

Media Contact:

Mark Wigfield, (202) 418-0253
mark.wigfield@fcc.gov

For Immediate Release**FCC Moves to Expand Rural Broadband Deployment by Modernizing and Reforming Universal Service Support for Small Carriers**

WASHINGTON, March 30, 2016 – Taking further steps to expand rural broadband deployment, the Federal Communications Commission unanimously approved modernization and reform of its universal service program supporting the nation’s small rural carriers, known as “rate-of-return” carriers.

Providing approximately \$20 billion in support over the next 10 years, modernizations of the universal service program for high-cost areas include enabling rate-of-return providers to meet consumer demand for stand-alone broadband. Reforms include better targeting of support to communities that need it the most.

Broadband is critical in the 21st Century, providing consumers with access to jobs, education and information, facilitating civic engagement, connecting local business and industry to global markets and more. Since the FCC’s universal service reforms of 2011, rate-of-return carriers have made substantial progress expanding broadband deployment, expanding their reach by 45%.

But roughly 20 percent of all homes in rate-of-return areas still lack access to terrestrial fixed broadband meeting the FCC’s benchmarks for the high-cost program. Efficient, effective universal service support is critical to the expansion of affordable broadband in high-cost rate-of-return areas that currently lack service.

Following are the key elements of the item adopted by the Commission:

- **Modernizes Existing Universal Service Program for Rate-of-Return Carriers**
 - Increases consumer choice by providing support for standalone broadband
 - Encourages investment in areas lacking broadband deployment by providing greater capital expenditure allowances for carriers with below average deployment, and limiting allowable investments for those with above average deployment
 - Requires broadband deployment, based on number of locations lacking service, the cost of providing service, and support to be received
 - Directs USF to those areas without broadband competition

- **Creates Two Paths to a “Connect America Fund” for Rate-of-Return Carriers**
 - The Model-Based Option

- Carriers can *voluntarily* transition from legacy rate-of-return support to model-based support, similar to Connect America Fund Phase II offer of support to the larger carriers last year
- Carriers accepting support must deploy service providing 10 Mbps downloads/1 Mbps uploads to all funded locations, with faster 25/3 service required in areas of higher population density
- Buildout requirement: 40% buildout required by year four, increasing by 10% each year until reaching 100% by year 10
- The Legacy Mechanism Option
 - Reforms the existing Interstate Common Line support mechanism to provide support for stand-alone broadband, now known as the Connect America Fund Broadband Loop support
- **Increase Fiscal Responsibility in the Universal Service Fund by:**
 - Reduces the allowable rate-of-return from the current 11.25 percent to 9.75 percent, reflecting current market conditions, with a phased transition
 - Limits operational and capital expenditures to help target support to those areas with less broadband deployment today
 - Enforceable \$2 billion budget

The item also seeks comment on further reforms to bar carriers from, in effect, billing either the Universal Service Fund or their customers for inappropriate expenses, such as artwork and corporate jets. In addition, the item seeks comment on measures to increase broadband deployment on Tribal lands.

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