Advocates for Rural Broadband

WTA Response to the Request for Comment of the USF Working Group

WTA – Advocates for Rural Broadband (WTA) thanks the Universal Service Working Group, a bipartisan group of Members of Congress from the Senate and House of Representatives, for the work that it is undertaking to reform the federal Universal Service Fund (USF). We appreciate the opportunity to provide our thoughts to help in this process. This a timely inquiry, especially now that the Supreme Court has reaffirmed the constitutionality of the Fund. We encourage the Working Group, and Congress more broadly, to take up modernization of USF to further stabilize the program well into the future.

WTA is a national telecommunications trade association that represents nearly 400 small rural telecommunications providers, commonly referred to as Rural Local Exchange Carriers (RLECs), serving rural communities across the country. The typical WTA member company serves fewer than 5,000 customers per service area and has fewer than 50 employees. WTA's members were the first to bring telephone service to their communities. Today, they provide broadband, voice, and other telecom-related services to rural residents, businesses, and anchor institutions. And while they do so using various technologies, they primarily provide service through a fiber-based wireline connection.

Without the principles of universal communications service, which date to the early 20th Century, and the codification of the USF in the Telecommunications Act of 1996 (Telecom Act), millions of residents of rural America would not have the level of communications services they have today. These principles that underly USF have enabled WTA's member companies and others like them to construct telephone and high-speed broadband networks in their communities. And they don't just enable the buildout of networks, but facilitate their operation in regions where there are not enough customers to sustain businesses over time. USF also supports maintenance and repair as well as upgrades to meet tomorrow's needs.

All of WTA's members receive support from the USF High Cost Program (HCP), either through the Connect America Fund-Broadband Loop Support/High Cost Loop Support (CAF-BLS) mechanism, one of the Alternative Connect America Fund (ACAM)[1], or Alaska Connect Fund support mechanisms. They all participate in the Lifeline Program, and many have also participated in the Schools and Libraries (E-Rate) and Rural Health Care Programs. Though answers to the following questions may touch on the latter three programs, most of what follows will focus on the HCP.

[1] This includes ACAM I, ACAM II, Revised ACAM, and Enhanced ACAM.

How should Congress evaluate the effectiveness of each USF program in achieving their respective missions to uphold universal service?

Congress has provided relatively clear but broad principles to the Federal Communications Commissions (FCC) in Section 254 of the Communications Act: access to quality telecommunications and information services at affordable rates available to all Americans regardless of where they live with predictable and sufficient mechanisms to advance this goal. This clarity combined with flexibility in implementation has allowed the FCC to modernize USF as needs and technology change. Though this has not always been done in as timely a manner as we would like, it is not the fault of the statute.

When it comes to complex projects and programs like USF, the role of Congress should be one of providing oversight of the FCC in its implementation of the statute. Requiring regular progress reporting, such as the annual 706 Report, and conducting hearings and other inquiries is the best way for Congress to ensure the FCC is adhering to the law and universal service principles. The partnership between the private sector and regulators at the FCC in bringing affordable telecommunications services to Americans who otherwise would not have it through the self-funded medium of USF is one that Congress should continue to encourage and strengthen.

How well has each USF program fulfilled Section 254 of the Communications Act of 1996?

While working to ensure that all Americans have access to reasonably comparable communications services at reasonably comparable and affordable rates regardless of where they live, it is important to keep in mind that there is no point at which the mission can be said to have been fulfilled. Meeting the objectives of the Telecom Act is an ongoing process because broadband networks are constantly evolving with new technology and higher speeds to meet ever increasing demand, and there are always new locations needing to be connected.

Robust and reliable high-speed broadband is even more critical in rural areas than urban areas. The lack of nearby health care facilities and providers renders telehealth applications even more important. And given the absence of scale that would allow teaching of specialized subjects, remote education opportunities for rural students necessitates reliable, robust connectivity to rural homes and schools, as well as providing teachers in rural areas the opportunity to learn remotely and to stay current on the best teaching practices. Robust broadband also allows rural businesses to maintain an online presence to participate in the digital marketplace and global economy. And increasingly, farmers are looking for ways to create efficiencies as they transition towards precision agriculture, which will require symmetrical, high speed broadband service. Bandwidth needs are only expected to grow. Just like with building, maintaining, and upgrading America's transportation network, the job is never finished. Any modernization of USF, and specifically the HCP, should reflect this reality.

