

Future of Universal Service Fund Briefing Sheet

What is the USF?

Policy makers are being urged to take immediate action to save the Universal Service Fund (“USF”) which helps connects millions of families to life-saving phone and internet services. Since the 1996 Telecom Act, the USF has been helping millions of low-income families, schools, libraries, hospitals, and small businesses, many of which are located in rural America and hard-hit economic centers, to obtain much-needed connectivity. Spending about \$9 billion annually through the High-Cost, Lifeline, E-rate, and Rural Healthcare programs, the USF ensures the availability of affordable telecom and broadband services.

The Problem:

The USF is under significant duress because of its funding mechanism. The USF is currently funded by providers of interstate and international telecom services (voice and other telecom services) who typically pass this fee directly onto their customers via a line item on their bills. The telecom revenues subject to USF assessment have declined dramatically—from \$68.1 billion in 2004 to \$29.1 billion in 2021 as more customers are moving to broadband internet access service (“BIAS”) which is not assessed. (Mobile carriers also have been shifting more of their revenues for their bundled service into the BIAS category.) In fact, customers must now pay a 33% fee over and above their telecom fees to fund USF, and it is expected that fee will soon rise to 40%. That is dangerously unsustainable. Indeed, there is a clear consensus in the Federal Communications Commission (“FCC”) record that this is a serious problem that the FCC must address immediately.

What is the Future of USF Report?

Under the Infrastructure Investment and Jobs Act (“IIJA”), Congress directed the FCC to submit to Congress a report on the options for improving the USF’s effectiveness in light of the significant federal investment (\$65 billion) being made in broadband connectivity (in addition to tens of billions spent in the CARES Act and American Rescue Plan Act on broadband). Under the IIJA, Congress mandated that the FCC write a report on the Future of USF with recommendations on further actions that the Commission and/or Congress could take to improve the ability of the FCC to achieve the universal service goals for broadband. The FCC has sought public input on that report through a [Notice of Inquiry](#). The FCC has received almost 200 filings in the [proceeding](#). FCC Chairwoman Rosenworcel recently circulated a draft Future of USF Report to the FCC Commissioners for a vote. The Report is due to Congress on August 12.

Why do we need to save and modernize USF if Congress is spending billions on broadband?

The USF programs are important for ensuring affordable broadband connectivity for schools, rural healthcare providers, and low-income consumers. It is unlikely that Congress’ funding will meet all the ongoing needs that the USF supports, especially because a majority of the funding is allocated for deployment of broadband networks rather than towards affordability programs. The FCC’s report is expected to make recommendations to ensure that the USF can meet broadband connectivity needs that the Congressional funding does not. Thus, repairing the USF funding mechanism is critical.

What are the potential solutions for saving USF?

Time is of the essence and it’s clear to all policy makers that we must act now to save USF. To help present a sound, smart and immediate solution, The USForward Coalition – consisting of Carol Matthey, Ad Hoc Telecom Users Committee, INCOMPAS, NTCA-The Rural Broadband Association, Public Knowledge, SHLB Coalition, and VON Coalition – offers a

smart and sustainable solution in its [USForward Report](#) that will help keep the USF solvent, and it is **supported by over 340 organizations**.

- The USForward Report recommends that the FCC expand the USF contribution base to include BIAS revenues. This is a natural evolution of the USF, and an action the FCC could take immediately via its pending [FNPRM](#).
- The USForward Report is a real, substantive proposal with a solution that can be implemented right away. It was written by Carol Matthey—one of the nation’s leading experts on universal service and former FCC senior official in charge of the USF.
- Matthey estimates that assessing BIAS revenues would lower the USF contribution factor to less than 4% for the foreseeable future.
- There is overwhelming support for the USForward Report’s solution as can be seen in a [Call to Action letter with 332 diverse signatories](#). Since that time, a number of additional stakeholders have indicated their support; see recent [ex parte letter](#) from USForward that lists the unprecedented support.
- Assessing BIAS revenues is smart, stable, transparent, and equitable policy that can be implemented quickly by the FCC and can save the USF for future generations.
 - o **Smart:** All 4 USF programs have been modernized to support broadband connectivity, and it makes sense to use BIAS revenues to fund those programs.
 - o **Stable:** BIAS revenues are expected to remain stable.
 - o **Transparent:** The majority of USF contributions comes from publicly traded companies whose revenues are already submitted to the FCC and audited for financial reporting.
 - o **Equitable:** Including BIAS revenues will ensure the costs of achieving universal service goals are equitably shared no matter how consumers and businesses are using BIAS.
 - o **Fast:** The FCC has the authority to make these reforms without needing approval from Congress and should be able to implement this change quickly.

No time to delay:

It’s important to note that the FCC has the authority and can act now to save USF. Punting USF reform to Congress will take several years and place millions of low-income families, schools, libraries, and rural health care providers at risk of losing internet connectivity. Alternative suggestions made in the record would require Congressional action, such as moving USF to an appropriations-funded program or expanding the base of contributors to include online content services that are not currently within the FCC’s jurisdiction. There is significant opposition in the record to both of these alternatives as they offer no clear and immediate path to a sustainable USF because they require Congress to act and would expand the FCC’s jurisdiction over information services.

In fact, one of the biggest proponents of these alternatives, AT&T, [agrees](#) that “[r]eform is needed immediately to make the factor affordable to the assessed customers and sustainable for the long term. The FCC has a once-in-a-generation opportunity to do this now.” (emphasis added) And that “mass-market broadband internet access services can, and should, be part of any contribution base reform . . .” [AT&T Comments](#) at 24.

There is no reason why the FCC should wait to adopt the USForward proposal. It should save USF now.