
















Forty Fast Facts about the Universal Service Fund

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1. The federal USF is often abbreviated FUSF.
 2. Various states have their own USFs. More are expected in the near future.

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3. The contributions side refers to sources of income for the fund.
 4. The distributions side refers to disbursement of the fund to beneficiaries.

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5. Contributions to the USF were historically made from the gross revenue of telcos.
 6. The Telecom Act of 1996 and subsequent FCC action made it possible for the telcos to recover their contributions from telco subscribers through recovery charges placed on subscriber bills.
 7. Virtually all discussion of the USF focuses on the telcos who contribute directly, not to the telco subscribers (ratepayers) who must pay the recovery charges.
 8. Currently, TAS/call centers are targeted INDIRECTLY as ratepayers whose telcos will require reimbursement for their contributions. The worst-case-scenario involves TAS/call centers being DIRECTLY targeted for contributions to the FUSF.

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9. There are several kinds of beneficiaries of the USF including high cost of service telcos (often rural), the E-Rate program, and certain kinds of libraries, schools and rural healthcare providers. See www.UniversalService.org for details.
 10. The overwhelming majority of the FUSF is distributed to high cost of service telcos (often rural).
 11. The amount distributed has grown tremendously since 1996, probably because the growth of the fund was painless to telcos - they are reimbursed by their subscribers!
 12. There has been a great deal of controversy about the E-Rate program within the FUSF due to widespread fraud and abuse.

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13. Much of the current debate on FUSF centers around a handful of contentious issues on the distribution side.
 14. The FCC has already capped annual distributions from the FUSF.
 15. There are proposals to try to contain the growth of the program through "Reverse Auctions" in which only one high cost telco in a given area will receive distributions - the one with the lowest cost structure.
 16. There are proposals to expand the program to provide for rapid deployment of broadband in rural America.

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17. There is less controversy right now on the contributions side.
18. The FCC began an initiative in 2003 to deal with the likelihood that the existing "tax base" (the USF isn't a tax, it is a subsidy program properly referred to as an assessment) would shrink.
19. The expressed concern was that the current base for the USF, telco revenues on interstate and international telecom, would rapidly shrink as the end user price of voice communications decreased (through VoIP, lower rates, "all-distance" calling plans, increased use of text communications like email, etc.).
20. Some experts however, point out that interstate and international telecom revenues continue to grow, not shrink (albeit at a slower rate of growth).
21. As with most federal programs, the base for the USF needs to be interstate and international revenues. Intrastate telecom remains mostly in the purview of state and local authorities and that revenue is generally believed to be off limits to the federal government.
22. The FCC controls telecom numbering policy in the United States and telephone numbers are generally considered to be an interstate resource. Telephone numbers are, therefore, an attractive target for a new USF base, especially if it is to be a flat rate assessment.






23. One of the few vocal groups talking about the contributions side of the USF is the KeepUSFFair coalition (www.keepUSFFair.org).
24. The KUSFF coalition consists of many deep grass roots organizations listed on the website.
25. Their focus is primarily on the impact on CONSUMERS of a change in the contribution methodology from a percentage of interstate/international revenue to a "numbers" based plan.
26. KUSFF points out this dramatically shifts the burden of USF onto consumers on fixed income and other telecom users who use very little interstate services.






27. Other examples (beyond the consumers on which KUSFF focuses) are businesses and institutions that use lots of telephone numbers but little toll service.
28. Businesses that use lots of telephone numbers are generally assigned DID (Direct Inward Dial) telephone numbers by their telco. These are typically provided by telcos in blocks of 20, 100 or 1000 numbers.
29. Examples of users of DID numbers are most businesses with 20+ employees officing in one location, hospitals, universities, public education, local, state and federal government offices, etc.
30. Some of the users of DID numbers described above use very little toll and thus would be adversely affected by a contribution methodology transition from a percentage of interstate/international revenue to a "numbers" based plan.
31. Most such businesses and institutions are unaware of the proposals to reformulate the USF contribution methodology.

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32. Some businesses and institutions that use lots of DID numbers ARE aware of the proposals and SUPPORT them. This is because they also use lots of interstate/international telecom. These telecom subscribers expect a significant DECREASE in their USF contribution reimbursement fees.




33. The foremost advocate of "numbers" in this category is the "Ad-Hoc Telecom Users Group" represented by LB3 Law. These are enterprise scale telecom users who stand to reap enormous benefits from "numbers" because although they may use many DID numbers, their interstate spending on voice services (such as inward toll free services) and data networks is enormous.



34. The US Chamber of Commerce has supported "numbers" despite the impact on most of its small to midsize business membership.

35. The NFIB has remained quiet on "numbers" despite the impact on its membership. However, it is important to note that a large percentage of the membership of NFIB may not be negatively affected because they are SOHO telecom subscribers.




36. The SBA (Small Business Administration) seems mostly concerned with the impact of "numbers" on smaller telecom carriers and not the impact on small businesses who must pay the reimbursement fees to their carriers.



37. The Chairman of the FCC, Kevin Martin, is a strong supporter of "numbers" and has worked hard to build support for the plan.

38. Much of the work of the Chairman to build a consensus on "numbers" and other USF issues has been through the work of the Federal-State Joint Board on Universal Service, which is headed by Republican FCC member Deborah Taylor Tate. The group also includes state utility commissioners and a consumer advocate.

39. A group of "numbers" supporters, called the By The Numbers Coalition, has arisen to support "numbers" and the FCC Chairman. The members are primarily large telecom carriers.



40. With some exceptions, it is generally acknowledged that the FCC would need Congress to pass legislation in order to enact "numbers" - to help shield the Commission from protracted litigation. Nevertheless, some stakeholders take the position that Congressional action, while desirable, is not required for the FCC to change the contribution methodology.