

## Federal Communications Commission Universal Service Fund Overview

### Initiatives that Advance Broadband Infrastructure

#### ***Connect America Fund (High-Cost) Program (~\$4.2 b disbursed in 2013; capped at \$4.5 b per year):***

- ***Focus:*** Subsidizes the cost of operating and extending infrastructure (both fixed and mobile) to serve consumers and small businesses in rural, high cost areas. Recipients of funding must be designated an “eligible telecommunications carrier” by the relevant state or, in cases where the state does not have jurisdiction over a particular type of provider, the FCC.
- ***Recent Actions:*** In 2011, the Commission comprehensively reformed and modernized the high-cost program to focus support on voice and broadband capable networks. These reforms included establishing an overall budget for the program, requiring recipients to meet defined broadband performance standards, and targeting funding to geographic areas that are not served by unsubsidized competitors. Of the \$4.5 billion annual budget, the Commission allocated up to \$1.8 billion to geographic areas served by the larger telecommunications carriers (known as Phase II of the Connect America Fund), up to \$2 billion to those areas served by the smaller carriers, \$500 million to the Mobility Fund, and at least \$100 million for remote areas. In July 2014, the Commission set aside \$100 million in funding for rural broadband projects to be awarded through a competitive bidding process to occur in October 2014; funding is available for diverse technologies (fiber, wireless and satellite) and non-traditional providers (electric utilities, wireless Internet providers). The FCC is currently working to implement Phase II of Connect America, which will award funding through a competitive process to the extent the larger incumbent provider declines to commit to specified broadband deployment requirements in a given state. Smaller rural carriers are required to provide broadband to customers upon reasonable request.
- ***Broadband Benefits:*** Today, an estimated 15 million Americans lack access to broadband infrastructure. Thus far, Phase I of the Connect America Fund has authorized nearly \$440 million in funding to serve over 1.66 million previously unserved individuals in 45 states and Puerto Rico. Phase I of the Mobility Fund is making available up to \$300 million to address gaps in mobile coverage in rural areas, with recipients extending mobile service to up to 84,000 road miles in 31 states and 1 territory. Phase II of the Connect America Fund aims to bring broadband service to the Americans living in rural areas lacking broadband through a combination of wireline, fixed wireless and satellite technologies.
- ***Additional Information:***
  - Commission order implementing rural broadband experiments:  
<http://www.fcc.gov/document/rural-broadband-experiments-order>
  - Public Notice regarding application process for rural broadband experiments:  
<http://www.fcc.gov/document/rural-broadband-experiments-application-process-public-notice>
  - General Information about the Connect America Fund:  
<http://www.fcc.gov/encyclopedia/connecting-america>

#### ***E-rate (Schools and Libraries) Program (~\$2.2 b disbursed in 2013; current annual cap is \$2.4 b, cap adjusted annually for inflation):***

- ***Focus:*** Provides discounts of up to 90 percent for broadband to and within elementary and secondary schools (public and private) and public libraries in rural and non-rural areas. Funding provided through an application process; schools and libraries apply for funding. A discount increase of up to 10 percentage points is available for schools and libraries in rural areas depending on the poverty level of the applicant. Annually supports approximately 35,000 rural

schools and 4,500 rural libraries; approximately \$740 million in funding is committed to rural schools and libraries each year.

- **Recent Actions:** In the 2014 *E-rate Modernization Order*, the Commission modernized the E-rate program by significantly expanding funding for Wi-Fi networks, maximizing the cost-effectiveness of spending, and streamlining and simplifying the application process and overall program administration.
- **Broadband Benefits:** The program improvements adopted in the 2014 Order will potentially provide over \$1 billion annually in support over the next five years for the deployment of Wi-Fi to schools and libraries across the country, with an estimated \$200 million of that \$1 billion annual amount going to rural areas.
- **Additional Information:** <http://www.fcc.gov/e-rate-update>

***Rural Health Care (RHC) Program (~\$160 m disbursed in 2013; capped at \$400 m per year):***

- **Focus:** Subsidizes connectivity for public and non-profit health care providers, with a focus on rural areas. Funding provided through an application process; eligible applicants can be (1) post-secondary educational institutions offering health care instruction, teaching hospitals, and medical schools; (2) community health centers or health centers providing health care to migrants; (3) local health departments or agencies; (4) community mental health centers; (5) not-for-profit hospitals; (6) rural health clinics; and (7) consortia of one or more of such entities. Supports recurring expenses as well as non-recurring expenses associated with constructing, maintaining, and upgrading broadband infrastructure.
- **Recent Actions:** In 2012, the Commission reformed the Rural Health Care Program, establishing the Healthcare Connect Fund (HCF) to expand health care provider access to broadband, especially in rural areas, encourage the creation of state and regional broadband health care networks (consortia), and maximize cost-effectiveness of the RHC Program. Healthcare Connect provides support for 65 percent of the cost of broadband connectivity; eligible health care providers must provide a 35 percent contribution. A majority of sites served by consortia must be rural.
- **Broadband Benefits:** Since January 1, 2014, more than 4,550 individual applicants and 76 new consortia have been approved to receive HCF support. Approximately 6,500 rural sites currently participate in the RHC program, with roughly \$100 million annually going to rural sites.
- **Additional Information:**
  - Healthcare Connect Fund Order: <http://www.fcc.gov/document/fcc-releases-healthcare-connect-order>
  - General information about the RHC program: <http://www.fcc.gov/encyclopedia/rural-health-care>