

Joint Board Recommendation – What Were They Smoking?

By Donald J. Evans
evans@fhhlaw.com
703-812-0430

A Joint Board comprised of FCC commissioners and representatives of state public utility commissions has made a recommendation to the FCC on how to deal with the mushrooming costs of the Universal Service Fund. The administrators of the USF have been concerned that the cost of providing high cost support to participating carriers has increased from \$2.6 billion in 2001 to \$4 billion in 2006.

Most of the \$1.4 billion increase is attributable to payments to competitive ETCs who have increasingly qualified as eligible recipients despite FCC inaction on routine and uncontroversial requests for such designation. The competitive ETCs have long complained that they are major contributors to the fund and there is no reason why they should not receive high cost support in areas where such support is warranted.

LECs, on the other hand, who have long enjoyed the comfort and security of high cost support, are concerned that letting competitive ETCs share the fund will drive the costs up so high that the whole system will totter. They suggest that they should keep their existing funding but ETC support should be limited to one competitor per market and the level of support should be set at that carrier's cost level rather than the (usually higher) level enjoyed by the LEC.

The Joint Board bought the LEC's argument that it is the newcomers – rather than, as logic would suggest, the *combination* of the newcomers and the incumbents – who are overburdening the system. The Board therefore recommended that high cost support for ETCs (but not for LECs) be capped at 2006 levels. This would be done on a state by state basis. The Board emphasized that this proposal was intended as a stopgap measure until it can develop a more comprehensive (and much needed) USF reform plan. The Board committed to adopt such a plan by November, 2007. Given the pace of reform efforts to date, skeptics question that timetable.

The FCC must now consider the Board's recommendation and adopt, reject, or modify it. The Commission has put that process on a fast track, with Comments filed June 6 and replies due shortly thereafter.