

Testimony of Lila A. Jaber
Chairman, Florida Public Service Commission
Before the Senate Committee on Commerce, Science and Transportation
June, 2002

I. Introduction

Thank you, Chairman Hollings, members of the Committee, for the opportunity to testify before you on the important topic of Universal Service in telecommunications. I am here today on behalf of the Florida Public Service Commission (FPSC). I also have the privilege of currently serving as a member of the Federal-State Universal Service Joint Board and as the State Chair of the Federal-State Advanced Services Joint Conference. While I do not represent the positions of anyone other than the FPSC, I believe my participation in those bodies does give me a unique perspective on the issues of Universal Service and Advanced Telecommunications Services. I also want to commend the FCC for reaching out to the Joint Board in a way that allows greater state commission input.

The Florida Public Service Commission strongly supports the goal of access to telecommunications services at affordable rates, and we support all of the programs currently funded under the Universal Service umbrella. We do have some concerns about various rules and procedures in the programs that have led or may lead to gaming or abuse. In general, we believe that making some clarifications and adjustments to add more accountability to the programs will make the programs more effective and efficient.

II. Highlights of FPSC Comments on Universal Service Issues

The following are highlights of comments filed by the FPSC on the Universal Service issues:

A. Review of the Definition of Supported Service

1. The FPSC believes that the current services meet the criteria established in the Telecommunications Act of 1996 and recommends maintaining the current list of supported services at this time. In addition, the FPSC believes that expanding the definition to include advanced services or high-speed Internet access is not

warranted in part because support is conditioned on the ability of a carrier to provide all of the supported services. As such, any proposal to expand the definition to include advanced services would not be technologically neutral.

2. The FCC invited comment on changing the definition of voice grade access, including whether support for a network transmission component of Internet access beyond the existing definition of voice grade access is warranted at this time. While we wholeheartedly support the idea of quality Internet access for all Americans and understand its importance to our nation, we do not believe that modification of the voice grade access is in the best interest of consumers. We also have technical concerns that if the intent of this proposal is to improve data transfer rates in the rural areas, the mere widening of the bandwidth specification, without concurrent standard setting for other specifications (i.e., signal-to-noise ratio), will not achieve the stated goals of improved transfer rates. The cost of requiring complex equipment to tweak the existing analog phone network could prove prohibitive and result in a misallocation of resources; resources that might be better deployed in a true digital system.

B. Review of Lifeline and Link-up Service for All Low-income Consumers

1. Before proceeding with changes to the current Lifeline program, the FCC should endeavor to understand the reasons for low versus high participation rates in the various states. The FPSC continues to support the original intent of the Lifeline program, which is to increase subscribership for low-income households that want, but cannot afford, telephone service.
2. States should make every effort to ensure that eligible households with and without telephone service are aware of and can easily enroll in the Lifeline/Link-up programs. Keeping the program objective in mind, low program participation should not be cause to manipulate eligibility criteria to increase the number of

households that could qualify.

3. The FPSC recommends that the Joint Board and the FCC encourage states to explore various automatic enrollment strategies to effectively target funding to consumers and determine eligibility for Lifeline and Link-up support. We believe that it is necessary to certify consumers' eligibility and perform periodic verifications in order to prevent waste, fraud, and abuse, and to ensure the integrity of the program. We recommend increased promotion of the program through more frequent bill inserts and requiring all ETCs to post application information about their Lifeline service on the Lifeline Support website.

C. Schools and Libraries Universal Service Support Mechanism

1. Development of Rules to Limit Equipment Transferability. The FPSC believes it is necessary for the FCC to establish rules governing when and how equipment can be transferred without charge, before seeking to acquire new discounted equipment. While the FPSC recognizes that there may be some legitimate reasons to upgrade facilities because of technological innovations, manipulation of the program consumes resources that otherwise would have been better targeted to other program applications.
2. Accountability. The FPSC believes that one way to deter waste, fraud, and abuse is to make the current program more transparent. Making available additional data about the recipients of support would build greater confidence that the program is fair. Currently, it is difficult to acquire data in significant detail and format. More information relating to what specific services have been committed to by a school or library should be made publicly available. This information, as well as the size of the school or library, would be of great use to increase the integrity and accountability of the system.
3. State Funding Cap. The FPSC believes that establishing a new, efficient direction

for the E-Rate program can be achieved by focusing on an equitable distribution of funds to each state. We believe there is merit in establishing a state funding cap based on poverty. Schools and libraries within a state would only have access to an equitable distribution of the \$2.25 billion according to the poverty level of a state.

