

# ITTI 2000



## The Universal Service Fund

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St. Paul, MN

September 26, 2000

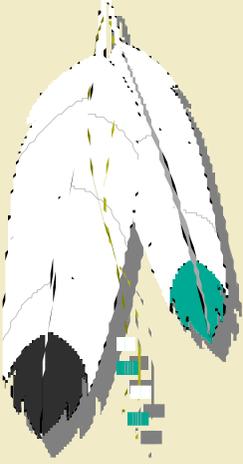
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## USAC Universal Service Fund

- The Universal Service Administrative Company (USAC)
  - Subsidiary of National Exchange Carriers Association (NECA)
  - Permanent administrator of all five universal service mechanisms (High Cost, Interstate Access, Low Income, Rural Health Care and Schools & Libraries)
  - Billing, collection, and disbursements for all universal service programs

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## USAC Universal Service Fund

- FCC Authorized Explicit Program Support
  - High Cost - \$2.6 Billion \*
  - Low Income - \$600 Million \*
  - Schools and Libraries - \$2.25 Billion
  - Rural Health Care - \$10 Million

\* Includes Interstate access charges

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## USAC Universal Service Fund

- High Cost Program for Rural Companies
  - Local Loop Support - If a carrier's cost per loop exceeds 115% of the national average, it qualifies for funding
  - Switching Support - Telephone company areas serving 50,000 or less lines receive support
  - Long Term Support - Those carriers who participate in the NECA common line pool receive long term support

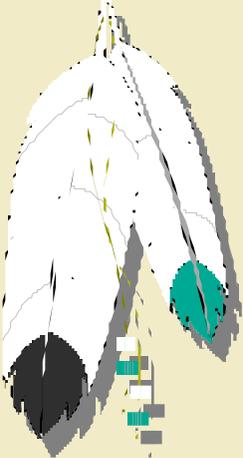


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## USAC Universal Service Fund

- High Cost Program
  - Ensures that rates paid by customers that live in rural areas are comparable to rates paid by urban customers
  - Customers do not need to apply for this program, telecommunications companies pass this benefit on to consumers in lower prices

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## USAC Universal Service Fund

- High Cost Program for Non-Rural Companies
  - Receive support under the new high cost model methodology
    - Support provided to wire centers for states with costs greater than 135% of the national average
    - Support projected based on a forward looking cost model
    - Support targeted to the highest cost wire centers
  - Hold harmless provision provides that no company gets less support than previously for a period of time

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## USAC Universal Service Fund

- Carriers Eligible for High Cost Support
  - Must be designated as an Eligible Telecommunications Carrier (ETC)
  - Funding is only available in those areas where a carrier has ETC designation
  - Must offer all universal services throughout the service area (Pure resale does not qualify)
  - Must advertise the availability of such services and charges
  - Must meet qualifications for each fund

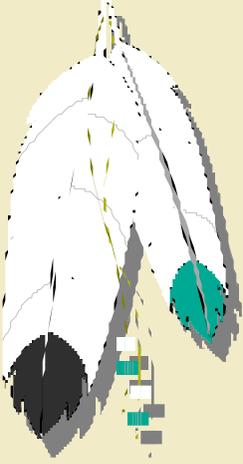
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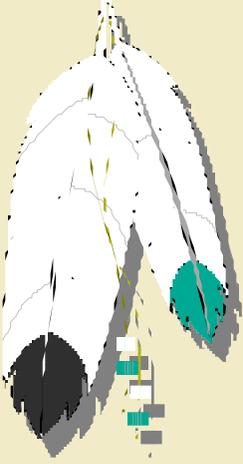
- Interstate Access Charge Program
  - \$650 million for high cost support
  - \$60 million estimated additional support for low income to offset increases in the Subscriber Line Charge



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## USAC Universal Service Fund

- Low Income Program
  - Provides direct support to low income customers for monthly charges and connection costs
  - The **Low Income customer must apply** to receive the benefit
  - Customer should contact the phone company

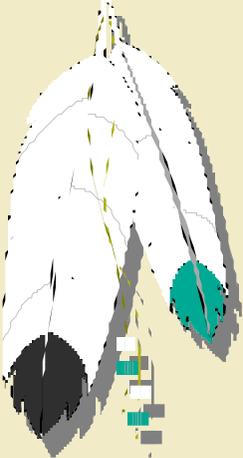


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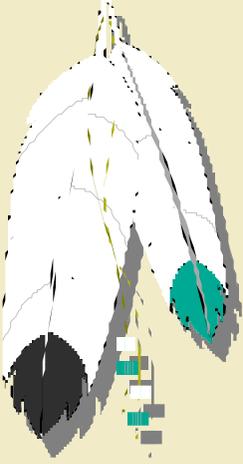
- Low Income Program
  - Customers receiving support from several federal programs
  - Individuals living on tribal lands that certify they participate in one of the following federal programs – BIA general assistance, TANF, Head start (if income eligible) or free meals under the National School lunch program

