

The role of the Universal Service Fund in building broadband and digital infrastructure in rural and remote Areas:

The FCC Perspective

Speaker: Tyronda Brown
Regional Director for Africa and the Middle East
Global Strategies & Negotiation Division
Office of International Affairs
Federal Communications Commission (FCC)

Note: The views expressed in this presentation are those of the author and may not necessarily represent the views of the Federal Communications Commission.



Agenda

- Universal Service Basics
- Introduction to the Universal Service Fund (USF)
- Main and Appropriated Programs
- Universal Service Administrative Company (USAC)
- USF Reform
- USF Success

Universal Service Basics

- “Universal service” – the availability of affordable, reliable telecommunications service throughout the nation – is a fundamental goal of federal telecom law.
- Promoting universal service is a significant part of U.S. telecom policy.
- Established in the Communications Act of 1934, universal service policies have helped support voice and broadband service to millions of rural and low-income Americans across the country, as well as to schools, libraries, and rural healthcare providers.
- Originally aimed at providing telephone services, the Telecommunications Act of 1996 expanded the scope of universal service to include increased, affordable access to both telecommunications and advanced services, such as high-speed Internet, for all consumers.

Introduction to the Universal Service Fund (USF)

- The Telecommunications Act of 1996 expanded the United States' original universal service goal -- ubiquitous telephone service -- to include both telecommunications and advanced services such as high-speed Internet for all consumers at “just, reasonable, and affordable” rates.
- The FCC established the Universal Service Fund in 1997 to subsidize telecom services for low-income consumers, rural health care providers, schools and libraries, and consumers in high-cost areas.
- Wireline and Wireless Telecommunications Service providers, Interconnected VoIP, including cable companies that provide voice service, and certain other providers of telecommunications are required to pay a percentage of their revenues to the USF called a “contribution factor” (assessed quarterly → 29% as of Q2 2023).
- The FCC does not instruct companies on how to assess charges or revenue to recover its universal service costs. Therefore, contributors often elect to recover their contributions through their end users' monthly bills.

Universal Service Administrative Company (USAC)

- The FCC is responsible for overall management and oversight of the USF, including all policy decisions. Operations are carried out by the Universal Service Administrative Company (USAC).
- As an independent, competitively neutral, not-for-profit entity, USAC does not make policy and does not interpret statutes, rules, or the intent of the United States Congress. The agency works closely with the FCC to maintain and improve the operating efficiency of the USF programs, and promote program integrity by prioritizing prevention, detection, and deterrence of waste, fraud, and abuse.
- USAC administers the collection of USF contributions and the disbursement of USF money through the four main programs: Lifeline, E-Rate, High Cost, and Rural Health Care
- Using information from universal service program participants, USAC estimates how much money will be needed each quarter to provide universal service support. USAC then provides this information, called “demand filing,” to the FCC each quarter, who then determines the “contribution factor”.

Universal Service Administrative Company (USAC)

- Through program administration, auditing, and outreach, USAC works with and for contributors, service providers, and program beneficiaries to ensure that accurate payments go to the right people for the appropriate uses.
- And to further promote integrity and instill public trust and confidence in the USF, USAC, and the FCC, USAC, its directors, officers, employees, contractors, subcontractors, consultants, agents, and all other representatives are required to avoid any organizational or personal conflict of interest or the appearance of a conflict of interest in any aspect of USF administration and USAC operations.
- Finally, USAC's management structure provides for significant insight and transparency into the programs and operations. The agency is overseen by a Board of Directors whom are not paid nor have any financial interest in the USF.

Main USF Programs

- Connect America Fund (High-Cost) → supports service in rural and other high-cost areas.
- Lifeline → reduces costs for low-income consumers.
- E-Rate → reduces costs for schools and libraries.
- Rural Health Care → reduces costs for healthcare provision.

Connect America Fund - High-Cost

- Key pillar of the transformation of the USF towards broadband.
- Supports voice and broadband service in unserved, rural, insular, and high-cost areas by ensuring that consumers have access to modern communications networks capable of providing voice and broadband service, both fixed and mobile, at rates that are reasonably comparable to those in urban areas.
- This program fulfills its universal service goal by allowing eligible carriers who serve these areas to recover some of their costs from the federal Universal Service Fund.

