



Universal Service Administrative Company

USAC and the USF

Helping Keep Americans Connected

Irene Flannery
Universal Service Administrative Company
33rd Annual PURC Conference
February 23, 2006

One Fund – Four Programs



Universal Service Administrative Company

USAC's History Timeline

- **February 8, 1996** – Telecommunications Act of 1996 signed into law
- **May 8, 1997** – The **Universal Service Administrative Company (USAC)** was created by NECA at the direction of the FCC to collect data from all telecommunications providers to determine the total amount of contributions to be paid into the Universal Service Fund (USF) and the disbursements for High Cost and Low Income support

The FCC also adopted rules to create funding support programs for schools and libraries and rural health care providers
- **November 20, 1998** – The FCC directed that the schools and libraries' and rural health care providers' support programs be merged into USAC, effective January 1, 1999
- **January 1, 1999** – USAC became the administrator of the USF and its four support programs: High Cost, Low Income, Schools and Libraries, and Rural Health Care

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USAC

- USAC is comprised of 3 divisions that administer the 4 universal service support mechanisms
 - High Cost & Low Income Division
 - Rural Health Care Division
 - Schools and Libraries Division
- USAC is overseen by a 19-member Board of Directors representing both contributors to and beneficiaries of universal service

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USAC's Role

- USAC's functions and responsibilities include:
 - Administering each of the universal service support mechanisms
 - Billing contributors, collecting contributions, and disbursing universal service funds
 - Reporting quarterly to the FCC on disbursement of universal service funds
- USAC may **not**:
 - Make policy
 - Interpret unclear provisions of the statute or rules
 - Interpret the intent of Congress
 - Advocate policy positions before the FCC or its staff, but may advocate positions on administrative issues relating to the programs

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USF & USAC

- The USF is one fund with four programs
- USAC is a not-for-profit corporation selected as the permanent administrator of the federal USF
- USAC disburses approximately \$7 billion each year in universal service funds
- USAC administers funding programs for:
 - High cost companies serving remote and rural areas
 - Low-income consumers
 - Schools and libraries
 - Rural health care providers
- Through USAC, the USF provides communities across the country with affordable telecommunications services

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USAC's Stakeholders

- **Telecommunications service providers nationwide***
- **Telecommunications suppliers to schools, libraries, and rural health care facilities**
- **The Federal Communications Commission**
- **The U.S. Congress**
- **Schools and libraries nationwide***
- **Rural health care providers nationwide***
- **Low-income consumers nationwide***
- **You!**

* Including US territories

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How does the USF work?

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- All telecommunications companies contribute to the USF based on their interstate and international revenues
- USAC collects and disburses these funds to participants in the four support programs
- Participants in the **Schools and Libraries** and **Rural Health Care** programs apply directly to USAC for support
- Rural and non-rural telecommunications companies eligible for **High Cost** program support submit cost, expense, and other data to USAC to qualify for support
- **Low-income** consumers apply for discounts for local telephone service or installation through their local telephone companies, which are reimbursed by the USF for providing the discounts

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USF Contributions

Revenue Data

- All providers of telecommunications are required to contribute to the USF based on their projected collected interstate and international end-user telecommunications revenues, net of projected contributions
- Carriers make 5 revenue filings per year with USAC
- USAC makes quarterly revenue filings with the FCC



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USF Contributions

Demand Data

- USAC files USF demand data with the FCC on a quarterly basis
- This includes projected demand for all 4 USF support programs plus USAC's administrative costs

Contribution Factor

- Based on the quarterly carrier revenue and projected demand data filed by USAC, the FCC calculates the quarterly contribution factor
- USAC bills carriers based on the contribution factor and then disburses support to eligible entities
- For 1Q2006, the contribution factor is 10.2%

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How is USAC improving communication?

