Universal Service Contribution Methodology for the 21st Century

February 2015
FCC’s Goals for Contribution Methodology Reform

Efficiency – clearer, simpler rules

Fairness
• Consumers – residential and business
• Contributors – competitive neutrality

Sustainability
• Dynamic enough to keep pace with marketplace changes
• Broaden contribution base

Overarching goals:
• Delivery of affordable communications to all Americans
• Promote broadband innovation, investment, and adoption

(FCC, Universal Service Contribution Methodology FNPRM, FCC 12-46, 4/30/2012)
FCC FNPRM Issues

Who should contribute
- Telecommunications carriers that provide interstate telecommunications services
- Providers of interstate telecommunications

How should contributions be assessed?
- Revenues? Interstate? Intrastate? Total?
- Connections? Speed or capacity tiers?
- Telephone numbers?
- Other?
- Combinations?

How much money will be collected in 2015?
- High-Cost + Low-Income + Schools & Libraries + Rural Healthcare ≈ $8.7B/Yr
- Total funding can increase by $1.5B/Yr to $10.2B/Yr
Average Household Contribution

Total Funding
- $8.7B/Yr
- or
- $10.2B/Yr ($8.7B + $1.5B)

Current Estimated Allocation of Total Funding
- Business: 50%
- Residential: 50%

Total US households
- 119M

$3.05/household per month ($8.7B)

$3.58/household per month ($10.2B)
Dialing for Dollars

<table>
<thead>
<tr>
<th>Dial Settings ¹</th>
<th>Expected Additional Revenues ² ($M)</th>
<th>Cumulative Contribution Base ³ ($M)</th>
<th>Program Cost ⁴ ($M)</th>
<th>Adjusted Contribution Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 Baseline (current mechanism)</td>
<td>-</td>
<td>$51,976</td>
<td>$8,720</td>
<td>16.78%</td>
</tr>
<tr>
<td>1 + International Exemption/LIRE Revenue</td>
<td>$2,868</td>
<td>$54,844</td>
<td>$8,720</td>
<td>15.90%</td>
</tr>
<tr>
<td>2 + M2M Service Revenue</td>
<td>$5,996</td>
<td>$60,840</td>
<td>$8,720</td>
<td>14.33%</td>
</tr>
<tr>
<td>3 + Broadband Revenue</td>
<td>$52,430</td>
<td>$113,270</td>
<td>$8,720</td>
<td>7.70%</td>
</tr>
<tr>
<td>4 + Wireless Data Revenues</td>
<td>$105,000</td>
<td>$218,270</td>
<td>$8,720</td>
<td>4.00%</td>
</tr>
<tr>
<td>5 + Other Enhanced Services Revenue</td>
<td>$54,836</td>
<td>$273,106</td>
<td>$8,720</td>
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<tr>
<td>6 + Intrastate End User Revenue</td>
<td>$110,914</td>
<td>$384,020</td>
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</tr>
<tr>
<td>7 + EDGE Provider Revenue</td>
<td>??</td>
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</tr>
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NOTES:
1. The order of the Dial Settings uses the lowest to highest amount of expected revenues from the service category being added.
2. Expected Additional Revenues are based on entities that currently report to USAC.
3. This chart is not meant to endorse revenues as a Widget. Other assessment methods could use a per telephone number (TN) or a per connection assessment. These methods would result in assessments of approximately: $1.07/TN per month or $1.35/connection per month.
   NOTE: Special access connections were not included due to data limitations.
4. Program cost is based on 1st quarter 2015 projected program cost data (annualized) from the FCC’s Public Notice.
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4. Program cost is based on 1st quarter 2015 projected program cost data (annualized) from the FCC’s Public Notice plus the potential additional $1.5B for Schools and Libraries funding.
Simple/Efficient

Fair

Sustainable