4. Application Process. FPSC supports the FCC development of a list of specific eligible products or services that is accessible online. Applicants could select the specific products or services as part of their FCC Form 471 application.

This could help reduce accidental funding of ineligible services. We believe it would be prudent to periodically review the eligibility of services on the list to ensure that ineligible services do not become bundled with eligible services.

5. Internet Access When Bundled with Content. The FPSC supports continuation of the FCC policy that schools and libraries may receive discounts on access to the Internet, but not for any proprietary content. Expanding support to include proprietary content would likely increase the expense, and the current annual funding requests already exceed the \$2.25 billion cap.

D. Tenth Circuit Remand

1. The FPSC finds merit in the proposal filed by Verizon to define "reasonably comparable" as rates in urban and rural areas that are within two standard deviations of each other or of the national mean. We agree with several commenters that "reasonably comparable" does not mean identical. We believe that the data recently gathered by the General Accounting Office could serve as a useful sample of rates.
2. On sufficiency, the FPSC agrees with the comments filed by Verizon that a sufficient fund "must be one that allows reasonable comparability of rates in urban and rural areas without causing excessive demands on the total universal

assessment and without impairing the amount of funds available for other universal service programs." The FPSC supports Verizon's proposal to define a "sufficient" federal high cost fund as a fund that would provide assistance to states that cannot maintain rates that are reasonably comparable to the nationwide average due to high costs within those states.

3. Regarding the high-cost benchmark, the FPSC said that the FCC should retain its existing cost-based approach in identifying states that need support from the federal fund. (The current benchmark is 135 percent).
4. On State Inducements, the FPSC said that the FCC should not dictate the method that states take to address high-cost support. The FPSC does see a benefit in adding a layer of accountability into the program as to the individual states' need for high cost support. The FCC could require that state commissions provide notification of the steps their state has taken to achieve this rate comparability. The FPSC agrees with Verizon that states should be allowed to verify rate comparability within the state by showing either: (1) that its rates in urban and rural areas are within two standard deviations of each other; or (2) that its rates in rural areas are within two standard deviations of the nationwide average urban rate.
5. In the alternative, the FCC should embark on a collaborative model of "state inducements" that will satisfy the Court's remand. Under this model, the FCC would undertake an outreach with the states to develop "inducements" in instances where rate comparability within a state has not been achieved. In no way should these inducements be preemptive of a state legislature's authority . . . The FCC could send a few staff to meet with individual State Commissions on this matter or establish individual conference calls to develop incentives for states to address their high cost universal service needs. The focus should begin with those states

that are net recipients of the Federal program funds.

III. Key Concerns of Florida Public Service Commission

A. Accountability – The funds should go where they are supposed to go. We believe more can be done to make the programs more efficient and reduce the need to expand the size of the fund. I don't believe that it is necessary at this time to expand the Universal Service Fund to include broadband Internet access services. I would not preclude that ever happening but simply suggest that it is premature at this time.

B. Size of the fund – Some states are net contributor states and others are net recipients. Florida is a net contributor state and is concerned that the size of the fund is not any larger than it needs to be to serve its purpose.

It is important to provide some basic facts about Florida and the Universal Service Fund. In 2000 (the most recent data available to us), the size of the fund was \$4.7 billion. In that year, Floridians contributed \$338 million or approximately 7.24% of the entire fund. By comparison, Florida received \$121 million or only 2.59% in benefits from the fund, making Florida a net contributor state by a significant margin. Based on recent projected data for 2002 from USAC, we believe that the fund will increase by an additional billion dollars for 2002 from that seen in 2000.

C. Lifeline – This year, the FPSC, the AARP, and a representative from the FCC joined forces in April to kick off an education campaign for the Lifeline and Linkup programs in Florida in an effort to increase awareness and boost enrollment. I believe this is the kind of initiative that is vital to getting low income consumers on the network.

IV. Additional Information

We would be glad to provide the Florida Commission's comments on the above topics that we filed with the FCC. Contact Cindy Miller, head of our Office of Federal and Legislative Liaison, (850) 413-6082, for the additional information.