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

Contributions from telecom providers
(assessment on their interstate end-user revenues)

<table>
<thead>
<tr>
<th>Wireline telco</th>
<th>Wireless telco</th>
<th>Cable</th>
</tr>
</thead>
</table>

Universal Service Fund
(administered by the Universal Service Administrative Company)

<table>
<thead>
<tr>
<th>High Cost</th>
<th>Lifeline</th>
<th>E-rate</th>
<th>Rural Heath Care</th>
</tr>
</thead>
</table>

Disbursement of Funds to Eligible Entities

<table>
<thead>
<tr>
<th>Reduces costs for rural telcos</th>
<th>Reduces costs for low income consumers</th>
<th>Reduces costs for schools and libraries</th>
<th>Reduces costs for rural health providers</th>
</tr>
</thead>
</table>
USF Disbursements

2016 Approved Disbursements by Program (in $B)

- High Cost: $4.56
- Schools and Libraries: $2.39
- Lifeline: $1.51
- Rural Health Care: $0.30

TOTAL: $8.75 BILLION

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

<table>
<thead>
<tr>
<th>High Cost</th>
<th>E-rate</th>
<th>Lifeline</th>
<th>Rural Health Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>• October 2011</td>
<td>• September 2010</td>
<td>• January 2012</td>
<td>• December 2012</td>
</tr>
<tr>
<td>• April 2014</td>
<td>• July 2014</td>
<td>• March 2016</td>
<td>Proposal on the December 2017 Open Commission Meeting Agenda</td>
</tr>
<tr>
<td>• December 2014</td>
<td>• December 2014</td>
<td>• November 2017</td>
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<tr>
<td>• March 2016</td>
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<td>• August 2016</td>
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<tr>
<td>• March 2017</td>
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</tbody>
</table>
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

**Fixed Services**
- Price Cap Areas
  - CAF Phase I
  - CAF Phase II
  - CAF ICC
- Rate-of-Return Areas
  - CAF – A-CAM
  - CAF-BLS (ICLS)
  - HCLS (SNA, SVS)
  - Alaska Plan (RoR)
  - CAF ICC (RoR)

**Mobile Services**
- Mobility Fund Phase I
- Alaska Plan (Mobile)
- Mobility Fund Phase II

**Legacy Competitive ETCs**
- Frozen High Cost Support

**Key**
- CAF Programs
- Future Programs
- Legacy Programs
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

<table>
<thead>
<tr>
<th>Program</th>
<th>Details</th>
</tr>
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</table>
| 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**