

In May, the FCC released a [Notice of Proposed Rulemaking \(NPRM\)](#) to seek comment on establishing a cap on the [Universal Service Fund \(USF\)](#) and, most recently, extended the deadline for comments on the proposal.

The NPRM states that “[w]hile each of the constituent USF programs are capped or operating under a targeted budget, the Commission has not examined the programs holistically to determine the most efficient and responsible use of these federal funds.” The FCC stated that the proposed cap may promote “meaningful consideration of spending decisions by the Commission, limit the contribution burden borne by ratepayers, provide regulatory and financial certainty, and promote efficiency, fairness, accountability, and sustainability of the USF programs.”

While raising the topic of a cap, the FCC’s NPRM does not announce any specific rules or budget, but rather raises questions regarding how to proceed. Nonetheless, the questions and some of the implications (including the mention of an \$11.42 billion cap and combining E-Rate and Rural Health Care funds) have brought about significant controversy and criticism during a time when federal and state governments alike are abuzz with programs, legislation, and funding mechanisms to encourage ubiquitous coverage.

### **Background**

Currently, the USF consists of four programs aimed at expanding universal service to unserved areas. The programs include:

- The Connect America Fund (CAF), which provides support for broadband providers to build out service in rural areas
- Lifeline, which offers low-cost telephone service for low-income residents
- The E-Rate Program, which provides subsidies for broadband to and within schools and libraries
- The Rural Health Care Program, which provides funds for eligible health care providers for telecommunications services

The USF is paid for by contributions from telecommunications providers based on revenues and is administered by the Universal Service Administration Company (USAC).

### Commissioner O’Rielly’s Support of the NPRM

The NPRM itself was born out of Commissioner Michael O’Rielly’s belief that a USF cap discussion was a fiscal responsibility of the Commission. In a [statement](#) on the NPRM, he made the following three points:

- “This NPRM initiates a dialogue and does NOT constitute a final order.”  
Furthermore, O’Rielly said that while he supports “the adoption of a budget as a general matter,” he is not sold on every idea contained in the NPRM, including the proposed budgetary amount and the proposal to combine E-Rate and Rural Health Care budgets.
- “This NPRM’s proposed budget would NOT cut funding to Universal Service.”  
O’Rielly explained that the proposed budget of \$11.42 billion is more than \$3 billion above current program disbursements and would be indexed to keep pace with inflation.
- “This NPRM is NOT a backdoor way to establish a budget on Lifeline.”

### Commissioners Rosenworcel and Starks Dissent

Democrat Commissioners Jessica Rosenworcel and Geoffrey Starks offered strong dissenting statements. Commissioner Rosenworcel [said](#) that the NPRM “suggests a course that could cut off broadband in rural areas, limit high-speed internet access in rural classrooms, shorten the reach of telehealth, and foreclose opportunity for those who need it most. Worse, it proposes unleashing a fight for support between connecting kids in schools and hooking up hospitals for telemedicine.”

Likewise, Commissioner Starks [said](#) “[t]he proposal would pit deserving beneficiaries— anchor institutions, students, patients, and Americans who lack broadband—against one another in a fight for Universal Service funds.”

While O’Rielly opposed the notion that this was a “Hunger Games” scenario where potential recipients would be competing for subsidies, the particular notion of combining the Rural Health Care and E-Rate funds have been notably controversial.

### Deadlines

Comments are due to the FCC on July 29 with reply comments due on August 26. These deadlines represent an extension of the original comment due dates after the FCC heard from over three dozen organizations who called for extending the period to September.

To file a comment, visit the FCC’s [Electronic Comment Filing System \(ECFS\)](#).

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