



USF 101

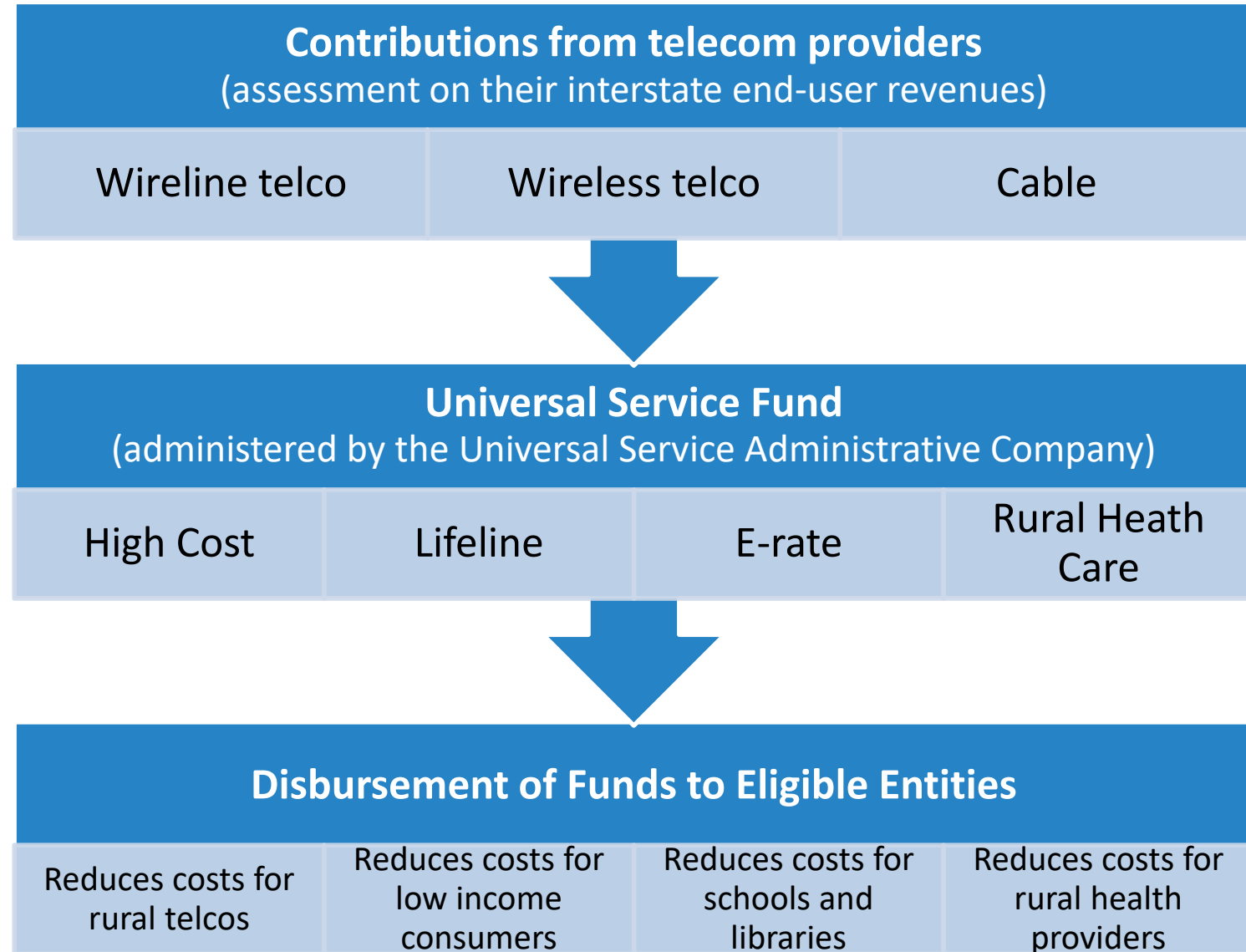
December 2017

Presented by: Allison Baker



The Universal Service Fund

- Historic commitment
- Congress expanded in the Telecommunications Act of 1996
- Statutory Goals
 - Promote **availability of quality services** at just, reasonable, and affordable rates **for all consumers**
 - Provide **nationwide access** to advanced telecommunications and information services
 - Require equitable and non-discriminatory **contributions from all telecom providers**