- Website Revitalization
- Quarterly Newsletter (December 2005)
- USAC's Schools & Libraries News Brief (weekly)
- Webinars
- Training
- Speaking & Participation at Industry Events



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Improving Communication

Hurricane Katrina USF Relief

- October 14, 2005 - FCC Order made available approximately \$211 million from the USF for reconstruction and remediation relating to the restoration of telecommunications services affected by Hurricane Katrina
- USAC created a special website launched on October 20, 2005 to assist eligible entities in applying for this special relief located at:

<http://katrina-usf.org/katrina/>



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The Four Programs

- **High Cost** support ensures that consumers in all regions of the Nation have access to and pay rates for telecommunications services that are reasonably comparable to those in urban areas
- **Low Income** support, commonly known as Lifeline and Link Up, provides discounts that make basic, local telephone service affordable for more than 7 million Americans
- **Rural Health Care** support provides reduced rates to rural health care providers for telecommunications and Internet services so they pay no more than their urban counterparts for the same or similar telecommunication services
- **Schools & Libraries** support provides affordable telecommunications and Internet access services to connect classrooms and libraries to the Internet

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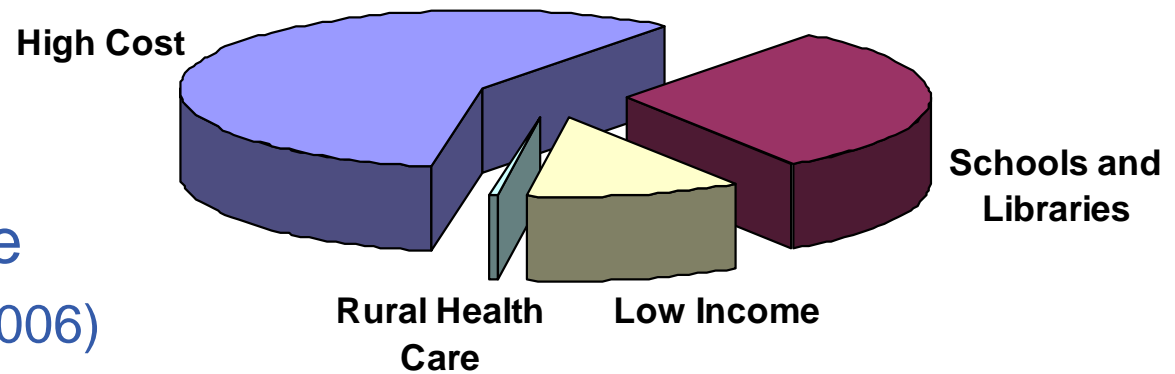


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2006 National USF Support

Estimated 2006 Support: \$7.3 billion

- High Cost
 - \$4.2 billion
- Low Income
 - \$820 million
- Rural Health Care
 - \$45 million (FY 2006)
- Schools and Libraries
 - \$2.25 billion (FY 2006)



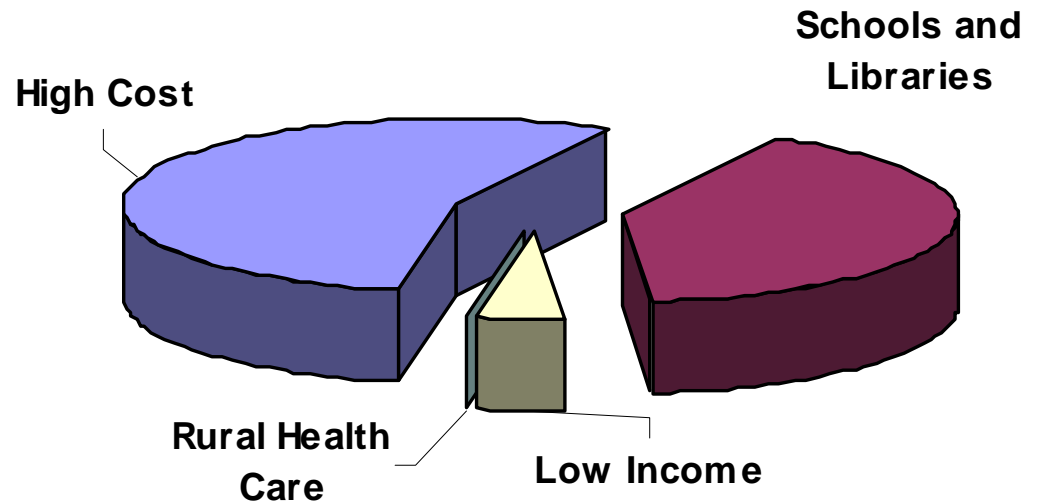
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2005* Select Southeast State Support

