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Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C.

In the Matter of	)	
	)	
Federal-State Joint Board	)	CC Docket No. 96-45
On Universal Service	)	(Report to Congress)

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JAN 27 1998

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**RESOLUTION FROM THE FEDERAL COMMUNICATIONS COMMISSION'S  
LOCAL AND STATE GOVERNMENT ADVISORY COMMITTEE**

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**Federal Communications Commission**  
**Local and State Government Advisory Committee**  
**Universal Service Resolution**  
**LSGAC Advisory Recommendation No. 10**

1. The Local and State Government Advisory Committee (LSGAC) acknowledges the work already done by the Commission. Congress has delegated many difficult tasks for consideration and action. Implementation of the new regulatory paradigm has created new opportunities for cooperation and joint effort between the Commission and the states. It has also created new challenges to the traditional state/federal regulatory relationship. The decision to establish the Local and State Government Advisory Committee is a positive step, reflecting the Commission's commitment to maintaining and strengthening the state/federal relationship.

2. There are many parts of the Universal Service final order which could be emphasized as being examples of sound policy which will advance the national goal of universal service. For example, the reform of the Lifeline Program, specifically making it operative in all jurisdictions, is a very positive step.

3. The LSGAC agrees with the Commission's statement that Universal Service decisions are in the interest of everyone. There is a benefit to both urban and rural areas when steps are taken to assure the affordability of telephone service in parts of the country where it would otherwise be more expensive. Expanding the number of people using advanced telecommunications services makes the network more valuable for everyone. However, this is only possible if the Universal Service Fund continues to be used as intended.

4. The budget and tax compromise agreed to by the White House and Congress includes the provision of a \$3 billion loan from the federal Universal Service Fund. This depletion of the Fund raises serious questions about its continued viability. We strongly encourage the Commission and Federal/State Joint Board to object to the use of the Universal Service Fund as a budget-balancing tool.

5. Low population density states have expressed grave concern over the Commission's decision to fund high-cost and low-income support solely through interstate resources, and to have federal support mechanisms only cover 25% of the calculated program cost. Delegating to the individual states the obligation to support 75% of the identified subsidy amount will lead to significant increases in rates for intrastate telephone services. This has the potential to undermine the basic principles of Universal Service.

Federal Communications Commission  
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6. High-cost and low-income support should be funded through both interstate and intrastate revenues administered at the national level, and this funding mechanism should address 100% of the identified subsidy requirement. Only through this approach can we achieve the national policy objective of ensuring that all Americans have access to affordable telecommunications services.

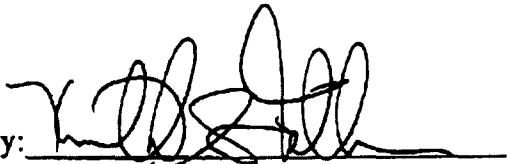
7. An additional consideration is the large number of rural and high cost areas in Indian Reservations and regions with large concentrations of Native American populations. The federal government's special responsibilities to Indian Tribal Nations requires inclusion of these areas in the 100 % subsidy level in order to insure viable service.

**Recommendations:**

- (1) The Commission should resist all efforts to use the Universal Service Fund as a budget-balancing tool.
- (2) The Commission should change its decision to require states to support 75% of the high cost subsidy and return to a national Universal Service Fund that provides 100% of the support required for high-cost and low-income areas.
- (3) The Commission should follow through on its plans to appoint a rural task force to advise on implementation in rural areas.
- (4) The Commission should continue the Federal/State Joint Board on Universal Service.

Respectfully submitted on this 27<sup>th</sup> day of January, 1998.

LOCAL AND STATE GOVERNMENT  
ADVISORY COMMITTEE

By:   
Kenneth S. Fellman  
Chairman