American Council on Education

ACE®

Office of the President

October 28, 2008

The Honorable Kevin J. Martin
Chairman
Federal Communications Commission
445 12th Street, SW, Room 8-B201
Washington, DC 20554

The Honorable Michael J. Copps
Commissioner
Federal Communications Commission
445 12th Street, SW, Room 8-B115
Washington, DC 20554

The Honorable Jonathan S. Adelstein
Commissioner
Federal Communications Commission
445 12th Street, SW, Room 8-A302
Washington, DC 20554

The Honorable Deborah Taylor Tate
Commissioner
Federal Communications Commission
445 12th Street, SW, Room 8-A204
Washington, DC 20554

The Honorable Robert M. McDowell
Commissioner
Federal Communications Commission
445 12th Street, SW, Room 8-C302
Washington, DC 20554

Re: Re: Universal Service Contribution Methodology
WC Docket No. 06-122
Federal-State Joint Board on Universal Service
CC Docket No. 96-45
Written Ex Parte Communication

Dear Commissioners:

Pursuant to Section 1.1206 of the commission's rules, 47 C.F.R. § 1.1206, the American Council on Education (ACE), representing over 1,800 colleges and universities, and the higher education associations listed below hereby submit this *ex parte* presentation in the above-referenced dockets in response to recent reports that the commission is considering changes to the current system for determining contributions to the federal universal service fund. For the reasons indicated below, we support the proposal that was provided for the commission's consideration by Chairman Martin last week, and urge the commission to reject the AT&T/Verizon proposal to adopt a contribution methodology that bases the amounts of contributions solely on telephone number assignments.

As many in the higher education community have said before, our associations strongly support the underlying goals of the federal universal service program. While institutions of higher education typically do not receive universal service funding, many of them benefit from the current programs because they are located in rural, high-cost areas, because they provide distance learning and other services to schools and libraries that receive funding for the underlying telecommunications services or because they participate in the rural health care program. We also recognize the importance of ensuring that there is sufficient funding to meet those goals. Indeed, the Association for Information Communications Technology Professionals in Higher Education (ACUTA), has calculated that colleges and universities already contribute close to $60 million a year to the universal service fund.

ACE and the other associations listed below also understand the concerns that have led the commission to consider modifying the current universal service contribution methodology. However, any changes to that methodology must account for the impact those changes could have on users of telecommunications services, particularly any undue or disproportionate increases in universal service contributions that could be imposed on specific types of users.

The chairman's proposal, as it has been reported, would address those concerns. We understand that the proposal has three elements: (1) adoption of a numbers-based contribution methodology for residential customers; (2) maintenance of the current revenue-based contribution methodology for business customers; and (3) issuance of a notice of proposed rulemaking to consider possible changes to the methodology for business customers, including higher education institutions. We submit that it is particularly important for the commission to conduct an in-depth analysis of potential changes to the business customer contribution methodology because changes to that methodology have the potential to impose radical shifts in the burden of universal service from one group of customers to another. Such disruptions would be harmful both to customers and to the underlying carriers.

For instance, ACUTA has calculated (using the AT&T/Verizon estimated fee of $1.00 per number per month) that a contribution methodology that relies entirely on assigned numbers would increase the average universal service expenses for a college or university to nearly eight times the current level, or about $100,000 annually for the typical higher education institution and approximately $450 million annually for the college and university community as a whole. Other customers, like colleges and universities, that have been assigned large quantities of telephone numbers also would be subject to large increases in universal service costs. The potential rate shock caused by a shift to a number-based methodology is sufficient reason, by itself, to reject this approach.

Similarly, the commission should reject the most recent proposal by AT&T and Verizon for a modified numbers-based methodology.[1] The new AT&T/Verizon proposal would reduce the burden of numbers-based contributions only slightly, from $1.00 per number per month to $0.85 per number per month, but would add new charges for each dedicated connection. As a practical matter, these changes would not reduce the burdens that a numbers-based contribution methodology would impose on colleges and universities and could increase the burden of universal service contributions for many institutions.[2]

The potential impacts of an eight-fold increase in universal service contributions are heightened by changes since 2005 and 2006, when ACE and other representatives of higher education first addressed this issue at the commission.[3] In the current economic environment, and particularly with colleges and universities facing increasing costs and declining revenues from state coffers or investment income, there are few opportunities available to recover higher universal service costs. Consequently, it is likely that colleges and universities would address any significant increase in universal service costs by reducing their use of telecommunications services. Given the central role that telecommunications now plays on college and university campuses, any such cutbacks would have a detrimental impact on students, faculty and staff, and would damage important elements of the educational mission. As ACE explained in its 2006 letter to the commission, telecommunications services link students, faculty, administration, families and the public, and also fulfill essential public safety functions, including providing access to emergency health, law enforcement and firefighting services. Increased costs could have an even more dramatic impact on efforts to upgrade telecommunications infrastructure[4] and introduce new research networks like Internet2 to ensure the most advanced learning environment available.

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[1] Letter of Mary L. Henz, AT&T Services, Inc., and Kathleen Grillo, Verizon, to Marlene Dortch, Secretary, FCC, WC Docket No. 06-122, CC Docket No. 96-45, dated Oct. 20, 2008.

[2] AT&T and Verizon also propose that the Commission agree to a process for users that are harmed by changes in the contribution methodology to obtain some form of relief. However, the AT&T/Verizon proposal would require a further rulemaking, and there is no guarantee that relief would become available, let alone that it would address the issues faced by colleges and universities under a numbers-based methodology.

[3] *See, e.g.,* Letter of David Ward, President, American Council on Education, to Marlene Dortch, Secretary, FCC, CC Docket No. 06-45, dated March 16, 2006.

[4] The increased costs resulting from an entirely numbers-based methodology therefore could adversely affect institutions obligations under the Higher Education Opportunity Act to deploy “state-of-the-art” campus emergency communications systems employing “multiple technologies. . . .”

All of these concerns would be avoided by retaining the current revenue-based contribution methodology for business customers. Given the potential impact of adopting a numbers-based methodology on colleges and universities, as well as other customers, and the availability of an option that does not impose that harm, we submit that the prudent course for the commission is to maintain revenue-based contributions for business customers until an equitable alternative can be devised.

Respectfully submitted,

Molly C. Broad

Molly Corbett Broad
President

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On behalf of:
American Association of Community Colleges
American Association of State Colleges and Universities
American Council on Education
American Dental Education Association
Association of American Universities
Association of Catholic Colleges and Universities
Association of Community College Trustees
Association of Governing Boards
Association of Jesuit Colleges and Universities
Council of Independent Colleges
EDUCAUSE
Hispanic Association of Colleges and Universities
National Association of College and University Business Officers
National Association of Independent Colleges and Universities
National Association of State Universities and Land-Grant Colleges
National Association of Student Financial Aid Administrators

cc: Daniel Gonzalez, Scott Deutchman, Greg Orlando, Dana Shaffer, Jeremy Marcus, Alexander Minard, Cindy Spiers, Amy Bender, Scott Bergmann, Nicholas Alexander, Donald Stockdale, Jennifer McKee, Carol Pomponio, James Lande, Office of the Secretary (4 copies)