

**STATEMENT OF  
COMMISSIONER JONATHAN S. ADELSTEIN**

*Re: Comprehensive Review of Universal Service Fund Management, Administration, and Oversight; Federal-State Joint Board on Universal Service; Schools and Libraries Universal Service Support Mechanism; Rural Health Care Support Mechanism; Lifeline and Link-Up; Changes to the Board of Directors for the National Exchange Carrier Association, Inc., Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, WC Docket No. 05-195, CC Docket No. 96-45, CC Docket No. 02-6, WC Docket No. 02-60, WC Docket No. 03-109, CC Docket No. 97-21, FCC 05-124.*

My commitment to universal service is based on the fundamental belief that a chain is only as strong as its weakest link. Our universal service programs strengthen the links in our communications network and, today, we open an important inquiry about how to reinforce and improve those programs. Although this Notice focuses on administrative, management and oversight issues, it touches on almost every operational detail of our universal service programs. Some of the wide-ranging proposals here give me pause, but the comprehensive nature of this item should demonstrate our commitment to the effectiveness and integrity of this already outstanding program.

Universal service has been the bedrock telecommunications of the past seventy years. Congress and the Commission recognized early on that the economic, social, and public health benefits of the telecommunications network are increased for all subscribers by the addition of each new subscriber. Universal service has played an important role in stimulating and maintaining the high levels of penetration that our country now enjoys, with benefits for all users of the network, no matter where they live.

Given these benefits, it is not surprising that Congress enshrined the principles of keeping our communities connected and ensuring that the latest advanced communications services reach all Americans in the Telecommunications Act of 1996. In the 1996 Act, Congress reaffirmed its commitment to connectivity for rural America and for low income consumers, but also made important additions to our universal service framework. Since its inception, the Schools and Libraries program has opened a world of new learning and opportunity for millions of school children and library patrons. The funding made possible through our Rural Health Care program has been crucial to the sustainability of many telemedicine programs and this program holds enormous potential to improve the quality of life in rural America.

To ensure continued success, we must remain committed to monitoring, auditing, reviewing and reinforcing this program. Part of that process is being responsive to criticisms of the Commission's management, and this item seeks comment on a wide-ranging set of proposals, some of which I find more attractive than others. It also means building on the many successes and positive improvements that the Commission and the universal service community have already made. Indeed, I appreciate very much the dedication of the service providers, contributors, beneficiaries, USAC employees, and dedicated Commission staff who have worked hard to make this program a success.

Among the more promising options here are the proposals to safeguard against waste, fraud, and abuse by expanding the scope of our disbarment rule, which prohibits bad actors from participating in the program. I'm glad that this item seeks comment on whether we should broaden the scope of our debarment rule to encompass entities that have been found guilty of civil and criminal violations beyond those associated with our universal service programs or entities that are shown to have engaged in clear patterns of abuse of our rules. I am also glad that the item seeks comment on applying different levels of sanctions for different violations.

While it is important that we strive to consistently improve our performance, we must also ensure that even well-intentioned reform efforts do not undermine the effectiveness of our universal service programs. So I am concerned about proposals to adopt overly formulaic approaches for our universal service programs. Allocating support based on formulas, like school size, may ignore critical differences in the cost to obtain services in rural parts of the country and may work against smaller or private schools that cannot achieve economies of scale. I'm particularly concerned that such approaches, or proposals to adopt multiple bid requirements or per-application caps for funding, would not provide sufficient support, as required by the Act, for schools, libraries, and consumers in rural areas.

As we seek to bolster our efforts to prevent waste and fraud, this Notice also provides an important opportunity for the Commission to clarify and improve our administrative processes for the benefit of all participants. In particular, I have heard considerable support for the proposal to adopt a streamlined application process for "priority one" services through our Schools and Libraries program. This Notice recognizes that there have been fewer problems with priority one services, in our experience. It's axiomatic that if we can target our efforts to prevent waste, fraud, and abuse more closely to high risk applications, we should be able to simplify our processes for those low risk areas. We should not engage in one-way ratcheting of our process or leave in place unnecessary obstacles for deserving applicants.

I would like to commend Chairman Martin and my colleagues for the collaborative process and efforts on this item. For this process to be successful, we must continue to draw on the cumulative expertise of all program participants. With the help of this intertwined community, we can further strengthen the program and ensure that it continues the positive strides that it has already made.