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Federal Communications Commission
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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. Circ 1974).

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FCC RESOLVES ISSUE OF UNUSED FUNDS FROM UNIVERSAL SERVICE PROGRAM

Action Ensures that USF Line Item on Phone Bills Remains Stable for the Immediate Future

Washington, D.C. – Today, the Federal Communications Commission (FCC) adopted an Order to ensure that the universal service fund (USF) line item on consumer telephone bills remains stable for the immediate future. Specifically, unused funds from the USF's schools and libraries program will be applied to stabilize the amount of contributions to USF for no more than the next three quarters, ending March 2003. Following that period, unused funds will be distributed to the schools and libraries program, increasing the funds available for the program.

The annual funding cap for the schools and libraries program is \$2.25 billion, and as of May 2002, the program has received over \$8.25 billion in funding commitments since its inception in 1998.

The framework adopted today for the treatment of unused funds for the schools and libraries program will provide predictability and stability to the universal service fund by making the USF line item on phone bills constant in the near term, while the FCC considers reforming how monies to support USF are collected. Currently, contributions to the USF are generally based on a telecommunications carrier's reported interstate revenues from the prior two quarters.

Over the last four years, overall demand on the universal service fund has grown considerably, rising from \$1.9 billion in 1997 to \$5.5 billion in 2002. At the same time, the universal service revenue base has become smaller, causing the contribution factor and therefore carrier contribution obligations to increase, and carriers have generally passed through much of these increases to their customer base.

Recognizing these trends, the FCC released a *Notice of Proposed Rulemaking (Notice)* in May 2001 and a *Further Notice of Proposed Rulemaking (Further Notice)* in February 2002 to seek comment on measures to ensure the long-term predictability and stability of the fund. It expects to take action on the proceeding and implement the changes adopted by April 1, 2003.

The Commission has noted the following market trends, which are having an impact on the current revenue base supporting USF:

- **New Entrants / Increased Competition** –To date, Regional Bell Operating Companies (RBOCs) have authority to provide in-region long distance service in 13 states. Additionally, for the first time, interstate telecommunications revenues declined in 2001.
- **Wireless Sector Growth / Technology Migration** – Subscribership to mobile services has increased from 55.3 million in 1997 to 109.5 million in 2001, and minutes of use have increased from 117 minutes per month to 255 minutes per month over the same time period.
- **Bundled Services** – Bundling, such as local and long distance, and telecommunications and non-telecommunications services, has implications for carriers' ability to distinguish and allocate revenue from these different services.

-FCC-

Docket No.: CC 02-6

Action by the Commission June 13, 2002, by Report and Order (FCC 02-175). Chairman Powell, approving in part, concurring in part, and issuing a statement; Commissioner Abernathy; Commissioner Copps issuing a statement; and Commissioner Martin approving in part, dissenting in part, and issuing a statement.

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