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## USAC Universal Service Fund

- Low Income Program
  - Lifeline General Program
    - \$4.35 per eligible subscriber to offset federal charges, \$1.75 additional reduction if a state authorizes a reduction in state and local charges and up to a \$1.75 where states have a matching program = Total maximum deduction for Lifeline of \$11.35/month
  - Lifeline Tribal Lands Program
    - 32.85 per eligible subscriber to offset federal charges, local service for most will be \$1 per month with a maximum of \$10 per month

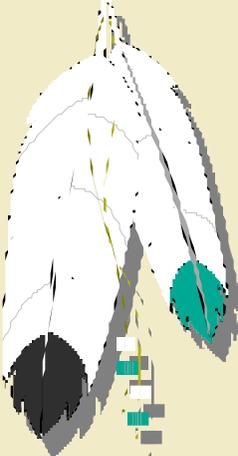


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## USAC Universal Service Fund

- Low Income Program
  - Link-Up General Program
    - Reduction of installation charge by 50% up to \$30, a deferred payment schedule for up to \$200 in past charges with no interest
  - Link-Up Tribal Lands Program
    - Additional support for hook up costs up to a maximum of \$100
  - The Cost of Toll Limitation Service

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## USAC Universal Service Fund

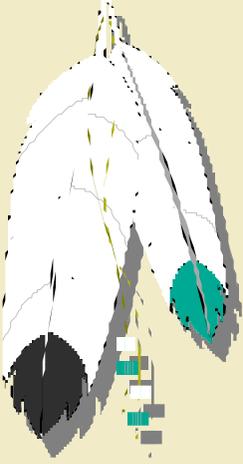
- Rural Health Care Program
  - Equalize rates between urban and rural areas for telecommunications services
  - The **Rural Health Care Provider must apply**
  - Urban or rural health care providers may receive support for up to 30 hours (\$180) per month of toll charges to reach internet, if no local dial-up access is available
  - No bandwidth limit
  - Rural health providers must seek competitive bids for services



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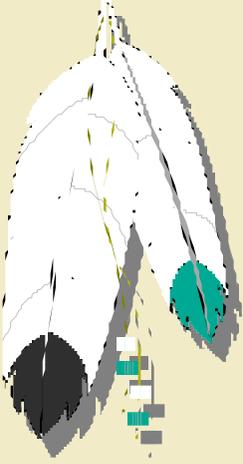
- Rural Health Care Program
  - Eligible facilities
    - Post secondary educational institution offering health care instruction
    - Community health center
    - Local health department or agency
    - Community mental health center
    - Not-for-profit hospital
    - Rural health clinic
    - Consortium of the above



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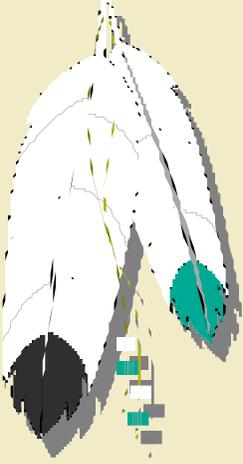
- Schools & Libraries Program
  - Discount based on % of students eligible for the school lunch program
  - Discounts range from 20 - 90% and vary between rural and urban schools
  - Schools and libraries must seek competitive bids for services
  - Schools and libraries must show that they have the resources to use the services
  - Schools and libraries must have an approved technology plan
  - **Schools and libraries must apply every year**



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## USAC Universal Service Fund

- Schools & Libraries Program
  - Eligible facilities
    - Elementary and secondary schools
    - Public or non-profit schools and libraries
    - Schools with endowments less than or equal to \$50,000,000
    - Libraries eligible for assistance from a State library administrative agency
    - Library is independently funded (separate from school funding)
    - Consortium of the above

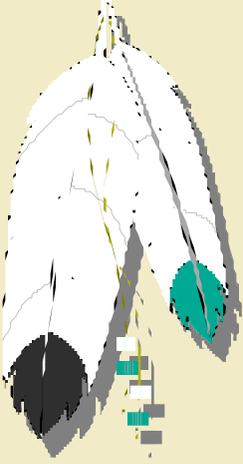


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## USAC Universal Service Fund

- Schools & Libraries Program
  - Eligible Services
    - Telecommunications Services
    - Internet Access
    - Internal Connections