The success of the HCP in fulfilling the principles of Section 254 varies region to region, and even location to location. In some areas of the country, RLECs are able to build fiber-to-the-home (FTTH) networks capable of matching any urban provider, including gigabit symmetrical speeds. In other areas, HCP funding is only sufficient to construct networks providing 100/20

megabits per service (Mbps). And in an even smaller number of areas, FCC designated speed standards are a mere 25/3 Mbps (though that does not mean that HCP-funded Internet service providers are merely providing 25/3 Mbps despite only being provided funding for that speed).

In most cases involving RLEC service territory, whether the HCP has kept rural customers on pace with urban customers is more a function of adequate funding than program structure or incentives. The FCC has set varying buildout speed standards for different locations and HCP mechanisms, and those standards are constrained by budgetary concerns. These RLEC HCP recipients will likely meet their FCC designated goals, but some rural Americans will still be behind their urban counterparts. The FCC has done a good job of providing support to match the assigned obligations, but has done a lesser job of providing support to match the need of end users in all situations.

That said, the success of the HCP also depends on the mechanism. RLECs that receive CAF-BLS support and support from the various ACAM iterations are working toward and meeting their buildout goals set by the FCC. Unfortunately, in 2019, the FCC proposed to fund network buildout using a reverse auction process in areas not served by RLECs. The resulting Rural Digital Opportunity Fund (RDOF) auction, held in 2020, provided $9.2 billion in funding to providers based on lowest bid. By early 2025 about a third of those dollars had been defaulted on, leaving nearly two million locations without promised service.[2] And further defaults have occurred since the cited study was completed.[3] Getting the proper incentives and mechanisms in place matters, along with setting the proper budget.

In sum, USF is best viewed as a living, breathing, and evolving policy with success measured by its health and ability to adapt to an ever-changing environment. As technology continues to evolve, it will require feeding and nurturing to ensure the viability of our nation's residents, businesses, and institutions in the global marketplace of the future.

Has the FCC adequately assessed each USF program against consistent metrics for performance and advancement of universal service?

In regard to the HCP, the FCC does not provide a public, easily accessible assessment of the program. However, that is not to say that the data on which an accessible assessment would rely does not exist. All recipients of HCP support must report the locations to which they build to the Universal Service Administrative Company's (USAC's) High Cost Universal Broadband (HUBB) portal. This enables the FCC to make sure recipients are meeting their buildout milestones and submit accurate data to the National Broadband Map and Broadband Funding Map to prevent duplicative funding to locations. All HCP support recipients are also required to conduct network performance testing where they must submit the results of speed and latency testing of their networks on an annual basis to ensure they are providing the level of service required as a condition of receiving support. USAC also conducts oversight of USF recipients

[2] *See,* https://www.benton.org/blog/new-dataset-reveals-impact-rdof-defaults-each-state
[3] *See,* https://docs.fcc.gov/public/attachments/DA-25-45A1.pdf; https://docs.fcc.gov/public/attachments/DA-25-484A1.pdf; https://docs.fcc.gov/public/attachments/DA-25-670A1.pdf.

with its Beneficiary and Contributor Audits Program, a Payment Quality Assurance program, and random audits conducted annually. Done properly, these diverse measures of compliance can readily be used to provide Congress and the public with an accurate picture of whether the HCP is meeting its goals.

What reforms within the four existing USF programs would most improve their transparency, accountability, cost-effectiveness, administration, and role supporting universal service?

One of the broad areas where reform of the HCP would improve its role in supporting universal service is to charge the FCC with reevaluating the costs for reimbursement both within the CAF-BLS and ACAM mechanisms. Summarized briefly, CAF-BLS is a system in which providers build networks and certain costs are partially reimbursed by the HCP. The costs are eligible for reimbursement were last altered in 2018, but even that was not a comprehensive review of all costs. Since that time, the costs of transport or middle mile have risen dramatically. In some regions, RLECs have banded together and formed their own middle mile networks to reduce costs. However, in others, they rely on third party transport providers. As bandwidth demand has increased, largely due to streaming video, these costs have risen substantially. Transport is integral to providing service to rural end users but its costs are not currently eligible for CAF-BLS support. In contrast, the BEAD program and the Tribal Broadband Connectivity Program specifically included funding for middle mile facilities, reflecting Congress' recognition of the importance of that portion of the network.

Another rapidly rising cost that was mostly unforeseen years ago was cybersecurity. Network security is obviously vital and not just to each provider, but to the network as a whole, and even to the U.S. economy. For RLECs, these costs run in into the hundreds of thousands of dollars. However, the costs service providers incur in meeting their cybersecurity obligations are not covered presently by the HCP.