Approximate 2005 Support: \$907.2 million

- High Cost
 - \$495.1 million
- Low Income
 - \$38.2 million
- Rural Health Care
 - \$764.6 thousand
- Schools and Libraries
 - \$373.14 million



Southeast States: AL, FL, GA, LA, MS and SC

* 2005 Calendar Year Support - may include support for multiple funding years for S&L and RHC.

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High Cost Program

- High Cost support provides assistance to rural, non-rural, and competitive carriers that are designated as eligible telecommunications carriers (ETCs) by a State (or the FCC)
- High Cost support ensures that consumers in all regions of the Nation have access to and pay rates for telecommunications services that are reasonably comparable to those in urban areas
- Without it, consumers in high cost areas would pay significantly more for service due to factors such as dense terrain or sparse population, which raise the cost of building telecommunications networks
- High Cost support benefits consumers in all 50 States and territories by providing support to approximately 1,700 service providers
- More than \$21.85 billion has been disbursed to companies designated as eligible telecommunications carriers since 1998

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Rural Health Care Program

- Provides reduced rates to rural health care providers for telecommunications and Internet services so they pay no more than their urban counterparts for the same or similar telecommunication services
- Strengthens telemedicine and telehealth networks across the nation, particularly in remote or rural areas
- All eligible telecommunications providers, which includes interexchange carriers, local exchange carriers, competitive local exchange carriers and all other common carriers, may receive support for providing discounted telecommunications service to eligible rural health care providers
- Effective with the 2004 funding year, eligible rural health care providers may also receive support for 25% of monthly Internet service costs
- More than 2,600 facilities have received \$130 million in funding commitments since 1998

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Schools & Libraries Program

- Discounts range from 20% to 90% of the cost of eligible services
- Eligible schools, school districts, and libraries may apply individually or as part of a consortium
- Discounts are based on the percentage of students eligible for the national school lunch program
- Schools and libraries must:
 - Have an approved technology plan
 - Competitively bid for services
 - Show they have the resources to use the supported services
 - Apply for discounts every year
- More than \$16.48 billion in funding commitments have been issued to schools and libraries nationwide since 1998

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Low Income Program

- Provides discounts that make basic, local telephone service affordable for more than 7 million Americans
- Low-income consumers apply for discounts for service or installation through their local telephone companies, which are reimbursed by the USF for providing the discounts
- Over \$5 billion has been disbursed to companies designated as eligible telecommunications carriers since 1998

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Low Income Program

- **Eligible Carriers**

- Must be designated as eligible telecommunications carriers (ETCs)
- Must offer all universal services throughout the service area
- Must advertise the availability of services and charges



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Low Income Program

- **Eligible Low Income Consumers**
 - If a state “mandates” universal service, the state sets the eligibility criteria
 - State has its own low income discount program; or
 - State approves intrastate rate reduction
 - Federal criteria apply if there is no state support
 - Louisiana
 - Eligibility must be based solely on income, whether state or federal criteria apply

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Low Income Program

- There are three Low Income program components:
 - **Lifeline** support helps to pay the costs of monthly telephone service
 - Additional support is available for low-income consumers living on tribal lands
 - **Link Up** support helps to defray the cost of telephone installation and certain other one-time costs
 - Additional support is available for low-income consumers living on tribal lands
 - **Toll Limitation Support** compensates telephone companies for offering no-cost toll limitation service

