

In this document you will find answers to some of the most frequently asked questions about the Universal Service Fund (USF), the Universal Service Administrative Company (USAC), and the four USF programs: High Cost, Low Income, Rural Health Care, and Schools and Libraries. We hope these materials help you understand how the USF, USAC, and the four USF programs work to help keep Americans connected.

If you have any further questions, USAC's External Relations team will be happy to answer them. You can reach them by calling 202-776-0200. Please ask to speak with someone in External Relations. You can also send us an e-mail and we will do our best to get back to you within 24 hours. If you are a reporter, please send your questions to mediarequests@usac.org. General inquiries should be sent to outreach@usac.org. Please be sure to include your name, affiliation, and the best way for us to contact you.

About the Universal Service Fund

Q1: What is universal service?

Universal service is the policy of providing access to a baseline level of telecommunications services for all consumers in the United States. The policy originated with the Communications Act of 1934. The Telecommunications Act of 1996 (1996 Telecom Act) expanded the scope of universal service to include rural health care facilities, schools, and libraries.

The goals of Universal Service, as mandated by the 1996 Telecom Act, are:

- To promote the availability of quality services at just, reasonable prices.
- To increase access to advanced telecommunications services throughout the country.
- To advance the availability of such services to all consumers, including those in low-income, rural, insular, and high-cost areas at comparable rates to urban areas.

The 1996 Telecom Act further defines "universal service" in Section 254 (c)(1) as "an evolving level of telecommunications that the [Federal Communications] Commission shall establish periodically ... taking into account advances in telecommunications and information technology and services." The public goods that universal service supports, as stated in Section 254 (b)(7), include, "protection of the public interest, convenience, and necessity."

Q2: What is the Universal Service Fund?

The Universal Service Fund (USF) is money collected from telecommunications companies and dedicated to fulfilling the goals of universal service. Under the authority of the 1996 Telecom Act, the Federal Communications Commission (FCC) created the USF as well as the Universal Service Administrative Company (USAC), the organization charged with administering the USF. Telecommunications companies make contributions to the USF based on revenues gained from providing international and interstate calling services.

In 2009, USF support totaled \$7.3 billion, which was divided among the four USF programs: High Cost, Low Income, Rural Health Care, and Schools and Libraries. USAC manages the collection and distribution of money in the USF.

Below are brief descriptions of each program, along with 2009 levels of USF funding:

- The **High Cost Program** ensures that rural consumers across the country have access to and pay rates for telecommunications services that are reasonably comparable to urban areas. In 2009, the program provided almost \$4.3 billion in support.
- The **Low Income Program**, commonly known as Lifeline and Link Up, helps low-income consumers establish and maintain telephone service by discounting services provided to them by local telephone companies. In 2009, the program provided over \$1 billion in support.
- The **Rural Health Care Program** ensures that rural health care providers pay no more for telecommunications in the provision of health care services than their urban counterparts. In 2009, the program provided almost \$61 million in support.
- The **Schools and Libraries Program**, commonly known as E-rate, provides discounts to schools and libraries in every U.S. state and territory for telecommunications, Internet access, and internal connections. In 2009, the program provided over \$1.9 billion in support.

Q3: What purpose does the USF serve?

The purpose of the USF is to enable access to telecommunications services for all U.S. consumers. A principle of universal service holds that such access helps ensure that all U.S. residents can participate fully in the opportunities available to them in American society. In an increasingly networked, technology-intensive world, widespread access to telecommunications services is a key to national prosperity, well-being, and safety.

Access to telecommunications services means something different in each of the four USF programs.

- **High Cost:** In mountainous Alexandria, Minnesota, cellular towers are only accessible by foot, all-terrain vehicles, or helicopter. This makes providing services to customers in and around Alexandria costly. But a local wireless carrier has been able to upgrade towers and switching facilities with support received from the USF High Cost Program. Customers can enjoy landline-quality cellular service in the most remote regions of the area because USF support has made it possible for the provider to deploy newer technology with a greater reach that also requires less maintenance.
- **Low Income:** A discount of \$10 a month makes a real difference for the elderly community in Pikeville, Tennessee. With many residents living on monthly incomes of only \$300 to \$400, it can make the difference of being able to call for help in an emergency. A local telephone carrier providing the critical link to basic telephone access says it is only through the support of the USF Low Income Program that telephone service is possible for these customers.
- **Rural Health Care:** In Falls River Mills, California, there is no bus or mass transit system to help patients travel to meet with health care specialists. A local Health Care Provider (HCP) notes that asking their elderly patients to drive to a nearby hospital would be “an undue hardship.” With the support from USF’s Rural Health Care Program, a high-speed Internet connection allows the HCP to bring a patient and a specialist together without waiting or

worrying about transportation. Without a telemedicine program, “a patient could wait six weeks for an in-person visit with a dermatologist. For someone with skin cancer, “time is of the essence.”

