

Resolution Supporting Reform of the Federal Universal Service Fund Contribution System

WHEREAS, Contributions by consumers to the existing federal Universal Service Fund (USF) have historically been based upon interstate and international end-user revenues from telecommunications services; *and*

WHEREAS, The Federal Communications Commission (Commission or FCC) stated in its 2012 *Further Notice of Proposed Rulemaking (FNPRM)* (WC Docket No. 06-122 and GN 09-51) on revising the contributions methodology, that “the evolution in the communications ecosystem has led to a series of stresses on the contribution system,” including added complexity and burdensome requirements for contributing telecommunications providers; *and*

WHEREAS, The FCC further observed that “some aspects of today’s contributions methodology may result in competitive distortions because different contribution obligations may apply to similar services depending on how a service is provided;” *and*

WHEREAS, The USF contribution base, largely comprised of assessable telecommunications service revenues reported by companies, has begun to shrink as residential and business customers have begun to migrate to communication services that do not contribute to the USF, such as broadband services; *and*

WHEREAS, The FCC observed in Paragraph 20 of its *FNPRM* that shrinkage in the revenues that form the contribution base has occurred at the same time that the communications market has grown and that demand for USF support has grown; *and*

WHEREAS, Under the FCC’s November 18, 2011, *ICC/USF Transformation Order, In re Connect America Fund et al.*, (FCC, Rel. Nov. 18, 2011), WC Docket No. 10-90 et al., *Report and Order and Further Notice of Proposed Rulemaking*, FCC 11-161, 26 FCC Rcd 17663 (2011), the USF distributions must be used for the support of retail broadband access services, even though these services do not contribute to the federal USF mechanism; *and*

WHEREAS, Some have estimated that the cost of meeting the broadband deployment goals the *Transformation Order* indicated is far in excess of the amounts available under the current federal USF as established by the Commission; *and*

WHEREAS, Expanding the contribution base would allow for a transition to a fairer assessment upon those benefiting from the broadband services to be supported in the future, regardless of whether or not it is appropriate to increase the fund expenditures; *and*

WHEREAS, The State Members of the Federal-State Joint Board on Universal Service (State Members) submitted Reply Comments on the *FNPRM* on August 6, 2012, that stated that the expansion of the contribution base for the federal USF mechanism is an “absolute and overdue necessity;” *and*

WHEREAS, The State Members' comments further endorsed the concept that those who benefit from a ubiquitous national network should contribute to the USF, including broadband services; *and*

WHEREAS, The State Members' comments pointed out that a viable state-specific USF mechanism should function in concert with the operation of the federal USF mechanism and that the FCC can affirmatively and conclusively forestall interpretations of federal law that can negatively affect the continuing viability and robustness of State-specific USF mechanisms; *and*

WHEREAS, The FCC has not reformed the contribution methodology even though it has sought comment several times over the past decade, most recently more than a year ago; *now, therefore be it*

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), convened at its 2014 Winter Committee Meetings in Washington, D.C., and urge the FCC to complete the Docket No. 06-122 rulemaking that was initiated in 2012; *and be it further*

RESOLVED, That the Commission should expand the contribution base so that all communications services, including services such as broadband that are required to be offered in order to receive federal support, contribute to the USF; *and be it further*

RESOLVED, That the Commission should move forward on contribution methodology reform and ensure the fairest allocation of the contribution burden between residential and business consumers throughout the country and do so with dispatch since expanding the contribution base is a desirable option which has been set to the side for too long; *and be it further*

RESOLVED, That the Commission's implementation of any federal USF contribution base reforms be coordinated with the States through the Federal-State Joint Board on Universal Service.

Sponsored by the Committee on Telecommunications

Adopted by the NARUC Board of Directors, February 12, 2014