



TELECOMMUNICATIONS

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September 27, 2010

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FCC Universal Service Fund Reform

The FCC plans to reform the Universal Service Fund system (“USF) by facilitating “efficient use of reclaimed excess high-cost support” in the USF by reclaiming cash that Verizon Wireless and Sprint-Nextel left behind in 2008. The Commission’s Order and Notice of Proposed Rulemaking was released on September 3, 2010.¹ The FCC’S new USF plan involves the likely dedication of millions of dollars to subsidize broadband in furtherance of the National Broadband Plan. The money would come from the existing USF pool of funds.

The USF subsidizes affordable telecommunications services subject to certain criteria. USAC collects USF fees quarterly so that USAC can pool the money in order to subsidize these programs. In 2008, Verizon Wireless and Sprint-Nextel required FCC approval for large mergers. To facilitate the process, both companies agreed to surrender their universal support by gradually walking away from their estimated \$530 million share of the USF fund. However, in 2009 USAC confirmed that it was not redistributing the money that Verizon and Sprint surrendered.

The FCC now proposes a permanent rule change that would allow USF funds to be reserved for things such as: enhancing broadband opportunities for education; improving rural health care by advancing telemedicine services in rural areas; and “in the long term, directly support[ing] broadband Internet services for all Americans.”

¹ You can view the Order here: http://www.fcc.gov/Daily_Releases/Daily_Business/2010/db0914/FCC-10-155A1.pdf

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However, even if these rules pass, the money that USAC has accumulated in the interim will not be covered by these rules. This means that hundreds of millions of dollars USAC accumulated are unaccounted for. The FCC proposes to waive the requirement that USAC account for differences between its projections and its actual revenues and proposes that USAC ignore any effect from the Verizon Wireless or Sprint-Nextel mergers had in doing its calculations.

Comments on the proposed reform are due by October 7, 2010 and reply comments are due by October 21, 2010.

We welcome your thoughts! Please feel free to comment at our interactive blog at blog.tlgdc.com.

If you have questions about this issue, or if we may be of assistance to you, please feel free to contact us.

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