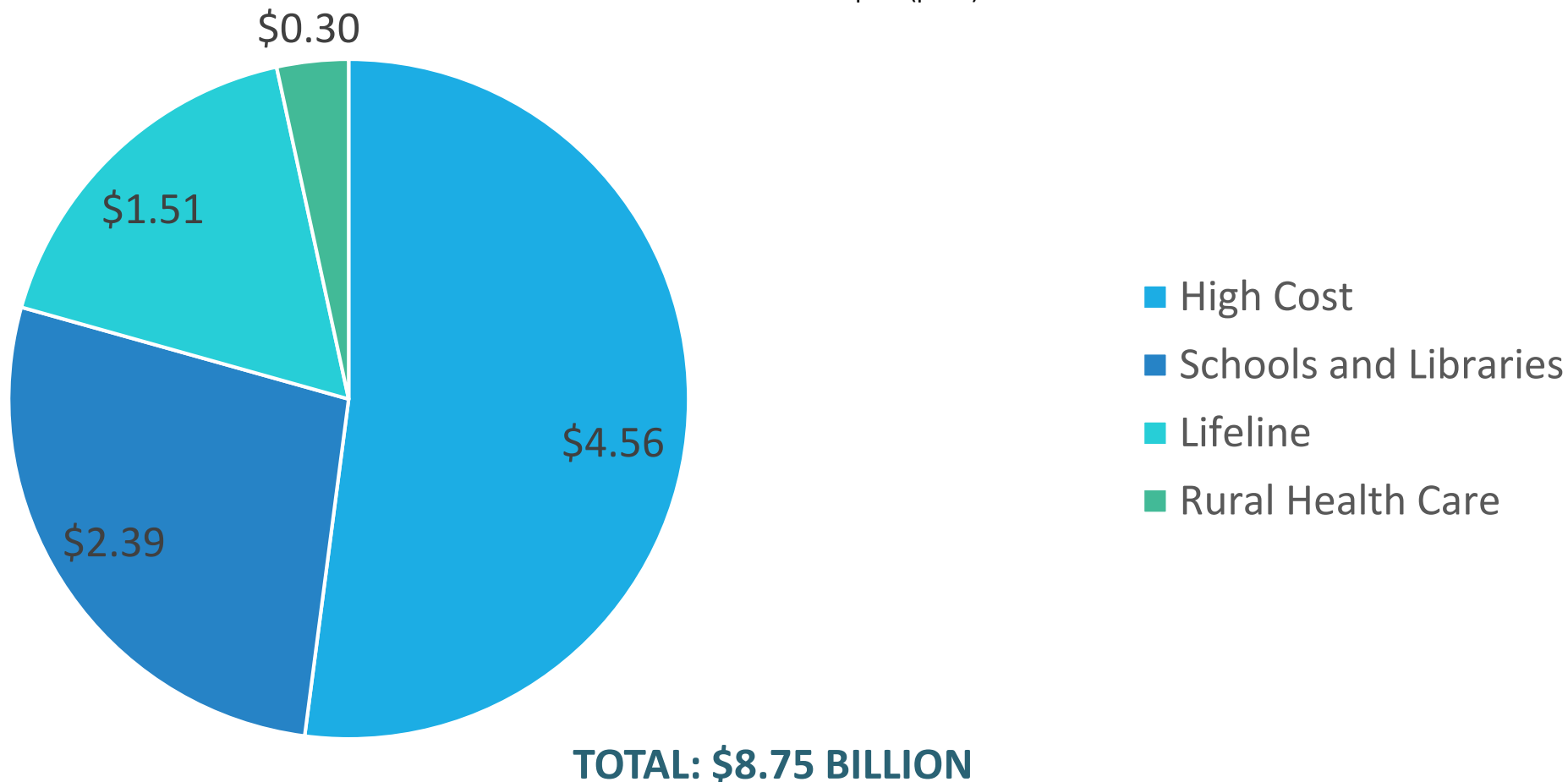




USF Disbursements

2016 Approved Disbursements by Program (in \$B)

Source: USAC 2016 Annual Report (p. 51)





USF Reform

All USF programs reformed between 2010-2016

- Updated to reflect modern broadband communications
- Emphasis on efficiency, accountability, and fiscal responsibility

High Cost

- October 2011
- April 2014
- December 2014
- March 2016
- August 2016
- October 2016
- December 2016
- March 2017