- **Schools and Libraries:** “I have worked in school districts for over twenty years, and this is the poorest community I have worked in,” says a school district representative in Bridgeport, Connecticut. With support from the Schools and Libraries Program, a network infrastructure was built throughout Bridgeport’s schools. Students can now take online practice tests for exams related to the No Child Left Behind Act and have access to supplemental reading materials. Universal service funding means that access to vital advanced telecommunications technology—and the communications networks and activities they support—is available to all schools and libraries, no matter their resources, throughout the country.

Q4: Who pays for the USF?

As required by the 1996 Telecom Act, all telecommunications carriers providing international and interstate service make contributions to the Universal Service Fund. Consumers may notice a "Universal Service" line item on their telephone bills. This line represents a charge by a telephone company to recover its mandated contributions to the USF. USAC collects these contributions and then allocates the proceeds to the four USF programs: High Cost, Low Income, Rural Health Care, and Schools and Libraries.

Example of the Quarterly Collection and Disbursement Process

May 1	Carriers submit Form 499-Q with projected revenue
May 2	USAC submits quarterly fund size and administrative cost filing with FCC
June 1	USAC files projected carrier revenue and proposed contribution factor with FCC
June 15	FCC issues public notice with proposed contribution factor
July 1	Contribution factor becomes effective, can be used by carriers for billing
July 15	USAC sends invoices to USF contributors
August 15	USF contributor invoices due at USAC
August 30	USAC distributes USF funds through the four programs: High Cost, Low Income, Rural Health Care, and Schools and Libraries

Q5: How does USF funding work?

Paying into the USF (Collections):

All telecommunications carriers that provide international and interstate service make contributions to the USF. The amounts of these contributions are determined by projections of the aggregate demand for USF support, which USAC submits each quarter to the FCC. The FCC reviews these projections and determines the percentage of international and interstate revenues that carriers must pay into the fund.

Paying out of the USF (Disbursements):

USAC allocates money from the USF to fund the High Cost, Low Income, Rural Health Care, and Schools and Libraries programs. Entities eligible for support from these programs submit information to USAC for processing and evaluation, leading to disbursement of USF support to those approved for funding.

How program participants claim support in each of the programs:

- **High Cost:** Rural and non-rural incumbent local exchange carriers (ILECs) and competitive carriers that are eligible telecommunications carriers (ETCs) submit line count data, certain cost data, and certifications to USAC to receive High Cost support.
- **Low Income:** ETCs that provide consumers with Lifeline discounts file the *Lifeline and Link Up Worksheet* (Form 497) with USAC to receive Low Income Program support that reimburses them for providing service at discounted rates.
- **Rural Health Care:** All health care providers (HCPs), or consortia of HCPs seeking to participate in the Rural Health Care Program, conduct a competitive bidding process for services to be used in providing health care. Once the service providers and services are selected, the health care provider completes and submits a funding request to USAC and later a notice that actual service has begun. The HCP then receives the benefit of the reduced rates from USAC's Rural Health Care Program, which pays the selected service provider for the discounts it provides to the HCP.
- **Schools and Libraries:** Eligible applicants in this program open a competitive bidding process to receive bids on the products and services they seek. Service providers submit bids, which are reviewed by applicants under applicable program rules. Applicants select the service provider for the service or product and submit the appropriate forms to USAC to process support payment invoices.

About USAC

Q6: What is USAC?

The Universal Service Administrative Company (USAC) is an independent, not-for-profit corporation that was created in 1997 by the FCC to administer the Universal Service Fund (USF).

Q7: What does USAC do?

USAC's mission is to collect and distribute money for the USF and administer the four USF programs in accordance with the FCC's rules. USAC does not set or advocate policy. USAC works to protect the integrity of the fund, promote compliance among program participants, and provide information about the USF to Congress, the FCC, program audiences, and the general public. In all of these tasks, USAC strives to provide efficient, responsible stewardship of the USF, a key national asset in making important telecommunications services available to consumers, health care providers, schools, and libraries throughout the United States.

In its eleven years of existence (1998-2009), USAC has disbursed over \$65 billion to support the goals of universal service and to help keep Americans connected. USAC performs a wide range of complex, large-scale operations. See highlights for 2009 in the chart below:

2009 HIGHLIGHTS	
Administering each of the USF programs	<p>High Cost Program</p> <ul style="list-style-type: none"> • \$4.3 billion in disbursements • 1,800 participating companies • 129 million lines supported
	<p>Low Income Program</p> <ul style="list-style-type: none"> • \$1 billion in disbursements • 1,900 participating companies • 8.5 million households supported
	<p>Rural Health Care Program</p> <ul style="list-style-type: none"> • \$61 million in disbursements • Over 3,500 health care providers
	<p>Schools and Libraries Program</p> <ul style="list-style-type: none"> • \$1.9 billion in disbursements • Over 40,000 applications • 116,400 participating schools and libraries
Billing, collecting, and distributing for the USF programs	<ul style="list-style-type: none"> • \$7.3 billion in overall disbursements • Over \$600 million collected every month • Over 78,000 individual disbursements <ul style="list-style-type: none"> ○ High Cost: 18,508 ○ Low Income: 18,161 ○ Rural Health Care: 1,653 ○ Schools and Libraries: 40,246 • 100% of 55,000 invoices processed on time
Providing customer service	<ul style="list-style-type: none"> • Over 100,000 phone calls answered from USF program participants • 13 large-scale training sessions • Dozens of appearances at professional meetings of carriers, health care providers, schools, libraries, and auditors • Customized support for individual program participants, with over 3,000