Lifeline

- Lifeline is the only program that provides a subsidy directly to consumers.
- This program fulfills the universal service goal of ensuring that Americans have access to “quality services at just, reasonable, and affordable rates”.
- Provides a monthly discount to eligible low-income subscribers for broadband and voice services.

E-Rate

- This program is also known as the Schools & Libraries Program, because support is directed to these two sets of institutions.
- This program aims to enhance access to broadband and telecommunications services in elementary and secondary schools and libraries.
- It provides discounts for telecommunications, Internet access, and internal connections to eligible schools and libraries. USF discounts are applied under two categories:
 - 1) Services that support connectivity to schools and libraries (including special construction); and
 - 2) Services that support connectivity within schools and libraries (aka internal connections).

Rural Health Care

- This program aims to enhance access to broadband and telecommunications services for eligible public or nonprofit health care providers (HCPs).
- Increases access to broadband for eligible HCPs, especially those serving rural areas; to foster development and deployment of broadband health care networks; and to maximize cost-effectiveness of the FCC's universal service health care program.
- The RHC Program is made up of two subprograms: the Telecommunications Program and the Healthcare Connect Fund (HCF) Program.
 - Telecommunications: Subsidizes the difference between the urban and rural rate for telecommunications services purchased by eligible HCPs.
 - HCF: Provides a flat discount for the cost of broadband services and facilities. Eligible non-rural HCPs can participate in a consortium and receive support if the majority of members in the consortium are eligible rural HCPs.

Appropriated Programs

- Appropriated programs allow the FCC flexibility in addressing connectivity needs as they arise.
- For example, through funds appropriated by Congress, the FCC was able to implement several programs to address the different needs that arose during the COVID-19 crisis. These included:
 - Emergency Connectivity Fund - Reduced the costs of devices for schools and libraries.
 - COVID-19 Telehealth Program - Supports the purchase and use of eligible healthcare devices and services.
 - Affordable Connectivity Program - Reduces the cost of services for low-income households.
- USAC administers the Emergency Connectivity Fund and Affordable Connectivity Program, but they do not come from the USF.

Appropriated Programs

Emergency Connectivity Fund

Created as part of the American Rescue Plan Act of 2021, ECF funding supported the purchase of equipment and devices for schools and libraries.

These devices included Wi-Fi hotspots, routers, modems, and broadband Internet connections for use by students, school staff, and library patrons with unmet needs at locations other than a school or library, during the COVID-19 emergency period.

COVID-19 Telehealth Program

The 2020 CARES Act and 2021 Consolidated Appropriations Act appropriated funding for the Commission to create the COVID-19 Telehealth Program.

The funding was awarded to eligible health care providers for the purchase and use of eligible devices and services that would facilitate the provision of telehealth.

Affordable Connectivity Program

Funded by the Infrastructure Investment and Jobs Act, the ACP provides a discount to an eligible household's monthly service bill and/or device.

USF Reform

The FCC has committed to reforming, streamlining, and modernizing its universal service programs by:

- Reorienting USF away from traditional telephone service and instead targeting support toward broadband expansion and adoption.
- Promoting efficiency, accountability, and fiscal responsibility.
- Eliminating waste, fraud, and abuse.
- Closing the digital divide between urban and rural America.

USF Success

2022 in Numbers

- E-Rate approved funding for equipment and services for over 128,000 recipients of service in 2022, which included more than 128,500 schools, school facilities, and libraries.
- More than 6.4 million locations were built with CAF funding, including more than 710,000 locations with broadband speeds of 1 gigabit or better.
- In 2022, nearly 7.5 million households participated in Lifeline, and more than 15.4 million households participated in the Affordable Connectivity Program.
- The Rural Health Care Program provided connectivity support to more than 14,000 health care providers.

Thank You!

Tyronda Brown
Regional Director for Africa and the Middle East
Global Strategies & Negotiation Division
Office of International Affairs
Federal Communications Commission (FCC)
Tyronda.Brown@fcc.gov