

**STATEMENT OF
COMMISSIONER ROBERT M. McDOWELL**

Re: High-Cost Universal Service Support, Federal-State Joint Board on Universal Service, Alltel Communications, Inc., et al. Petitions for Designation as Eligible Telecommunications Carriers, RCC Minnesota, Inc. and RCC Atlantic, Inc. New Hampshire ETC Designation Amendment, WC Docket No. 05-337, CC Docket No. 96-45.

I support this Order imposing an interim cap on the Universal Service High Cost Fund. Since becoming a commissioner, I have maintained that controlling the growth of the fund should be the Commission's first priority. Like an unabated fever, expenditures from this fund continue to spike out of control. Ultimately, it is consumers who pay for these unbridled escalations. While the Commission works toward broader and permanent reform, it is our duty to enact a temporary measure to instill fiscal discipline.

For a time, it appeared as though the runaway growth of the fund was slowing. After a spike in the contribution factor to 11.7 percent for the second quarter of 2007, the factor declined steadily to 10.2 percent for the first quarter of 2008. However, the contribution factor is on the increase again, to 11.3 percent for the second quarter of 2008, as announced by the Commission's Office of Managing Director on March 14. Funding for competitive eligible telecommunications carriers (CETCs) is increasing at a rate of roughly \$150 million per year, and some estimate that the CETC funding level could reach as high as \$1.4 billion by 2009, if left unchecked. Moreover, this estimate does not even take into account the additional potential increase in demand for CETC funding to build out AWS and 700 MHz spectrum when services on those frequencies come on line.

As a result of our order, the fund is frozen at March 2008 levels. Additionally, I support an exception for all of the providers serving tribal lands across the country, and Alaska Native lands – some of the most under-served parts of America. This limited exception will ensure that companies operating in these remote areas will continue to receive high-cost support to provide their services while we move toward a permanent solution. Furthermore, these terms do not favor any specific provider.

I look forward to pursuing comprehensive reform of the Universal Service system as quickly as possible. The Commission has a rare opportunity to enact permanent reform this year, and I am encouraged by the Chairman's pledge to forge ahead. As always, I will work closely with my colleagues, Congress, industry, and consumers toward this end.