E-rate

- September 2010
- July 2014
- December 2014

Lifeline

- January 2012
- March 2016
- November 2017

Rural Health Care

- December 2012

Proposal on the
December 2017
Open Commission
Meeting Agenda



Connect America Fund Overview

- Objectives

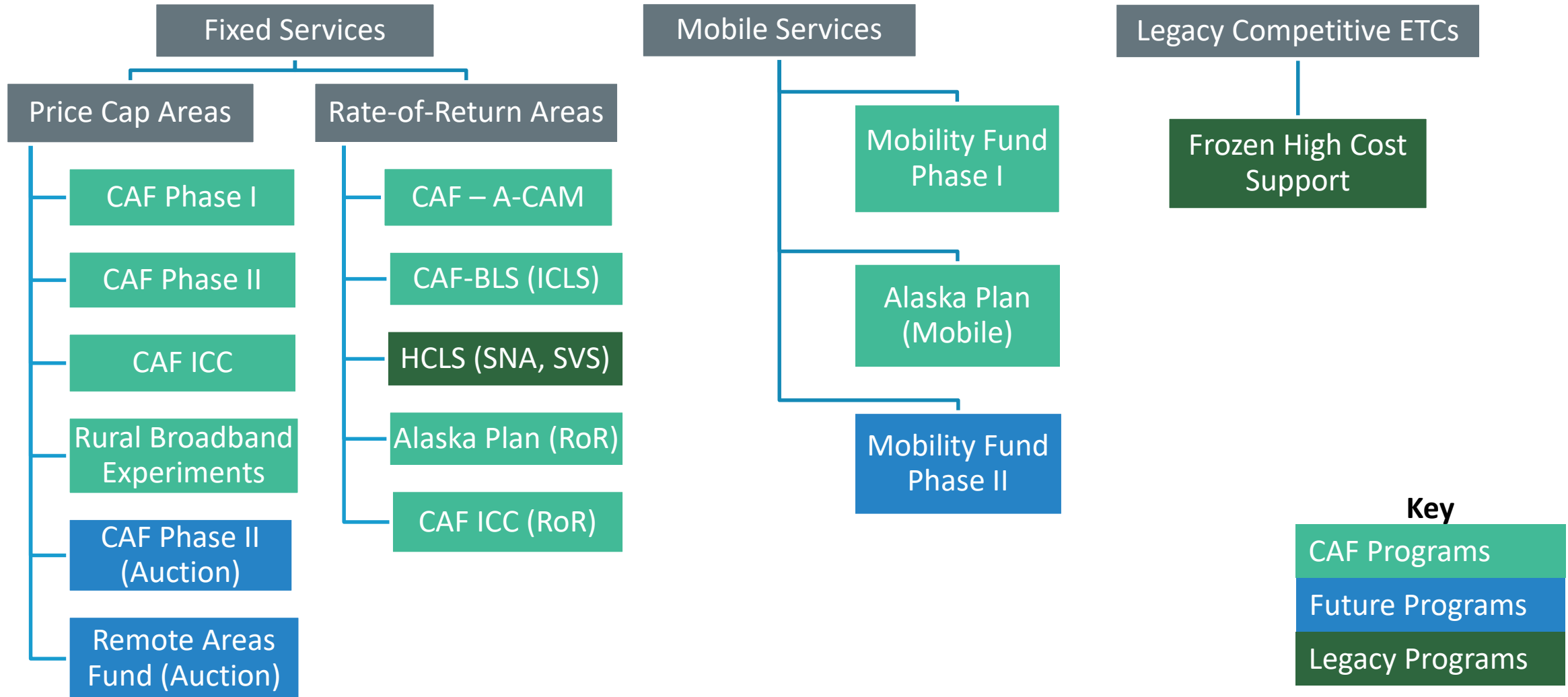
- Expansion of broadband to unserved rural areas
- Maintain voice and broadband service in high cost areas at rates reasonably comparable to urban areas
- Reforms adopted in 2011 to eliminate inefficiency and control costs

- Policy Innovations

- No subsidy for areas served by unsubsidized competitor (e.g., cable)
- Dedicated support for high cost areas and mobile service
- Competitive bidding (reverse auctions)
- Budget for CAF support
- Public interest obligations for CAF recipients (speed, latency, and capacity)
- Reporting requirements and consequences for failure to meet obligations



Connect America Fund Components





Lifeline Program Overview

- Established in 1985 by the FCC and mandated by Congress in the Telecommunications Act of 1996
- Federal program that lowers the monthly cost of phone and internet for qualified low income consumers
 - Program qualification based on income or participation in a qualifying assistance program (e.g., SNAP, Medicaid, SSI, Public Housing Assistance)
 - Basic support amount is \$9.25 per month and up to \$34.25 for consumers living on Tribal lands
- Emphasis on reducing waste, fraud, and abuse through audits of service providers, monitoring of trends, changes to program rules, active enforcement of rule violations, etc.



