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**Federal Communications Commission
1919 - M Street, N.W.
Washington, D.C. 20554**

This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See MCI v. FCC, 515 F. 2d 385 (D.C. Cir. 1974).

Report No. CC 98-21

COMMON CARRIER ACTION

July 17, 1998

**FCC ASKS FEDERAL-STATE JOINT BOARD FOR RECOMMENDATIONS
REGARDING UNIVERSAL SERVICE SUPPORT FOR NON-RURAL
CARRIERS THAT SERVE HIGH COST AREAS
(CC Docket 96-45)**

In an Order released today, the FCC asked the Federal-State Joint Board on Universal Service for recommendations related to the amount of universal service support that non-rural telephone companies should receive for serving high cost areas. This Commission noted that further coordination with state regulators should provide valuable input that will enhance the development of universal service and competition policies.

Today's Order refers to the Joint Board issues that the state members of the Board had asked to review, and it requests that the Board issue a recommended decision on the designated issues by November 23, 1998. The Commission will then consider the Joint Board's recommendations before adopting a new mechanism for determining high cost support for non-rural carriers. In order to allow sufficient time for the Joint Board's deliberations and for the Commission to receive public comment on the Joint Board's recommendations, the Commission extended to July 1, 1999, the implementation date for the revised mechanism. In so doing, the Commission noted that the benefits of getting further input from the Joint Board justify the six-month extension. The Commission also emphasized that, during the extension period, there will be no change to the mechanism for determining universal service support for non-rural carriers (as well as rural carriers) that serve high cost areas; thus, existing levels of high cost support will be maintained, and consumers in high cost areas will continue to enjoy access to affordable telephone service.



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(over)

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The issues referred to the Joint Board include the following:

- oAn appropriate methodology for determining the amount of high cost support for non-rural carriers, including a method for distributing support among the states and, if applicable, the share of total support to be provided by federal mechanisms. The Commission asked, if the current "25/75" approach is maintained, under what circumstances a state or carrier should qualify to receive more than 25 percent of its total high cost support from federal support mechanisms.
- oThe extent to which federal universal service support should be applied to the intrastate jurisdiction. Along these lines, the Commission asked (a) whether and how interstate access charges should be reduced to reflect the extent to which federal universal service support removes subsidies that are currently implicit in interstate access charges, (b) whether and to what extent federal universal service policy should support state efforts to make intrastate support mechanisms explicit, and (c) questions concerning the relationship between the jurisdiction to which universal service funds are applied and the appropriate revenue base upon which contributions should be assessed.
- oTo what extent, and in what manner, is it reasonable for providers to recover universal service contributions through rates, surcharges, or other means.

Action by the Commission, July 13, 1998, by Order and Order on Reconsideration (FCC 98-160). Chairman Kennard, Commissioners Ness, Powell, and Tristani, with Commissioner Furchtgott-Roth concurring and issuing a separate statement.

-FCC-

News Media contact: Rochelle Cohen at (202) 418-0253.

Common Carrier Bureau contact: Chuck Keller at (202) 418-7380.