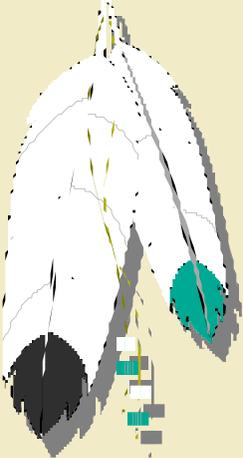
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## USAC Universal Service Fund

- Billing
  - USAC bills for all of the programs
  - Approximately 1500 carriers billed monthly
  - Approximately \$400,000 billed monthly
  - Late payment fees are assessed

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## USAC Universal Service Fund

- Disbursements
  - Payments are made monthly to service providers for HC, LI and IA and are made within 40 days after a valid invoice is received for the RHC and S&L programs
  - HC support provided to service providers reduces the rates consumers see on their bills, it is not explicitly identified
  - Low Income customers receive a credit on their bill
  - Service providers issue a check or provide credits to the Rural Health Care, Library and School beneficiaries



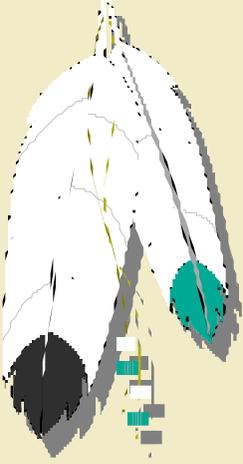
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## USAC Universal Service Fund

- Thank you, I would be happy to answer any questions.
- We will provide much greater detail for the Low Income and Schools and Libraries programs in workshops this afternoon
- We will provide more detail for the Rural Health Care Program as part of the Telemedicine discussion on Thursday

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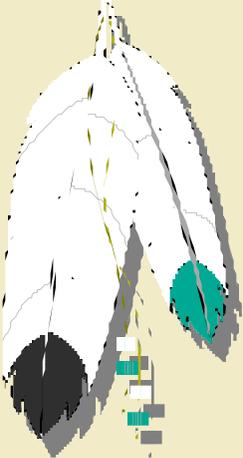