Lifeline Program Key Changes

2012 Order

- Established database to eliminate individual and household duplicates
- Require proof of eligibility upon enrollment
- Annual recertification

2016 Order

- Support for broadband
- Minimum service standards
- Established National Verifier
- Streamlined eligibility criteria
- Established budget mechanism of \$2.25 million for FY2017

2017 Order

- Target enhanced support to rural Tribal lands
- Eliminate port freeze
- Clarify that premium Wi-Fi does not qualify

FCC seeks comments on items raised in the NPRM and NOI



E-rate Program Overview

- Established by Congress in the Telecommunications Act of 1996 with the goal of ensuring schools and libraries have affordable access to high-speed broadband, telecommunications services, and internal connections
- Allows eligible elementary and secondary schools, libraries, and consortia to request discounts for:
 - Category One: Services needed to support connectivity *to* schools and libraries
 - Category Two: Services needed to support connectivity *within* schools and libraries
- Discounts range from 20-90% of the cost of the service based on:
 - Percentage of students eligible for the National School Lunch program
 - Urban/rural status
 - Type of service



Requesting E-rate Support

- **Funding Year:** July 1 – June 30
- **Annual Funding Cap:** \$3.9 billion (adjusted for inflation)
- **Competitive Bidding**
 - Applicants must publicly seek competitive bids on eligible services using Form 470
 - Applicants must select the most cost effective service offering, using price as the primary factor in bid selection
- **Application for Funding**
 - Applicants submit funding requests for eligible services using Form 471
 - Applications are reviewed for compliance by USAC
- **Invoicing**
 - Applicants must pay non-discounted share of services
 - Reimbursement can go to applicant or service provider depending on payment structure



Rural Health Care Programs Overview

Funding Year: July 1 – June 30

Annual Funding Cap: \$400 million

Healthcare Connect Fund

- Established in 2012
- Supports telecommunications services and internet access for eligible Health Care Providers and HCP-owned infrastructure

Telecommunications Program

- Established in 1997
- Funds urban/rural rate difference for telecommunications services for Health Care Providers

Pilot Program

- Supports 50 statewide and regional broadband HCP networks
- Participants are transitioning to the Healthcare Connect Fund program



Eligible Entities and Key Features of HCF

To be eligible, an HCP must be public or not-for-profit and belong to one of these statutory categories:

- Post-secondary educational institutions
- Teaching hospitals or medical schools
- Community health or migrant health centers
- Local health departments or agencies
- Community mental health centers
- Hospitals
- Rural health clinics
- Skilled nursing facilities
- Consortia of the above

- Both consortium and individual HCPs may apply
 - Non-rural HCPs can participate if in majority-rural consortium
- 65% discount rate
 - Telecommunications services
 - Internet access
 - HCP-owned infrastructure
 - Connections to off-site admin offices and data centers
- Multi-year funding commitments are available to consortia



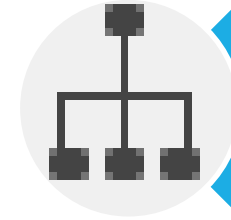
Contributions Overview

- Background from Section 254(d) of the Telecommunications Act of 1996
 - All telecommunications service providers **must** contribute to the USF
 - FCC **may** require contributions from “other providers of interstate telecommunications” if the public interest so requires
- Current Methodology
 - Assesses interstate and international end-user telecommunications revenues; excludes wholesaler revenues
 - Voice (landline, wireless, cable, interconnected VoIP)
 - Business telecommunications services
 - Providers may pass through USF charges to customers as a separate line item
 - Contribution factor announced quarterly based on projected demand for the fund and projected assessable revenues
 - Contributions are assessed monthly on providers

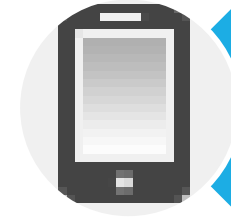


Recap: USF Goals

- Promote **availability of quality services** at just, reasonable, and affordable rates **for all consumers**
- Provide **nationwide access** to advanced telecommunications and information services
- Require equitable and non-discriminatory **contributions from all telecom providers**



CAF



Lifeline



E-rate



Rural Health
Care