	<p>site visits since 2005</p> <ul style="list-style-type: none"> • 0.1% ratio of complaints to total inquiries • 115 Congressional and media inquiries, with responses on average in less than one full business day
<p>Effective, responsible stewardship of the USF</p>	<ul style="list-style-type: none"> • 2.6% administrative expense rate • Robust FCC oversight, governed by the FCC-USAC Memorandum of Understanding • Comprehensive audit program <ul style="list-style-type: none"> ◦ Over 1,800 audits conducted since USAC's inception • USF investments have earned \$200 million more than it has cost to run USAC for its entire history

NOTE: USAC may not make policy, interpret unclear provisions of the statute or rules, interpret the intent of Congress, or advocate policy positions before the FCC or its staff, but may advocate positions on administrative issues for managing the USF.

Read more about USAC at our website, www.usac.org. View USAC Annual Reports from 1999-2009 in the *About USAC* section of the website under *Resource Room*.

About the USF Programs

Q8: Approximately how much USF funding is disbursed for each program?

Below are the four USF programs' unaudited disbursement totals for calendar year 2009. For more detailed information, check out our Fund Facts.

High Cost:	\$4.3 billion
Low Income:	\$1 billion
Rural Health Care:	\$61 million
Schools & Libraries:	\$1.9 billion
2009 Unaudited Support (TOTAL Amount Disbursed):	\$7.3 billion

Q9: What do the four USF programs do?

- **High Cost Program** – ensures consumers in all regions across the nation have access to and pay rates for telecommunications services that are reasonably comparable to those in urban areas

- **Low Income Program** – commonly known as Lifeline and Link Up, provides discounts that make basic, local telephone service affordable and helps more than 10 million low-income consumers nationwide stay connected
- **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 telecommunications services
- **Schools and Libraries Program** – commonly referred to as E-rate, provides affordable telecommunications and Internet access services to connect schools and libraries to the Internet. This support goes to service providers that provide discounts on eligible products and services to eligible schools, school districts, libraries, and consortia of these entities

Q10: Where is the USAC Annual Report?

You can view USAC Annual Reports from 1999-2009 in the *About USAC* section of our website, under *Resource Room*.

Q11: Where can I find more information about the four USF programs?

You can view and download brochures, press releases, and other materials about the four USF programs in the *About USAC* section of our website under *Resource Room*.

Q12: Who do I contact for further information?

USAC's External Relations team is happy to answer any questions you might have about USAC or the USF. You can reach them by calling 202-776-0200. Please ask to speak with someone in External Relations. You can also send us an e-mail and we will do our best to get back to you within 24 hours. If you are a reporter, please send your questions to mediarequests@usac.org. General inquiries should be sent to outreach@usac.org. Please be sure to include your name, affiliation, and the best way for us to contact you.

Q13: What resources are available to search for USAC commitments, payments, and other statistics?

USAC has developed various online search tools to help you find the information you need when you need it. The chart below highlights a selection of these tools. More tools can be found at www.usac.org.

PROGRAM	TOOL	TOOL DESCRIPTION
High Cost	High Cost Disbursement Search Tool	Searches High Cost disbursements to eligible telecommunications carriers (ETCs)
	High Cost Filing Requirements and Deadlines Tool	Provides information on filing requirements, forms, and deadlines
	High Cost Model CLLI Search Tool	Helps ETCs accurately report line counts
	Interstate Access Support Maps	Provides links to the IAS maps that have been submitted on a state-by-state and carrier-by-carrier basis

FAQ's about the USF, USAC, and USF Programs

Low Income	Low Income Disbursement Tool	Searches and shows disbursements to ETCs and shows calculations for particular disbursements
	Low Income Online Posting Tool	Allows ETCs to post company specific information about the availability of the Lifeline and Link Up programs on www.lifelinesupport.org
Rural Health Care	Rural Health Care Search Tools	Website that features all of the tools for the Rural Health Care program
	Automated Commitments Search Tool	Allows searches for commitment data by funding year, state, applicant name, services requested, Funding Commitment Letter (FCL) date, address, city, and committed amount
	Login as a Health Care Provider (HCP)	Enables electronic filing of forms and viewing past history of funding requests
	Posted Services Search Tool	Searches Health Care Providers' (HCPs') requests for services from their Form 465s using the HCP Name or Number, city, county, or state
	Packet Status Report	Checks the status of Form 466 and/or 466-A packets
Schools and Libraries	Schools and Libraries Search Tool Page	Website that features all of the tools for the Schools and Libraries program
	Automated Search of Commitments Tool	Allows searches for funding commitment data by funding year, applicant name, city, state, zip and/or wave number
	Form Deadlines Tool	Explains and helps you calculate deadlines for forms and actions
	Eligible Services List	List that indicates whether specific products or services may be able to receive discounts