

FCC to propose revamping Universal Service Fund (Update)

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(AP) -- Federal regulators trying to bring high-speed Internet connections to all Americans will propose tapping the government program that now subsidizes telephone service in poor and rural areas.

The Federal Communications Commission will include a proposal to revamp the Universal Service Fund as part of a national broadband plan due to Congress on March 17. Although the proposal itself has been expected for months, Friday's announcement offered the first solid details.

The FCC said it envisions transforming the Universal Service program over the next decade to pay for high-speed Internet access instead of the traditional voice services that it currently finances. The proposal would create a Connect America fund inside the Universal Service program to subsidize broadband, and a Mobility Fund to expand the reach of so-called 3G, or third-generation, wireless networks.

"It's time to migrate this 20th-century program," said Blair Levin, the FCC official overseeing the broadband plan, which was mandated by last year's stimulus bill. "We need to move the current system from the traditional networks to the new networks."

The Universal Service Fund was established to ensure that all Americans have access to a basic telephone line. Today, the program subsidizes phone service for the poor, funds Internet access in schools and libraries and pays for high-speed connections for rural health clinics. But its

biggest function is to bring telephone service to remote, sparsely populated corners of the country, where it is uneconomical for the private companies to build networks.

Funding for the \$8-billion-a-year program comes from a surcharge that businesses and consumers pay on their long-distance bills. That revenue base is shrinking, placing the Universal Service Fund under mounting pressure even as the FCC seeks to use it to subsidize broadband.

The agency's plan will lay out several options to pay for the proposals it outlined Friday, including one that would require no additional money from Congress and one that would accelerate the construction of broadband networks if Congress approves a one-time injection of \$9 billion.

Either way, Levin stressed, the proposal would not increase the annual size of the Universal Service Fund, but rather would take money from subsidies now used for voice services.

The FCC would also seek to save money by subsidizing no more than one broadband provider in an areas. Some critics of the program have complained that wireless companies now overlay landline systems with new networks considered duplicative.

Levin said Connect America would not favor one technology over another, be it cable, DSL or wireless.

The FCC proposal also envisions revamping the multibillion-dollar "intercarrier compensation" system, the Byzantine menu of charges that telecom carriers pay to access each other's networks and connect calls. Any changes to the Universal Service Fund would also require changes to intercarrier compensation because rural phone companies tend to rely heavily on both funding sources.

The FCC's latest proposals will be part of a sweeping national roadmap for bringing universal, affordable broadband connections to all Americans.

Although the plan is due on March 17, the agency has already begun releasing details, including a proposal to make more wireless spectrum available for mobile broadband connections by letting television broadcasters and others voluntarily cede some airwaves.

Some of the proposals will likely require congressional action, while others might be up to the FCC to implement.

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