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Low Income Program

- Maximum Lifeline support available to low-income consumers not living on reservations: \$13.50
 - \$10.00 in federal support
 - \$3.50 in matching state support
- Maximum Lifeline support available to low-income consumers living on reservations: \$38.50
 - \$35.00 in federal support
 - \$3.50 in matching state support

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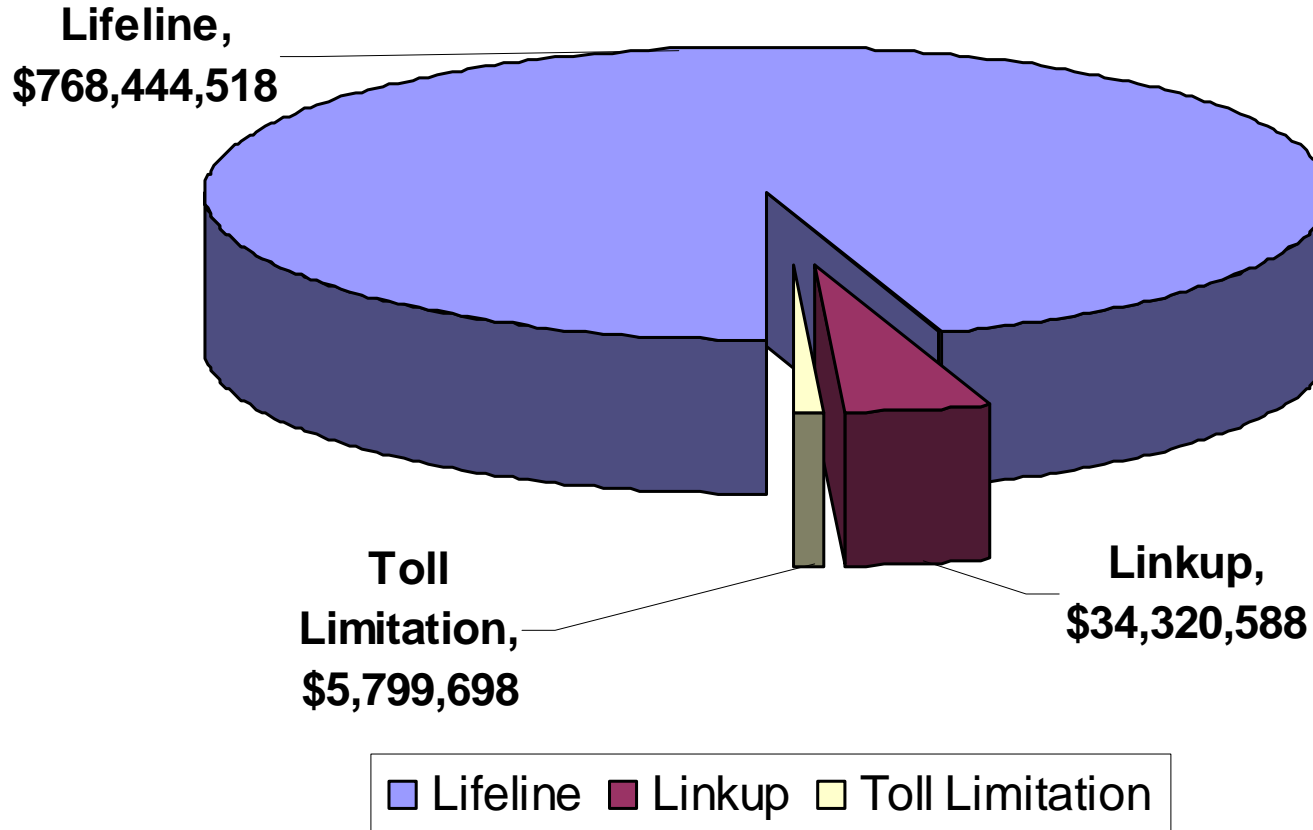
Low Income Program

