

**Calendar No. 809**108TH CONGRESS  
2D SESSION**S. 1380**

To distribute universal service support equitably throughout rural America,  
and for other purposes.

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**IN THE SENATE OF THE UNITED STATES**

JULY 19, 2004

Mr. SMITH (for himself, Mr. BAYH, Mr. ALLEN, Mr. CRAPO, Mr. HAGEL, Mr. COLEMAN, Mr. BENNETT, Mr. HATCH, Mr. ENZI, Mr. THOMAS, Mr. FITZGERALD, Mr. MCCAIN, Mr. ALLARD, Mr. KYL, Mr. GRASSLEY, Mr. WYDEN, Mr. JOHNSON, Ms. STABENOW, Mr. BROWNBACK, Mr. LEVIN, Mr. CRAIG, Mr. DASCHLE, Mrs. MURRAY, Mr. LUGAR, Mr. BAUCUS, Mr. DOMENICI, Mr. CAMPBELL, Mr. ROBERTS, Mr. REID, Mr. DAYTON, Mr. WARNER, Mr. INHOFE, and Mrs. HUTCHISON) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

NOVEMBER 19, 2004

Reported by Mr. MCCAIN, without amendment

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**A BILL**

To distribute universal service support equitably throughout  
rural America, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2       This Act may be cited as the “Rural Universal Serv-  
3 ice Equity Act of 2003”.

4 **SEC. 2. FINDINGS AND PURPOSE.**

5       (a) FINDINGS.—Congress makes the following find-  
6 ings:

7           (1) The Federal Communications Commission’s  
8 high cost program for certain carriers provides no  
9 Federal support to 42 States.

10          (2) Federal universal service support should be  
11 calculated and targeted to small geographic regions  
12 within a State to provide greater assistance to the  
13 rural consumers most in need of support.

14          (3) Local telephone competition and emerging  
15 technologies are threatening the viability of Federal  
16 universal service support.

17       (b) PURPOSES.—The purposes of this Act are as fol-  
18 lows:

19           (1) To begin consideration of universal service  
20 reform.

21           (2) To spread the benefits of the existing Fed-  
22 eral high cost support mechanism more equitably  
23 across the nation.

1 **SEC. 3. COMPTROLLER GENERAL REPORT ON NEED TO RE-**  
2 **FORM HIGH COST SUPPORT MECHANISM.**

3 Not later than one year after the date of the enact-  
4 ment of this Act, the Comptroller General shall submit  
5 to Congress a report on the need to reform the high cost  
6 support mechanism for rural, insular, and high cost areas.  
7 As part of the report, the Comptroller General shall pro-  
8 vide an overview and discuss whether—

9 (1) existing Federal and State high cost sup-  
10 port mechanisms ensure rate comparability between  
11 urban and rural areas;

12 (2) the Federal Communications Commission  
13 and the States have taken the necessary steps to re-  
14 move implicit support;

15 (3) the existing high cost support mechanism  
16 has affected the development of local competition in  
17 urban and rural areas; and

18 (4) amendments to section 254 of the Commu-  
19 nications Act of 1934 (47 U.S.C. 254) are necessary  
20 to preserve and advance universal service.

21 **SEC. 4. ELIGIBILITY FOR UNIVERSAL SERVICE SUPPORT**  
22 **FOR HIGH COST AREAS.**

23 Section 254 of the Communications Act of 1934 (47  
24 U.S.C. 254) is amended by adding at the end the following  
25 new subsection:

1       “(m) UNIVERSAL SERVICE SUPPORT FOR HIGH COST  
2 AREAS.—

3               “(1) CALCULATING SUPPORT.—In calculating  
4 Federal universal service support for eligible tele-  
5 communications carriers that serve rural, insular,  
6 and high cost areas, the Commission shall, subject  
7 to paragraphs (2) and (3), revise the Commission’s  
8 support mechanism for high cost areas to provide  
9 support to each wire center in which the incumbent  
10 local exchange carrier’s average cost per line for  
11 such wire center exceeds the national average cost  
12 per line by such amount as the Commission deter-  
13 mines appropriate for the purpose of ensuring the  
14 equitable distribution of universal service support  
15 throughout the United States.

16               “(2) HOLD HARMLESS SUPPORT.—In imple-  
17 menting this subsection, the Commission shall en-  
18 sure that no State receives less Federal support cal-  
19 culated under paragraph (1) than the State would  
20 have received, up to 10 percent of the total support  
21 distributed, under the Commission’s support mecha-  
22 nism for high cost areas as in effect on the date of  
23 the enactment of this subsection.

24               “(3) LIMITATION ON TOTAL SUPPORT TO BE  
25 PROVIDED.—The total amount of support for all

1 States, as calculated under paragraphs (1) and (2),  
 2 shall be equivalent to the total support calculated  
 3 under the Commission's support mechanism for high  
 4 cost areas as in effect on the date of the enactment  
 5 of this subsection.

6 “(4) CONSTRUCTION OF LIMITATION.—The lim-  
 7 itation in paragraph (3) shall not be construed to  
 8 preclude fluctuations in support on the basis of  
 9 changes in the data used to make such calculations.

10 “(5) IMPLEMENTATION.—Not later than 180  
 11 days after the date of the enactment of this sub-  
 12 section, the Commission shall complete the actions  
 13 (including prescribing or amending regulations) nec-  
 14 essary to implement the requirements of this sub-  
 15 section.

16 “(6) DEFINITION.—In this subsection, the term  
 17 ‘Commission's support mechanism for high cost  
 18 areas’ means sections 54.309 and 54.311 of the  
 19 Commission's regulations (47 CFR 54.309, 54.311),  
 20 and regulations referred to in such sections.”.

21 **SEC. 5. NO EFFECT ON RURAL TELEPHONE COMPANIES.**

22 Nothing in this Act shall be construed to affect the  
 23 support provided to an eligible telecommunications carrier  
 24 under section 214(e) of the Communications Act of 1934

- 1 (47 U.S.C. 214(e)) that is a rural telephone company (as
- 2 defined in section 3 of such Act (47 U.S.C. 153)).



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