Office of Advocacy
www.sba.gov/advo

Fact Sheet

Advocacy: the voice of small business in government

Advocacy Identifies Universal Service Contribution Methodology Regulatory Impacts and Available Alternatives

On August 8, 2006, the Office of Advocacy (Advocacy) filed a letter with the Federal Communications Commission (FCC) to discuss the regulatory impacts and available alternatives in response to the FCC's proposed rule on "Universal Service Contribution Methodology." To assist the FCC in its analysis, Advocacy solicited input from small entities and urged the FCC to give careful consideration to the impact of the rule on small entities and alternatives that would minimize that impact. A complete copy of Advocacy's letter may be accessed at http://www.sba.gov/advo/laws/comments/.

- The FCC is seeking comment on how it should assess contributions to the Universal Service Fund (USF). Contributions to the USF are based on long distance telephone revenue. Telephone companies may contribute based on actual long distance telephone revenue, a traffic study analyzing the carrier's long distance traffic, or a safe harbor which uses a predefined percentage of total revenue as long distance. The FCC raised the safe harbor rate for wireless carriers from 28.5 percent to 37.1 percent and extended Universal Service obligations to interconnected Voice over Internet Protocol (VoIP) services, setting their safe harbor rate at 64.9 percent.

- As a guide to what issues the FCC should consider in the initial regulatory flexibility analysis Advocacy spoke with representatives of small telecommunications carriers and small interconnected VoIP providers and their representative and held a roundtable to discuss the small business implications of the plans. The small businesses identified several issues: the safe harbor rate for both wireless and VoIP providers, the reporting requirements for contributing to the USF, and the timeframe in which they had to comply. In its letter, Advocacy presented these issues to the FCC and asked the agency to consider their impact upon small businesses.

- Advocacy presented significant alternatives based on its outreach. These alternatives included: a lower safe harbor rate, removing the requirements for pre-approval of traffic studies, waiving penalties for incorrectly estimating future revenue, simplifying reporting forms, raising the de minimis exemption, or choosing a different contribution methodology.

- The Regulatory Flexibility Act and Executive Order 13272 require government agencies to analyze the impact of proposed and final rules on small entities and consider less burdensome alternatives. The initial analysis should be done at the same time as the proposed rule and should be issued concurrently with the proposal. Advocacy urged the FCC to consider the comments from small entities and consider the regulatory impact of reforming the intercarrier compensation regime.

For more information, visit Advocacy's website at http://www.sba.gov/advo/ or contact Eric Menge at (202) 205-6533.

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