



**Panel: State and Federal Roles in ICC Reform**  
**May 18, 2011**

- **States and the Rate Reform Process:**
  - The most appropriate method is to incent the states to lower intrastate access rates to interstate levels
  - The states should be given a period of 5 years to adjust intrastate rates to interstate levels
  - At the end of the 5 year period the Commission should reevaluate the landscape for rate reform
    - If states have not yet taken action to reduce intrastate access federal action under 251(b)(5) may be necessary.
    - This approach avoids legal battles at the outset which could cripple overall ICC/USF reform efforts.
  - States will play an important role in the ETC certification process
  
- **Access Replacement Mechanism**
  - In order to limit the amount companies can reasonably be expected to recover directly from their customer, a transitional access recovery mechanism may be required.
  - The most important element of the entire intercarrier compensation reform is the transition period over which it is done.
  - A longer transition period:
    - Allows companies to adjust their business models over time to account for the money it no longer receives from intercarrier compensation;
    - Puts less immediate burden on the end-user for recovery; increases are phased in over an equally long period of time;
    - Limits the size needed of any access recovery funding.
  - A flash cut or too quick of a transition in rates, be it from intrastate to interstate, or interstate down to a more nominal rate, necessarily requires a larger recovery mechanism.
    - Flash cuts put pressure on companies to raise end-user rates, either through a SLC increase, benchmark increase, or combination of both
    - It will require a specific fund to offset the losses temporarily.
      - A fund for this purpose would likely increase the size of the overall Fund and drive up the contribution percentage per user.
  - Any transitional access replacement fund should replace a percentage of revenues, after any end-user increases
    - Any growth in the fund should be limited
    - Funding should phase out over a period of time
  - The FCC cannot cut without recovery and expect broadband deployment to continue as it is today.