

# The Universal Broadband Act: USF Contribution Reform

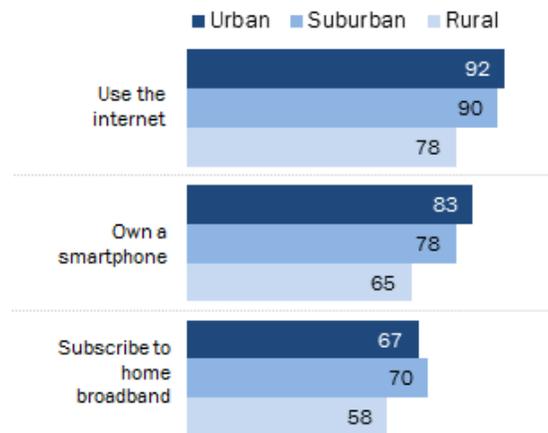
## **Background:**

We need [national rural broadband investment](#). In 2017, [a full 30 percent of rural Americans](#) (or 19 million people) and 21 percent of farms lacked broadband access. This digital divide between urban and rural households is continuing to set back millions of Americans in [education](#), [economic growth](#), [agriculture](#), and [telemedicine](#). This inequity of access is even worse for [historically marginalized communities](#). The U.S. Bureau of Labor Statistics employment data shows the highest unemployment rates are frequently located in the counties with the lowest availability of broadband.

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### **Rural adults are less likely than those in other areas to have high-speed internet at home, own a smartphone**

*% of U.S. adults, by community type, who say they ...*



Note: Respondents who did not answer are not shown.  
Source: Survey conducted Jan. 3-10, 2018.

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## **The Universal Service Fund (USF) at the FCC:**

[The USF](#) was created by the Telecommunications Act of 1996 to help bring broadband to rural America at rates and speed comparable to urban Americans. It is not funded through appropriations but by the mandatory contributions of designated telecommunications carriers, at a rate set quarterly by the FCC. These funds are used by four pivotal programs to close the rural digital divide: the High Cost (Connect America), Schools and Libraries (E-rate), Low Income (Lifeline), and Rural Health Care programs.

- The costs of building out service to areas without adequate broadband continue to rise, while the current base that contributes to the USF is declining

- This has resulted in an increasingly growing contribution factor, overburdening those who are required to contribute
- Moreover, even with a rising contribution factor, the funds generated by the USF are still insufficient to adequately expand access to service. This has prompted the FCC to cap USF programs to prevent excessive contribution rates, thereby capping the number of providers capable of receiving assistance.

### **Overview of FCC Funding:**

Total distributed funding from the USF for 2018 – \$8.3 billion

- Overtime, the contribution rate has increased dramatically due to a diminishing pool of contributors
  - The first contribution rate assessed was 5%
  - The current quarter (as of Sept 2019) is the highest in history at 25%
  - Reforming the USF to broaden the contribution base could stabilize this fund for the long-term

### **Why USF Contribution Reform is Needed:**

Without USF contribution reform, it is unlikely enough revenue will ever be generated through the USF to fully build out broadband in rural and high-cost areas. Moreover, single instance investments cannot ensure long term success of broadband connectivity. Technology progresses and unserved areas will need continuous investment to stay technologically relevant. Providing the FCC with the flexibility to raise sufficient revenue is needed to meet the growing demand to connect Americans to high speed broadband.

### **Broadband in your District:**

- Brookings Institution breakdown by congressional district ([LINK](#))
- USDA map with Telecom General Field Reps ([LINK](#))

### **The Universal Broadband Act**

The bill will expand the pool of eligible providers that contribute to the USF by including broadband services.

The goal of this reform is to stabilize the revenue stream of the Universal Service Programs (High-Cost, Lifeline, E-Rate, and Rural Healthcare)

It will also:

- Codify that broadband is within the definition of Universal Service
- Require the FCC to set the contribution rate as needed to meet Universal Service goals and serve all Americans
- Necessitate consultation between USDA’s RUS, the NTIA, and the FCC
- Create reporting requirements that provide oversight on FCC build out
- Further ensure tribal areas are served