

STATEMENT OF CONGRESSMAN RICK BOUCHER

Subcommittee on Communication, Technology and the Internet USF: Reforming the High Cost Funds

March 12, 2009

The subcommittee will come to order.

Our subject this morning is comprehensive reform of the Universal Service High Cost Fund, a matter on which the subcommittee will act in the near future.

Universal service support is as essential to our national economic future as it has been historically.

In this time, when electronic communications are at the heart of the national economy, it is perhaps more essential than ever before that all Americans remain connected.

Affordable telephone service not only benefits the individual users of the service, but at a time when electronic commerce and communications are central to national economic performance, having all of America connected should be a priority for rural and metropolitan residents alike.

The Universal Service Fund assures affordable rural telephone service has come under increasing pressure, and comprehensive reform is now necessary. New technologies and new business plans are combining to diminish the long-distance revenues that have historically been relied upon to support USF, and broadband has emerged as a critical part of our communications infrastructure. In reforming USF, other funding sources must be tapped, new controls must be placed on distributions from the fund, and we must reexamine which networks and services receive support.

In an effort to achieve these goals in a manner that is fair to the rural telephone companies that are the net beneficiaries of USF support and the large regional carriers who are net contributors, my colleague from Nebraska Mr. Terry and I have worked together for the last three years and in the last Congress introduced a comprehensive reform bill.

We have consulted with dozens of stakeholders and sought consensus among various competing interests. We intend to continue that process this year and intend in the coming weeks to introduce a revised version of the legislation. And we welcome the suggestions and co-sponsorship of our measure by other members of the subcommittee on a bipartisan basis.

Our goal is to expand the revenue base for the Fund. We would give the FCC discretion to use a revenues or numbers approach to contributions (or some combination of the two) and would allow the assessment for the Fund of intrastate, as well as interstate and international, revenues. We would also impose strict limitations on growth of the Fund by capping the entire Fund and basing payments on a carrier's actual costs, rather than the costs of the incumbent

telecommunications carrier in the region. We would improve the efficiency of expenditures by requiring that all recipients meet minimum FCC standards to receive support. We would also future-proof the Fund by requiring that all recipients offer broadband at preset minimum speeds to receive support. Broadband is to communities today what electricity and basic telephone service were one hundred years ago. It is the new essential infrastructure for the commercial success of all communities and deserving of USF support.

Other elements in our measure include a better targeting of support to high-cost areas by switching from statewide to wire center averaging, fixing the phantom traffic problem by requiring carriers to pass through call identifiers, making rural exchanges more marketable for telephone companies that may desire to sell them by repealing the parent trap and making permanent the Anti-Deficiency Act exemption for USF so that an annual appropriations rider is no longer required for that purpose.

There are also other matters we must consider and about which I welcome the insights of our distinguished panel. For example, how, if at all, should the \$7.2 billion of broadband stimulus money affect the inclusion of broadband in USF? When we eliminate the identical support rule, how should actual costs be calculated? Should we eliminate the distinction between rural and non-rural carriers?

I hope that our witnesses will address these and other matters.

I want to thank today's witnesses for their assistance today, and I now recognize the Gentleman from Florida, Mr. Stearns for five minutes.

Under the rules of the committee, Mr. Stearns and I have agreed that members will be recognized for two minute opening statements, and any member waiving an opening statement will have two minutes added to his or her time for questioning witnesses.