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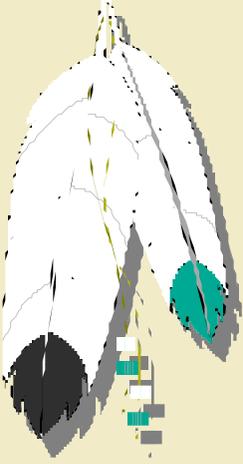
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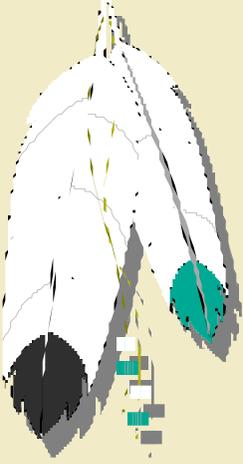
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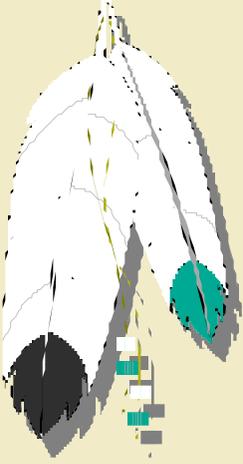
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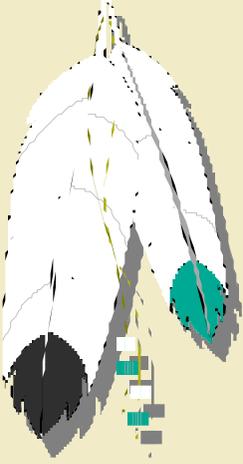
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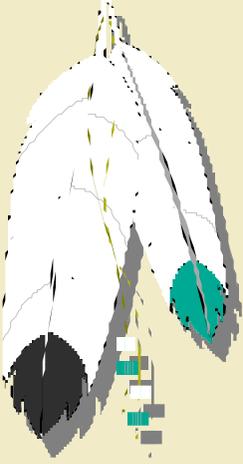
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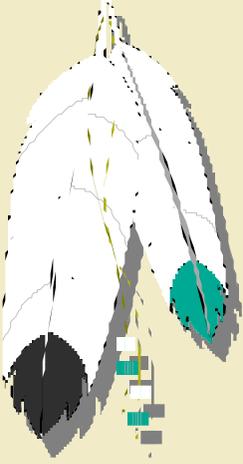
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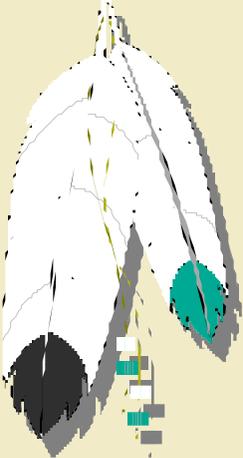
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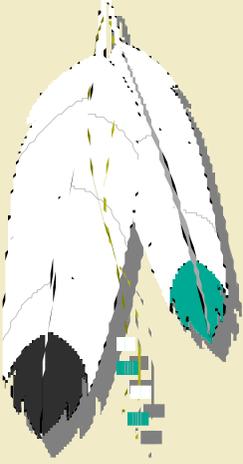
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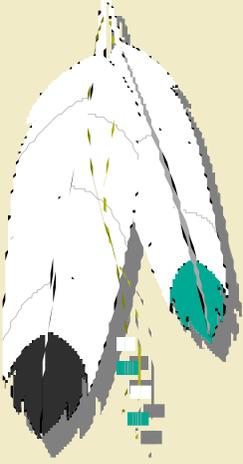
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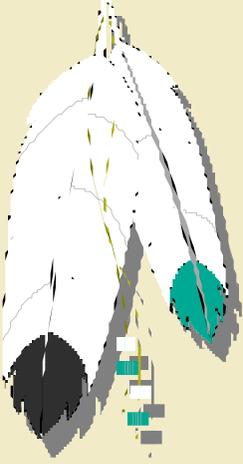
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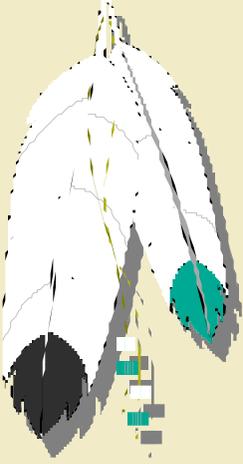
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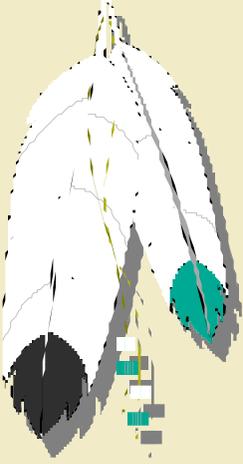
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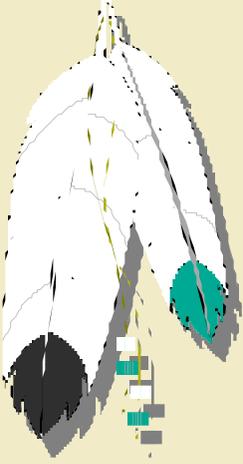
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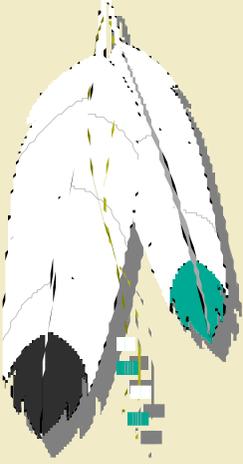
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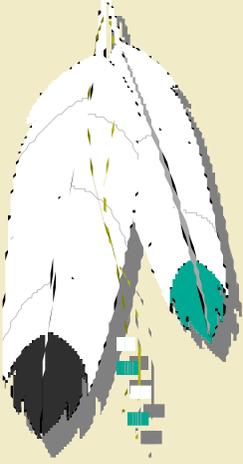
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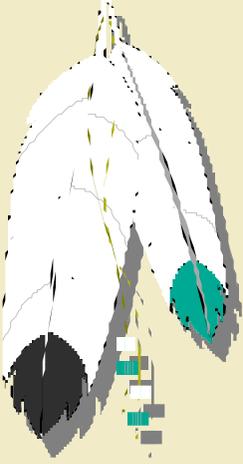
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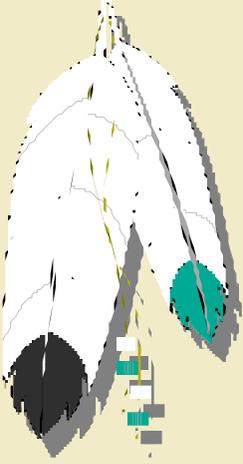
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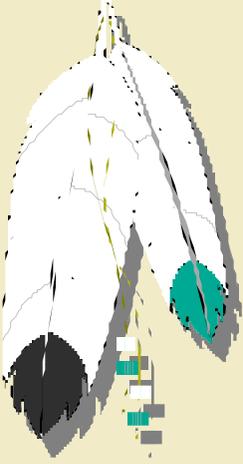
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