

S. 2427/H.R. 8575 – The FAIR Contributions Act

Background

The Communications Act established the Universal Service Fund (USF) to ensure that consumers in rural, insular and high-cost areas have access to communications services that are comparable to those available in urban areas at comparable prices. The USF doesn't just fund broadband network buildout in rural areas, however. In addition to supporting rural communications infrastructure (High-Cost Program), the USF also helps fund broadband connections for low-income consumers (Lifeline Program), schools and libraries (E-Rate Program), and rural health care providers (Rural Health Care Program).

USF is funded by an assessment on revenues from voice-based services. Over the last decade, the FCC modernized the *distributions* of funding for all four programs so that they support broadband access, but it has yet to modernize the *contributions* mechanism.

The Problem

- Voice-based revenue has been steadily declining for decades while the demand on USF has been growing.
- To make up for this, the assessment on our phone bills has risen from less than **10% 15 years ago to 33% in 3Q22**.
- Not only is this not sustainable, it is unfair to continue to assess voice customers to pay for a fund devoted to broadband.

What Does the FAIR Contributions Act Do?

One of the large drivers of costs to rural networks is streaming video and other content created by edge providers. According to the FCC's Report on the Future of USF, "Some studies estimate that the five largest streaming companies account for 75 percent of total network traffic in rural areas." S. 2427, introduced by Senator Roger Wicker (R-MS) and approved on a bipartisan basis by the Senate Commerce Committee, requires the FCC to study the feasibility of funding the Universal Service Fund through contributions supplied by edge providers. A companion bill, H.R. 8575, has been introduced in the House of Representatives by Rep. Markwayne Mullin.

According to its Report, before the FCC could "require contributions under its permissive authority for any type of edge provider, it would need to conduct a rulemaking proceeding and establish a record that analyzed and applied the definition of 'telecommunications' to edge providers and demonstrated that the public interest supports requiring contributions." S. 2427/H.R. 8575 would provide the FCC the impetus to begin looking at this modernization to the antiquated USF funding mechanism.