

Federal Communications Commission Response to
United States House of Representatives
Committee on Energy and Commerce
Universal Service Fund Data Request of July 9, 2012

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Survey of State Universal Service Funds

National Regulatory Research Institute (NRRI) in July 2012 released a study titled *Survey of State Universal Funds 2012*. This study discusses the different types of state universal service programs. The study can be found at <http://www.nrri.org/documents/317330/e1fce638-ef22-48bc-adc4-21cc49c8718d>. Their Executive Summary is below:

Executive Summary of the State USF Survey 2012

The 2012 NRRI state Universal Service Funds (SUSF) survey addresses the various methods that states use to fund their state-level service programs, including both the specific high-cost funds for mitigating a carrier's costs to provide service in high-cost areas and other funds to support consumers in the state, including Lifeline, Telecommunications Relay Service and other specialized funds. The study reviews the amounts assessed, the carriers that contribute to the funds, and the uses for the monies collected. The NRRI study categorizes these funds based on the types of support provided (for example high-cost support, telecommunications relay service, and Lifeline support among others). The survey was sent to 50 states and the District of Columbia. 49 states and the District of Columbia responded, providing a robust data base of information that states can use to analyze their own programs or to help determine whether new/revised programs are necessary. Because the state assessments support a number of different programs, this report uses the term "state USF" as shorthand for the many state funds that support service to high-cost areas and consumers in the various states.¹

Understanding the design of the state funds and the level of funding provided is particularly critical at the present time, given the changes to the Federal USF and inter-carrier compensation (ICC) structure made by the FCC's recent USF/ICC Transformation Order. In some states, this order reduces carrier support for high-cost areas, both through reductions in federal USF support and through anticipated lost revenues from intrastate ICC rate reductions, and could result in the states making up the shortfall. The changes to the Federal USF fund made by the FCC may require states to reexamine their existing funds to determine whether they are sized correctly or if changes are required. Some states that do not have funds may need to create them to ensure that service continues to be provided universally, even in remote parts of the state. The data collected by this study provides background information that may assist commissioners, staff, and legislatures in making those decisions.

The NRRI study finds that the majority of the states have some type of fund to support service in rural and high-cost areas, although fewer than half of the states have specific high-cost support funds. These state funds include combination funds that support multiple types of services; telecommunications relay-service funds that provide service to the deaf and hard of hearing; and broadband funds to support the building and adoption of high-speed data services.

- Forty-three (43) states and the District of Columbia have a combination of various universal service funds, including high-cost, lifeline, schools and libraries, and other types of funds.
- Twenty-one (21) states out of the 43 have funds specifically dedicated to high-cost support.
- Thirty-one (31) states out of the 43 and the District of Columbia have telecommunications relay service funds for the deaf and hard of hearing.

¹ For example, although Michigan's Access Restructuring Fund is not specifically a state Universal Service Fund, we group it under that category here for the sake of simplicity.

- Four (4) states out of the 43 have funds dedicated specifically to broadband service.
- Six (6) states—Alabama, Delaware, Massachusetts, Montana, New Jersey and Tennessee—do not have any form of funds to support telecommunications service.

Proceedings to revise the rules governing state universal service funds are open in a number of states, both as a result of the FCC USF/ICC Transformation Order and new state laws (including those reducing or otherwise limiting telecommunications regulation). These states include Vermont, where the new telecommunications legislation (Act 169) creates a high-cost program; Texas, which is reviewing ways to make the Texas fund more transparent; and Maine, which is reviewing the high-cost fund in light of its new law. Arkansas is also reviewing the impact of the Federal USF/ICC Transformation Order on the Arkansas High Cost Fund. In Tennessee, a coalition of telecommunications companies is urging the Tennessee Regulatory Authority (TRA) to terminate the state Lifeline credit program for wireline service providers. And, in New York, carriers have proposed a Joint Settlement Agreement to establish a State Universal Service fund.

Other states, including California and Wyoming, are changing assessment levels.

The results of the NRRI USF survey show that there is no single path to creating a state universal service fund, nor is there a single path for determining the specific functions of such a fund. As the survey illustrates, state funds vary from encompassing only Lifeline or Telecom Relay programs to covering a wide array of programs, including high-cost support or broadband deployment. Each state fund must be designed individually to meet the specific needs of both the state's constituents and its carriers. States with largely rural populations may generally design their funds to include high-cost support for carriers providing service in difficult to reach or widely dispersed areas. States with more urban populations may not need high-cost funds, and may concentrate their efforts on supporting specific goals such as broadband deployment or Lifeline services.

Contribution amounts and strategies also vary widely, often as a result of the level of competition in the state or the political climate. Where there is competition, consumers will have more choice and policymakers may be likely to provide carriers with less support.

The NRRI study provides state regulators and legislators with a number of options for addressing universal service and responding to the effects of the FCC USF/ICC Transformation Order on consumers and carriers.

- States who have state funds may use this study to benchmark their funds against states with similar topographies and populations. They may also use the data to help their legislatures, the FCC, and others understand how their state fund compares to others.
- States that are considering implementing a state universal service fund may use the information provided here to review options for developing the fund, determining who should contribute, and studying contribution levels.
- States that do not have funds may use the data from the study as input for determining whether and under what circumstances a fund may become necessary in their state.

Universal service remains an important goal for telecommunications regulators and the industry. Continuing to study and review information on how various states meet this goal will remain an important public utility commission activity, now and in the future.