In contrast to CAF-BLS, the ACAM mechanism uses a model to predict the cost to provide a certain level of service to a defined geographical area. Recipients receive funding upfront and then must deploy and operate a network meeting that level of service within a set time period. The model was last calculated around ten years ago. There is a need to adjust and rerun the model in coming years as recipients meet their network goals and ACAM terms expire. The first subset of ACAM recipients will see their term expire as soon as the end of 2026. These networks will continue to have operating costs and will need to be modernized beyond the FCC designated 100/20Mbps, 25/3 Mbps, and 10/1 Mbps speed standards. The FCC has been reluctant to adjust and rerun the model because of the associated costs, but model-based support cannot continue relying on a model that used what are now outdated costs.

One area where reform is needed in the area of administration is the FCC practice of pausing reimbursement in the case of late fee payment. The FCC currently freezes all USF support to a recipient if the recipient is delinquent in payment of required fees and other payments. This might seem like good governance, but in reality, it's often overly punitive. For example, a provider might miss a $1,000 fee by a couple days. In response, the FCC withholds all HCP support, which could be hundreds of thousands of dollars. At times, even once the payment is

made it can take the FCC a week or more to end the hold and release USF funds. While problems measured in days might not appear significant, this can present significant cash flow issues for small businesses. We understand this may not be an issue Congress needs to correct in statute, but there are ways for Congress to use its oversight authority to encourage the FCC to reform its procedures and match its consequences more appropriately to the offense.

A third and final area where Congress could institute reform that would bear on administrative and cost-effectiveness improvements would be in USF recipient reporting and data collection. The FCC should regularly evaluate what data it collects from USF recipients and determine if any of it is duplicative. WTA filed comments[4] in the recent "Delete, Delete, Delete" proceeding and provided some examples to the FCC of certain filings that could be consolidated, but this process of regulatory review should be a regular task specifically undertaken and focused on USF.

What reforms would ensure that the USF contribution factor is sufficient to preserve universal service?

The current USF contributions methodology of assessing long-distance and international voice revenues of telephone companies is antiquated and insufficient. This revenue, on a quarterly basis, has declined from around $17 billion 15 years ago to around $8 billion today. Declining assessable revenues means that the contribution factor must be raised to meet the demands of the program. It currently stands at 36%, up from 5.7% when the contribution factor was assessed in 2000 – this represents a more than 600% increase.

A modernized USF funding mechanism is needed that: 1) equitably spreads the cost of universal service across all who stand to benefit from such investment; 2) greatly reduces or eliminates the charge on telephone bills; and 3) allows universal service funding to be sustainable for future decades.

The model of requiring users of the communications network to pay for its construction, upgrade, and maintenance has worked in the past and should continue to be the methodology going forward. Assessing as wide a universe of users as realistic would provide the most stability and predictability for the future. WTA's recommendation is to expand the contributions base beyond the assessment of voice revenues of telecommunications carriers to include ISPs (either on a revenue or connection basis) and large companies that profit off a ubiquitous broadband network. The original decision to exempt information services, then called "enhanced services," from contributing to the FCC's universal service program back in 1983 was based on a desire to protect an "infant industry." That exemption was carried forward into the Telecom Act, but no longer makes sense now that the vast majority of usage is, and revenues earned from that usage comes from, information services.

Ideally, by expanding and broadening the base of contributors to USF, the rate the average residential telecom user pays will go down. Various reports have found that if policymakers were to include ISP revenue and/or the revenue of large content and edge providers the contribution

[4] WTA Comments to FCC, GN Docket No. 25-133, April 11, 2025. https://w-t-a.org/wp-content/uploads/2025/04/WTA-Comments-Delete-4.11.25.pdf

factor could drop to below 4%, spreading the burden across a far wider base. The FCC found that including ISP revenue could reduce the contribution factor to 3.3% while adding edge provider revenue would drop it to approximately .4%.[5] Two industry studies found similar results when looking at assessing ISP revenue.[6] In addition, another study found that edge provider assessments could reduce the factor to .8-.2%.[7]

Further, by broadening the base to a wider variety of networks users, Congress can reduce the chances that the diminishment of one revenue stream would threaten the entire system. In the late-1990s when dial-up access at 56 kbps was still the predominant means of connecting to the Internet, Congress and the regulators likely did not foresee today's declining telecommunications revenue and they neglected to choose to assess information services as it was still viewed as a nascent industry. We can reduce the chances of this problem cropping up again by drawing from a broader base of contributors.

