

# Grappling with Unpredictable and Catastrophic Telephone Costs

By Howard Fienberg, MRA

When was the last time you looked at all the taxes and fees on your organization's phone bill? Most are simple flat monthly rates or established and unchanging fees. But there is one fee that is a percentage of your long distance bill and floats freely every three months. It could cost you hundreds of dollars one month and thousands of dollars the next. It is the Universal Service Fund (USF) fee, usually a line item called "Federal Universal Service Fee" or "Universal Connectivity Fee" on your telephone bill.

### Background

The USF was originally established to subsidize phone service for consumers with low incomes and those living in remote areas where telephone service provision costs were high. It expanded in the 1990s to subsidize access for schools and libraries and rural healthcare providers to Internet connections and information technology. Congress has considered further expansions to ensure rural, educational and healthcare access to advanced technologies and broadband.

Telecommunications companies providing interstate phone service – including wireline phone companies, wireless phone companies, paging service companies and certain Voice over Internet Protocol (VoIP) providers – must contribute. Most companies pass their contribution costs through to customers as a percentage of their long distance usage. The USF "Contribution Factor," which is the percentage of interstate End-User revenue that telecom companies must pay, changes quarterly depending on the needs of the programs, as determined by the Universal Service Administration's quarterly filings with the Federal Communications Commission (FCC). Congress has no direct role in the size of the USF or the fees.

In the second quarter of 2000, the USF fee was 5.7 percent, but has since grown to 11.4 percent (in the last quarter of



2008).

How the Universal Service Fund is supported financially has been in question due to new technology and what the future holds for the program. In 2007-08, Congress and the FCC discussed reforming the USF programs and funding mechanisms, but did not come close to any agreement or solution.

### The USF and Survey and Opinion Research

While the survey and opinion research profession – which serves as an ombudsman for the American public – conducts research across a wide variety of media and modes, the telephone remains an important tool. Therefore, MRA opposes the imposition of the Universal Service fees (USF) as a pass-through charge to telephone users.

Although MRA remains agnostic on the USF itself, we support efforts to limit the growth of the fund and the programs

it serves. This is because such an unfair proportion of the cost in the current funding arrangement falls directly on so much of our membership.

MRA also advocates making the determination of the "Contribution Factor" an annual change instead of the current quarterly one, which will allow for telephone users to better prepare for the costs on their phone bills.

The quarterly changes can be quite drastic, and make it exceedingly difficult for telephone consumers to account for in their own annual budgeting. For example, witness the erratic changes to the contribution factor in the last two years:

- 9.7 percent in the first quarter of 2007
- 11.7 percent in the second quarter of 2007
- 11.3 percent in the third quarter of 2007
- 11 percent in the fourth quarter of 2007
- 10.2 percent in the first quarter of 2008

- 11.3 percent in the second quarter of 2008

- 11.4 percent in the third and fourth quarters of 2008

The dramatic fluctuations in the USF fee have a minimal impact on an ordinary telephone user's phone bill. However, on the bill of a survey and opinion research company that does a considerable amount of interstate calling to conduct its surveys, those changes can be dramatic, and in some cases, catastrophic. Quarterly changes make it next to impossible to budget and set a cost structure for research. This is why MRA has advocated, and will continue to advocate, before the FCC and Congress that the fee determination should be simplified and made annual instead of quarterly.



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## For More Information

- FCC Fact Sheet:  
[www.fcc.gov/cgb/consumerfacts/universalservice.html](http://www.fcc.gov/cgb/consumerfacts/universalservice.html)
- USF Contribution Factor (current and historical):  
[www.fcc.gov/omd/contribution-factor.html](http://www.fcc.gov/omd/contribution-factor.html)

For more information on the size of the USF and the use of the money:

- "The Cap the Fund campaign": [www.capthefund.org](http://www.capthefund.org)
- Cato Institute: [www.cato.org/pubs/pas/pa-310.html](http://www.cato.org/pubs/pas/pa-310.html)

For more information on which telecommunications companies should or should not have to contribute to the USF or how much, visit:

- CTIA: [www.ctia.org/advocacy/policy\\_topics/topic.cfm/TID/21](http://www.ctia.org/advocacy/policy_topics/topic.cfm/TID/21)
- Keep USF Fair:  
<http://keepusffair.org/KeepUSFFair/homepage.html>

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