

**Written Statement of  
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**“Universal Service: Transforming the High-Cost Fund for the Broadband Era”  
Hearing before the  
Senate Commerce Committee  
June 24, 2010**

Chairman Rockefeller, Ranking Member Hutchison, Members of the Committee, thank you for the opportunity to testify today on the National Broadband Plan’s recommendations to overhaul the Universal Service Fund to support broadband. I cannot think of a more timely and challenging issue, and I am pleased that the Committee has turned its attention in this direction. It is essential that we both ensure that all Americans have meaningful access to broadband and employ a mechanism that makes the most out of every dollar contributed to the Fund.

In the Recovery Act, Congress required that the Commission develop a National Broadband Plan that ensures “all people in the United States have access to broadband capability.” Congress also sought a detailed strategy for achieving broadband affordability and maximum utilization of broadband infrastructure; an evaluation of the status of broadband deployment; and the advancement of public purposes such as community development, health care delivery, energy independence, education, and job creation.

The Commission staff worked tirelessly over an eight month period to put together a comprehensive plan that addressed Congress’s aims. Although the Commissioners did not vote on whether to approve the Plan itself, at our March meeting we unanimously agreed on six broadband principles to guide our work. Three of those principles are most applicable for this hearing today, and I believe these are central in our quest to reform universal service.

First, every American should have a meaningful opportunity to benefit from the broadband communications era—regardless of geography, race, economic status, disability, residence on tribal land, or degree of digital literacy.

Second, the nearly \$9 billion Universal Service Fund and the intercarrier compensation system should be comprehensively reformed to increase accountability and efficiency, encourage targeted investment in broadband infrastructure, and emphasize the importance of broadband to the future of these programs.

Third, ubiquitous and affordable broadband can unlock vast new opportunities for Americans, in communities large and small, with respect to consumer welfare, civic participation, public safety and homeland security, community development, health care delivery, energy independence and efficiency, education, worker training, private sector investment, entrepreneurial activity, job creation and economic growth, and other national purposes.

If there is one thing that I have heard repeatedly since Commissioner Baker and I first appeared before you last July, it is that, as a whole, the Universal Service Fund is broken and in

dire need of repair. It has not served all of the people it was designed to serve, it has become antiquated, and it has been subject to waste, fraud, and abuse.

As a Commissioner who has lived and worked nearly her entire life in a rural state, I am intimately familiar with the challenges faced by those communities. The current universal service fund has worked for some rural areas, but not all. Mr. Chairman, as you know all too well, we need look no further than West Virginia as an area that is in need of improvement. West Virginia ranks 48<sup>th</sup> for the number of households that subscribe to broadband, with only 47% subscribing as of December 2008, yet it is 20<sup>th</sup> for receipt of net USF funds and 31<sup>st</sup> in high-cost support.

Without modern communications systems, the economic viability of rural areas is in doubt. To fully participate in our 21<sup>st</sup> Century economy, all consumers—no matter where they live in our great nation—must have access to broadband technology. Yet, 14-24 million Americans do not even have access to broadband at home.

Without broadband at home, families are placed at a significant disadvantage. Children cannot use high-speed Internet to complete their homework, enhance their educational opportunities through distance learning, or apply for college online. Parents cannot apply for jobs that require online applications, and they cannot access many other services and critical information that is only available online. For those families, it matters little whether broadband is available to 95% of Americans. What matters to them is that broadband is not available at *their* home.

By overhauling the Universal Service Fund to explicitly support broadband, the National Broadband Plan proposes to connect 99% of American homes within 10 years and without increasing the overall size of the fund. The Plan proposes to phase in the new rules so that service providers and investors will have time to adjust to the new regime and providers that currently rely on universal service funding can make the migration successfully.

We are at the outset of that process. In April, the Commission released a Notice of Inquiry and Notice of Proposed Rulemaking to begin its consideration of the Plan's recommendations. In these notices, the Commission is considering a wide range of issues, including, but not limited to, the broader use of economic models, employing a competitive procurement auction, and evaluating various proposals to shift legacy high-cost support to a broadband fund.

This proceeding is just one of many to come. The Chairman has proposed an ambitious schedule for us to consider a number of the USF reform proposals in the National Broadband Plan. For example, we will be considering the creation of a Connect America Fund, a Mobility Fund, contributions, and intercarrier compensation reform. We will also be addressing the extension of Lifeline and Linkup to broadband. Our work is certainly cut out for us.

In my view, everything should be on the table. Universal service reform is often discussed but rarely tackled. It will take enormous personal and political will. But we simply cannot afford to wait any longer.

There is no doubt that this process will require us to make difficult choices. Outside of any significant increases in the Fund, we are going to have to find ways to make more out of

what we already have. Inevitably, some companies that receive a certain level of support may no longer retain that level of support. Others who have not had support, may now receive it. Our aim should not be to please any one company; but rather, to ensure that the American people – *all* of the American people – have meaningful access to essential service.

In order to arrive at the best possible result, we are going to need input from all stakeholders—providers, legislators, State regulators, RUS, and consumers. I am eager to work with the Committee both individually and as a whole in order to achieve a more robust and efficient universal service regime. We must proceed in a thoughtful way to ensure that we are preserving the current availability of voice and broadband services to consumers, while expanding the availability of those services to unserved areas.

Thank you very much for inviting me and my colleagues to appear before you today. I look forward to answering any questions you may have.