Some have suggested that Congress reject the concept of a user fee completely and fund USF from the broadest base of contributors using general tax revenue, with Congress annually appropriating funding for USF. WTA strongly opposes this idea. USF is too important to be dependent on the vagaries of the Congressional appropriations cycle. The Telecom Act requires *predictable* support mechanisms, and Congressional appropriations are notoriously unpredictable, both in terms of timing and funding levels. Last year's debate about whether to continue the Affordable Connectively Program (ACP) was a perfect illustration of why relying on Congressional appropriations would create massive uncertainty. This uncertainty would likely deter investment, as broadband is a capital-intensive industry and requires stability. Rural broadband providers making 10-to-20-year investments need to know that the HCP will be there to support their networks. Lack of federal funding predictability would also likely cause private lenders to raise interest rates on any loans made to RLECs.

Further, in reality, what funding USF through general tax revenue means is putting the costs of the program on the national credit card – increasing the annual budget deficit and national debt. One of the virtues of the current system is that it is paid by current users rather than adding to the debt of future generations of Americans.

What reforms would reduce waste, fraud, and abuse in each of the four USF programs?

The main area of focus when it comes to waste in USF should be on duplication of efforts. Each of the four programs within USF has worthy purposes and goals. Though complementary and

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[5] FCC Chairwoman Jessica Rosenworcel, letter to Sen. Ben Ray Lujan, Jan. 12, 2024. https://docs.fcc.gov/public/attachments/DOC-400113A1.pdf

[6] The Brattle Group, "The Economics of Universal Service Fund Reform," Aug. 24, 2023. https://www.incompas.org/Files/filings/2023/The%20Economics%20of%20USF%20Reform%20Brattle_FINAL.pdf
Mattey Consulting, "USForward," Sept. 2021. https://www.matteyconsult.com/_files/ugd/179aad_d610eca6ebd54082829f245229ec8c0e.pdf

[7] Roselyn Layton, "Future of Universal Service. Financial Projections for Contributions," WC Docket No. 06-122, Oct. 28, 2024. https://www.fcc.gov/ecfs/document/1028285351631/1

related, they are distinct and should remain so. It's when they start to overlap that they become wasteful.

Specifically, the E-Rate and Rural Health Care Programs should be focused on ensuring these important anchor institutions can afford Internet access and purchase network equipment and other items that are needed to provide connectivity to school, library and health care facilities. The programs should not fund network construction when there is already a last mile and/or transport network in place that provides the necessary reliable, robust bandwidth to the facilities. In certain instances, WTA's member companies have built networks using HCP support to anchor institutions in their service territories only to have the school system receive USF support from one of the other programs to construct a network and overbuild the existing USF-funded network. For example, in 2020, in western New Mexico, an out-of-state provider won an E-Rate bid to overbuild the network of a WTA member that already provided a fiber connection to the schools in its community. In 2019, something similar happened in several Texas communities already served by RLECs using HCP support. E-Rate funding was also used to overbuild a HCP-funded network in eastern Oregon.

It is a waste of scarce USF funding to pay one company to overbuild another USF-funded company's network. To avoid duplication of efforts, E-Rate and Rural Health Care support should be limited to subsidizing the cost of access and of on-premises or internal equipment needed to ensure access in the facilities, unless, in the rare instance there is no adequate incumbent network available.

What actions would improve coordination and efficiency among USF programs and other FCC programs, as well as broadband programs housed at other federal agencies?

One of the most important issues involving coordination between USF programs and other federal broadband efforts is mapping. It is necessary that all USF-funded locations be recorded in federal mapping efforts. In particular, the FCC's Broadband Funding Map does not include locations served by providers receiving CAF-BLS support or most of the ACAM iterations.[8]

In addition, the FCC's National Broadband Map – while significantly better than the old FCC maps that deemed an entire census block served if any one location in that census block was served and continuing to improve in accuracy – still has a long way to go before it accurately represents status and level of broadband service. Our member companies report that with every version of the map, they have to recheck their service territories to verify that serviceable locations remain or have been removed or moved and whether the geocoordinates are accurate. In particular, we're told that the data for Alaska is particularly unreliable. This can be significant in terms of adversely affecting eligibility for or the amount of broadband subsidies under various broadband subsidy programs. In addition, there still doesn't seem to be a reliable way to verify whether the stated coverage of fixed wireless providers is accurate. And the National Broadband Map also reflects 100% coverage of the United States by LEO satellite service at 100/20 Mbps, even though capacity constraints limit the total number of customers the satellite systems could actually serve at those speeds.

