

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of )
Federal State Joint Board on )
Universal Service ) WC Docket No. 96-45
Universal Service Contribution Methodology ) WC Docket No. 06-122
A National Broadband Plan For Our Future ) GN Docket No. 09-51

ORDER

Adopted: August 6, 2014

Released: August 7, 2014

By the Commission: Commissioner O’Rielly issuing a statement.

1. In this Order, we ask the Federal-State Joint Board on Universal Service (Joint Board) to provide recommendations on how the Commission should modify the universal service contribution methodology. We refer to the Joint Board the record developed in response to the Commission’s 2012 Further Notice of Proposed Rulemaking in the contribution methodology proceeding (2012 FNPRM),1 and ask the Joint Board to develop recommendations, with a particular focus on how any modifications to the contribution system would impact achievement of the statutory principle that there be state as well as federal mechanisms to preserve and advance universal service.2 We request that the Joint Board present its recommended decision to the Commission no later than April 7, 2015.

2. When the Commission implemented the Telecommunications Act of 1996,3 it chose to assess contributions based on end-user revenues.4 Since that time, however, network convergence and technological innovation have transformed the telecommunications industry, and the contribution system has become increasingly complex and difficult to administer. On several occasions, the Commission has sought comment on potential modifications to the current system and ways in which it can be improved.5

1 Universal Service Contribution Methodology; A National Broadband Plan For Our Future, WC Docket No. 06-122, GN Docket No. 09-51, Further Notice of Proposed Rulemaking, 27 FCC Rcd 5357 (2012) (2012 FNPRM).

2 See 47 U.S.C. § 254(b)(5).

3 See 47 U.S.C. § 254(d); Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996).

4 Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 9206, para. 843 (1997) (Universal Service First Report and Order) (subsequent history omitted).

5 See Federal-State Joint Board on Universal Service et al., CC Docket No. 96-45 et al., Notice of Proposed Rulemaking, 16 FCC Rcd 9892, 9905-06, paras. 25-30 (2001); Federal-State Board on Universal Service et al., CC Docket No. 96-45 et al., Further Notice of Proposed Rulemaking and Report and Order, 17 FCC Rcd 3752, 3766-89, paras. 31, 34-83 (2002); Federal-State Joint Board on Universal Service et al., CC Docket No. 96-45 et al., Report and Order and Second Further Notice of Proposed Rulemaking, 17 FCC Rcd 24952, 24983-97, paras. 66-100 (2002); Commission Seeks Comment on Staff Study Regarding Alternative Contribution Methodologies, CC Docket No. 96-45 et al., Public Notice, 18 FCC Rcd 3006 (2003); High Cost Universal Service Support et al., CC Docket No. 96-45 et al., Order on Remand and Report and Order and Further Notice of Proposed Rulemaking, 24

(continued...)

Most recently, the Commission released the *2012 FNPRM*, which sought comment on who should contribute, how contributions should be assessed, and how to make the system more transparent and fair.<sup>6</sup>

3. We ask the Joint Board to examine the record developed in response to the *2012 FNPRM* and provide recommendations within the scope of the issues raised in that proceeding.<sup>7</sup> We ask the Joint Board to focus especially on issues that would impact the important role of the states in accomplishing universal service objectives and protecting consumers. We request that the Joint Board consider, in making its recommendations, how to further the goals of improving the efficiency, fairness and sustainability of the contribution system.<sup>8</sup>

4. Accordingly, IT IS ORDERED, pursuant to sections 1, 4(i) and (j), 254, and 410 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154(j), 254, and 410, that this Order is ADOPTED.

5. IT IS FURTHER ADOPTED, pursuant to sections 1, 4(i) and (j), 254, and 410 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154(j), 254, and 410, that the Federal-State Joint Board on Universal Service is requested to review the Commission's rules relating to the universal service contribution methodology and the related issues described herein and provide recommendations to the Commission within eight months of the release of this Order.

FEDERAL COMMUNICATIONS COMMISSION

Marlene H. Dortch  
Secretary

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FCC Rcd 6475, 6536–64, paras. 92–156 (2008) (App. A); *id.* at 6669–95, paras. 39–104 (App. B); *id.* at 6735–62, paras. 88–151 (App. C).

<sup>6</sup> See generally *2012 FNPRM*, 27 FCC Rcd 5357.

<sup>7</sup> The *2012 FNPRM* sought comment on four major areas: (1) clarifying and modifying the Commission's rules on what services and service providers must contribute to the fund; (2) whether the Commission should reform the current revenues system or adopt an alternative system; (3) how to improve administration of the contribution system; and (4) how to improve the contributions methodology with respect to the recovery mechanisms from end users. See *id.* at 5374-94, paras 28-410.

<sup>8</sup> *Id.* at 5372-74, paras. 22-27.

**STATEMENT OF  
COMMISSIONER MICHAEL O'RIELLY**

Re: *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Universal Service Contribution Methodology*, WC Docket No. 06-122, *A National Broadband Plan for Our Future*, GN Docket No. 09-51.

Over the past few years, the Commission has undertaken significant reforms to how universal service support is distributed, but has not addressed how such funding is collected from carriers and, ultimately, from American ratepayers, who are already paying fees of approximately 16% on their phone bills to sustain the current subsidy system. Moreover, because there is no overall cap on the universal service fund, the spending reforms are putting increased pressure on an ailing contributions system. Accordingly, I will support this referral.

As we start down this important path, however, I would caution that contributions reform should not be seen as a backdoor way of increasing the size of the universal service fund or imposing new fees on the Internet. For example, I would be concerned by any effort to assess IP addresses. I hope that the Joint Board, and ultimately the Commission, will consider reforms that modernize contributions without inhibiting broadband investment or imposing additional burdens on the consumers that pay to support universal service.