- Maximum Link Up support available to low-income consumers not living on reservations: $\frac{1}{2}$ of the customary telephone connection charge, up to a maximum of \$30.00
- Maximum Link Up Support available to low-income consumers living on reservations: An additional reduction of up to \$70.00, up to a maximum of \$100.00
 - The additional \$70.00 covers 100% of the charges between \$60 and \$130 for commencing service at the subscriber's principal place of residence

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Low Income Program 2005 National Support \$808,564,804



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Low Income Program 2005 Select Southeast State Support

State	Lifeline	Link Up	Toll Limitation Service*	2005 TOTAL	1998-2005 Total
Alabama**	\$3,198,682	\$19,135	\$6,657	\$3,224,474	\$19,420,364
Florida**	\$17,422,176	\$310,294	\$28,402	\$17,760,872	\$116,088,274
Georgia**	\$8,194,842	\$203,869	-\$117,086	\$8,281,625	\$57,887,231
Louisiana**	\$2,361,050	\$49,618	\$3,009	\$2,413,677	\$12,165,643
Mississippi**	\$3,523,208	\$91,415	\$4,332	\$3,618,955	\$17,391,982
South Carolina**	\$2,800,471	\$52,560	\$16,053	\$2,869,084	\$18,364,078
TOTAL	\$37,500,429	\$726,891	-\$58,633	\$38,168,687	\$241,317,572

• Negative amounts result from over claimed support and projected amounts exceeding support claims.

** Lifeline support includes Hurricane Katrina relief disbursed in December 2005.

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Success Story

Low Income Support has benefited customers served by companies like Cap Rock Telephone Cooperative, which provides service to the rural western area of Texas. Its 5,200 subscribers, spread out over 4,800 square miles, are mostly from the surrounding farming communities, with about 65 percent of its subscribers over the age of 65.

“With the agricultural base and the age of our customers, most of them are on fixed incomes,” said Lisa Martin, a customer service representative for Cap Rock. “Lifeline has provided the opportunity for those rural customers to have a telephone in case of an emergency, or to be able to talk to someone, or just for peace of mind,” said Ricky Martinez, Cap Rock’s public affairs coordinator.

“When we look at our customer base, and the savings they get from the basic cost, they can use that money for food or clothing – some of the necessities that they would otherwise give up in order to have a telephone. Lifeline provides [support] so that they do not have to make that choice between telephone and those necessities,” says Martinez.*

*Source: 2002 USAC Annual Report

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Thank You

- Visit us on the web at www.universalservice.org
- Or call us at 202-776-0200

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A screenshot of the USAC website homepage. The header is orange with the USAC logo on the left, a "Need Help?" dropdown menu, and a search bar on the right. Below the header, there is a blue navigation bar with "Universal Service Administrative Company" and "About USAC". The main content area features four columns: "Fund Administration" with a red arrow icon and a description of the fund's maintenance; "High Cost" with a description of support for rural areas; "Rural Health Care" with a description of reduced rates for rural providers; "Low Income" with a description of Lifeline and Link Up programs; and "Schools and Libraries" with a description of support for eligible schools and libraries. The footer contains copyright information and links for Home, Privacy Policy, Sitemap, Website Feedback, Website Tour, and Contact Us.

USAC

USAC administers the Universal Service Fund providing communities across America with affordable telecommunications services.

Universal Service Administrative Company [About USAC](#)

Fund Administration • The fund is maintained through contributions made by telecommunications providers across the country and is disbursed based on four primary support programs.

High Cost	Rural Health Care	Low Income	Schools and Libraries
High Cost support ensures that consumers in all regions of the Nation have access to and pay rates for telecom services that are reasonably comparable to those in urban areas.	Rural Health Care support provides reduced rates to rural health care providers for telecom and Internet services so they pay no more than their urban counterparts for the same or similar services.	Low Income support, commonly known as Lifeline and Link Up, provides discounts that make basic, local telephone service affordable for more than 7 million Americans.	Schools & Libraries support goes to service providers that provide discounts on eligible services to eligible schools, school districts, libraries, and consortia of these entities.

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