[8] Only Enhanced ACAM-funded locations are recognized on the map.

Accuracy of the maps is important when it comes to USF because if reported service is understated policymakers could end up duplicating funding, and if it's overstated funding could be denied and end users might go without a broadband connection.

One of problems facing the HCP at this point is the fact that RLECs receiving CAF-BLS support are not incorporated as enforceable commitments to serve the locations in their service territories that would prevent other broadband grant programs from overbuilding the work the FCC is in the process of funding. Locations already built out to at least 100/20 Mbps are to be entered into the HUBB portal and therefore not eligible for the BEAD, ReConnect, and other broadband grant-related programs. However, RLECs in the process of building out 100/20 Mbps or higher don't have a way of reflecting those locations on the FCC maps.

Relatedly, the FCC has declined to act at this time on industry recommendations to provide increased buildout speed requirements to at least 100/20 Mbps for CAF-BLS recipients. This will mean that areas funded by the HCP to a speed less than 100/20 Mbps could be overbuilt by other programs (keeping in mind these lower speed standards are a result of inadequate FCC funding, not lack of provider desire to bring faster broadband to their customers). It would be more efficient for the FCC to increase buildout speed requirements and requisite funding for current CAF-BLS providers and provide a mechanism to obtain enforceable commitments to serve those locations rather than have another agency potentially funding another provider to build a second and overlapping network in those areas. Without action by the FCC, the possibility of stranded HCP investment is likely.

For any recommendations on reforms, does the Commission currently have the feasibility and authority to make such changes?

In most instances, the FCC has the authority to make the reforms and modernizations recommended here. It can revise CAF-BLS reimbursable expenses and adjust and rerun the ACAM model. It can also update reporting and data collection procedures and make changes to support payment withholding rules. It can even make major changes to the USF contribution mechanism that shift the assessments away from telephone service to focus more on broadband. Under Section 254(d), "[a]ny other provider of interstate telecommunications may be required to contribute to the preservation and advancement of universal service if the public interest so requires." Because information services providers necessarily include a "telecommunications" component as part of their offering, the FCC could require broadband service providers to contribute to the USF. That said, it would be wise for Congress to instruct the FCC in statute or through other means to make the necessary changes to the USF contribution regulations.

The one area where Congress would have to provide the FCC with additional authority is in modernizing the USF contribution system to include heavy users of the broadband network in the assessment base. Bipartisan legislation, the Lowering Costs for Broadband Consumers Act (S. 1651/H.R. 4032), has been introduced in the Senate and House to provide this authority, and WTA recommends the USF Working Group consider this proposal in any legislative effort it undertakes.

Is the USF administrator, the Universal Service Administrative Company (USAC), sufficiently accountable and transparent? Is USAC's role in need of reform?

Over the years, WTA members have been the subject of various performance and/or financial audits by USAC and have also had substantial contact with USAC regarding the content and filing deadlines for various USF forms and reports and can attest that there is close FCC supervision of USAC. Their contacts with USAC have been characterized by strict USAC adherence to relevant FCC regulations.

In addition, a report[9] prepared by the Government Accountability Office last year found that:

> "USAC prepares monthly reports on USF and the other programs it administers. Our review of monthly reports found that they provide FCC with detailed information on actions pertaining to the USF programs, including updates on the 18-month plans.…USAC also uses these monthly reports to update FCC on USAC's operations and other programs it administers, such as the Affordable Connectivity Program. This can include information on program audits, finance, and information technology projects. According to USAC executives, the monthly reports provide FCC important insight to USAC activities and progress toward meeting its goals, while also giving FCC an opportunity to provide feedback. USAC and FCC's Office of the Managing Director also meet monthly to discuss metrics related to USF programs."

Conclusion

WTA appreciates the USF Working Group's efforts in this matter. We hope that this process bears fruit and leads to legislation that both upholds the original principles of the underlying statute while modernizing and strengthening USF for the next thirty years. Please reach out to Derrick Owens, WTA's Senior Vice President of Government and Industry Affairs at derrick@w-t-a.org or Eric Keber, WTA's Vice President of Government Affairs at eric@w-t-a.org with any questions. We look forward to continuing to work with you toward this goal.

[9] "Telecommunications: Administration of Universal Service Programs Is Consistent with Selected FCC Requirements," GAO-24-106967, Publicly Released: Aug 22, 2024. https://www.gao.gov/products/gao-24-106967