



Federal Communications Commission
Washington, D.C. 20554

January 10, 2011

Mr. Scott Barash
Acting CEO
Universal Service Administrative Company
2000 L Street, NW
Washington, DC 20036

Dear Scott,

Thank you for meeting with members of my office to discuss the December 16, 2010 announcement by the Universal Service Administrative Company (USAC) indicating that USAC will suspend merit-based salary increases in 2011. You have confirmed that this action covers all employees, including management, and is effectively a total pay freeze because USAC does not have a bonus compensation plan. As you are aware, on November 29, President Obama announced a two-year freeze on pay for federal civilian employees as part of the administration's Accountable Government Initiative.¹ The Accountable Government Initiative is designed to cut costs and save taxpayer dollars.² The pay freeze, which is effective January 1, 2011 through December 31, 2012, is expected to save \$2 billion for the remainder of Fiscal 2011 and \$28 billion over the next five years.³

When announcing the pay freeze, President Obama stressed that "this freeze is not to punish federal workers or to disrespect the work that they do. It is the first of many actions we will take in the upcoming budget to put our nation on sound fiscal footing - which will ask for some sacrifice from us all."⁴ Similarly, we recognize USAC's decision to share in this sacrifice is not intended to punish its employees' valued dedication in advancing the goals of section 254 of the Communications Act of 1934 to provide high-quality telephone and information services to schools, hospitals, low-income consumers, and rural areas throughout the Nation. Unfortunately, due to the hard truths of this economic crisis, we are called upon to sacrifice. The inclusion of USAC employees in this sacrifice for the good of the Nation's citizens and economy is, simply put, the right thing to do.

As part of the FCC's continued oversight of the administrative expenses of the Universal Service Fund, please inform the FCC before taking any action that would effectuate a merit increase, salary band adjustment, or any other change to the current status of the USAC pay freeze, and advise the FCC whether any proposed change is consistent with the December 2010 U.S. Office of Personnel

¹ See *Remarks by the President on the Federal Employee Pay Freeze*, The White House Office of the Press Secretary (Nov. 29, 2010) (*White House Pay Freeze Remarks*), available at, <http://www.whitehouse.gov/the-press-office/2010/11/29/remarks-president-federal-employee-pay-freeze>.

² See *the Accountable Government Initiative – an Update on Our Performance Management Agenda*, Memorandum for the Senior Executive Service from Jeffrey D. Zients, Office of Management and Budget (Sept. 10, 2010), available at http://www.whitehouse.gov/sites/default/files/omb/memoranda/2010/AccountableGovernmentInitiative_09142010.pdf.

³ See *White House Pay Freeze Remarks; Freeze on Pay Adjustments for Federal Civilian Employees*, Memorandum from John Berry, United States Office of Personnel Management, to Heads of Executive Departments and Agencies (Dec. 30, 2010) (*OPM Pay Freeze Memo*), available at (<http://www.chcoc.gov/transmittals/TransmittalDetails.aspx?TransmittalID=3384>).

⁴ See *id.*

Management Pay Freeze Memo. I thank you in advance for engaging in this important collaborative process with the FCC. We also look forward to a regular dialogue with USAC about this and other measures that the FCC and USAC can take to provide services more efficiently, consistent with our continued efforts to constrain the administrative expenses of the Universal Service Fund.

We recognize that since its appointment as USF Administrator, USAC has worked hard to minimize the expense of administering the Universal Service Programs. We encourage USAC to continue these efforts and particularly to explore how it can work together with its contractors to obtain cost savings under its contracts, including adopting additional efficiencies that will produce cost savings to both the contractors and USAC. To facilitate such discussions, please provide me with a list of all USAC contracts and contractors, as well as a complete overview of USAC's now-frozen compensation plan (including benefits) for all USAC employees, including management, with a copy to the FCC's Deputy Managing Director, Dana Shaffer, at Dana.Shaffer@fcc.gov. Working together, we can continue to earn the important trust placed in the FCC and in USAC to properly administer the Universal Service Fund. I ask further that USAC meet with the Office of Managing Director during the week of January 17, 2011 to discuss the data you will provide in response to this letter.

Again, I applaud your recent announcement, appreciate USAC's contribution in support of the FCC's mission, and look forward to our future collaboration on these very important matters.

Sincerely,

A handwritten signature in blue ink, appearing to read "S. VanRoekel", written over a faint circular stamp or watermark.

Steven VanRoekel
Managing Director

Cc: Sharon Gillett, FCC
Dana Shaffer, FCC
Mark Stephens, FCC
Richard Belden, USAC