

CLIFF STEARNS

6TH DISTRICT, FLORIDA

WASHINGTON:

2306 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-0906
(202) 225-5744
FAX: (202) 225-3973
WEB: WWW.HOUSE.GOV/STEARNS

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TRANSATLANTIC LEGISLATORS' DIALOGUE

CHAIRMAN

October 27, 2011

The Honorable Julius Genachowski
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20515

1538

Dear Chairman Genachowski:

Today's reform of the high cost program – the largest and most wasteful part of the Universal Service Fund (USF) – is significant. Coupling this reform with changes to the agency's Intercarrier Compensation (ICC) program is an important step forward. However, the work of the Federal Communications Commission (FCC) is far from over.

As a Member of the House Energy and Commerce Committee, serving as the Chairman of the Subcommittee on Oversight and Investigations and senior member of the Subcommittee on Communications and Technology, I have a unique interest in how the FCC tackles reform. The role of the FCC, as all independent agencies, is to carry out the will of Congress pursuant to its statutory grant of authority. As overseers, we must ensure that the FCC is not overstepping its authority prescribed by Congress, which at times the agency has unfortunately done.

However, reforming the Fund is an important agency action that the Commission does have the authority to do. As reform to these programs was voted on today, I do not at this time comment on the merits of the FCC's order. Instead, I point out that reforming the contribution factor to the Fund is the next logical step.

The contribution factor is the percentage of interstate end-user revenues that telecommunication companies pay, ultimately passing on this cost to their consumers. This percentage changes quarterly based on the needs of the Universal Service programs. Through the years this percentage has witnessed unfettered growth. FCC reports indicate that in the past decade the factor has grown 2.3 times – from 6.7% in 2001 to 15.3% today. No other customer in the world pays the rates that American consumers pay. Therefore, if the Commission is serious about reform, it will now address the contribution factor to the Fund.

OCALA

115 S.E. 25TH AVENUE
OCALA, FL 34471
(352) 351-8777

GAINESVILLE

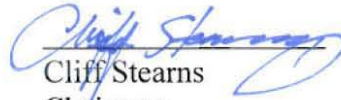
1900 S.W. 34TH STREET, #207
GAINESVILLE, FL 32608
(352) 337-0003

ORANGE PARK

1726 KINGSLEY AVENUE, #8
ORANGE PARK, FL 32073
(904) 269-3203

Thank you for your attention to my concerns, and I look forward to the Commission's prompt action on continued reform.

Sincerely,



Cliff Stearns
Chairman

Subcommittee on Oversight and Investigations

cc: Commissioner Michael Copps
Commissioner Robert McDowell
Commissioner Mignon Clyburn