

Everybody at a House Communications, Technology & Internet Subcommittee hearing Thursday agreed Wednesday that the FCC's high-cost Universal Service Fund was in need of reform, but just how was the \$4 billion-plus question.

[The "high-cost" portion of Universal Service Fund](#) collects money from telecom providers to insure that rural phone customers pay rates roughly comparable to urban areas.

Currently, the fund goes to subsidize telephone service, but if the Democrats now in control of Congress have their way, it will be extended to underwriting the broadband build-out as well. That would be in addition to the \$7.2 billion in the economic stimulus package going toward that same goal.

Subcommittee Chairman Rick Boucher (D-VA), who has previously proposed reforming the fund, said he and his past partner in that effort, Lee Terry (R-Neb.), would be reintroducing a bill shortly with the goal of expanding the revenue base for the fund.

Virtually all the panelists at the hearing, representing a number of phone companies as well as universal service advocates, said they believed that broadband was a lifeline service similar to the phone service that the USF was created to subsidize.

Boucher said the bill would cap the fund, base the payments on the actual costs of building out the service, improve the accountability and accounting to reduce waste, fraud and abuse (a government study found that the fund may have overcharged by as much as \$1 billion).

He also said the fund should be expanded to include broadband deployment, though he also asked whether that \$7.2 billion in stimulus money factored into the decision.

While the witnesses agreed broadband build-out was crucial, some joined committee Republicans in questioning whether expanding the fund to include broadband was the best way to go about it.

Committee ranking member Cliff Stearns (R-FL), for example, said that it would be better to wait and see the degree to which the \$7.2 billion in stimulus funds would resolve the issue of getting broadband to un-served areas. That funding includes money for the Department of Agriculture's Rural Utilities Service, which targets the same rural populations as the funds.

"Let's take that two years and examine the effectiveness of that program," instead of adding the broadband build-out requirement to USF.

Joel E. Lubin, Vice President, Public Policy, for AT&T, agreed, saying that competitive bidding

process would provide empirical data and would reduce the number of un-served households, so that after that two-year process, Congress could deal with whatever remains.

Derek Turner, research director for Free Press countered that the USF fund needed to be all about broadband deployment. "The principle goal of the High-Cost program should no longer be the maintenance of basic telephone service in rural America," he said, "it should be achieving universal deployment of affordable broadband infrastructure."

But he also asked that the fund be transitioned to funding upfront deployment costs rather than ongoing support, saying that fund recipients would be able to recoup the higher build-out costs via triple play offerings of phone, Internet and TV services. He also said that would prevent companies that got broadband stimulus funds to try to get ratepayers to subsidize ongoing costs for networks already paid for with stimulus grant money.

But not all Republicans were skeptical about the need to make broadband deployment part of the USF's charter. Terry is a co-sponsor of the bill that will propose that, and Joe Barton, former chairman of the Energy & Commerce Committee was open to considering it. He said that while he would rather repeal than reform USF, money he said was often ill-spent, unaccounted for, and in search of a problem, if it couldn't be killed, it could at least underwrite something useful.

