$8,709,000	0.2%	\$42,031,000
Total	\$4,292,179,000				

This chart is based on the FCC 2010 USF Monitoring Report, December 2010 (which has the most recent data publicly available, online at <http://transition.fcc.gov/wcb/iatd/monitor.html>).