

HIGH COST PROGRAM



The High Cost Program is dedicated to preserving and advancing voice and broadband service, both fixed and mobile, in rural areas of the United States.

The High Cost Program ensures that rates for broadband and voice services are reasonably comparable in every region of the U.S. Like all USAC programs, the administration of the High Cost Program has undergone significant modernization in the last several years to increase innovation and ensure beneficiaries have access to updated technology.

In 2015, the High Cost Program continued to implement changes resulting from the Connect America Fund Transformation Order. In the November 2011 Order, the FCC reformed and modernized the universal service and intercarrier compensation systems to maintain voice service and extend broadband-capable infrastructure. In the Order, the FCC mandated availability for homes, business, and community anchor institutions.

The transition from the legacy High Cost Program to the modernized Connect America Fund (CAF) required high-quality support from USAC. We spent much of 2015 redesigning processes and systems and gaining a deeper understanding of our stakeholders' needs; in 2015 we engaged in new partnerships to gather this feedback.

Program highlights from 2015:

CONNECT AMERICA FUND PHASE II

2015 marked the beginning of CAF Phase II. This fund will provide support determined by the Connect America Cost Model and competitive

bidding. This model determines the cost to provide voice and broadband in high-cost areas where unsubsidized carriers are not providing voice and broadband sufficient to meet the FCC's definition. Carriers that accepted Phase II model-based support must provide at least 10/1 Mbps broadband throughout their accepted areas by 2020. In 2015, USAC disbursed CAF Phase II support in the amount of \$1,159,239,609 to 10 price cap carriers in 45 states and one U.S. territory.

MOBILITY FUND PHASE I

The Mobility Fund Phase I, which provides support for the expansion of mobile broadband networks in areas that might not otherwise be served, saw significant activity in 2015. In 2015, carriers serving 388 study areas filed data supporting their buildout of 3G and 4G networks in Tribal and non-Tribal areas. USAC assessed the progress carriers made on delivering mobile broadband service by collecting data through drive tests. The total Mobility Fund Phase I support disbursed to non-Tribal areas was \$77,070,028. In addition, USAC issued the first Tribal Mobility Fund disbursements, reaching 80 study areas. These payments brought the total amount of Tribal Mobility support disbursed to \$16,602,291.

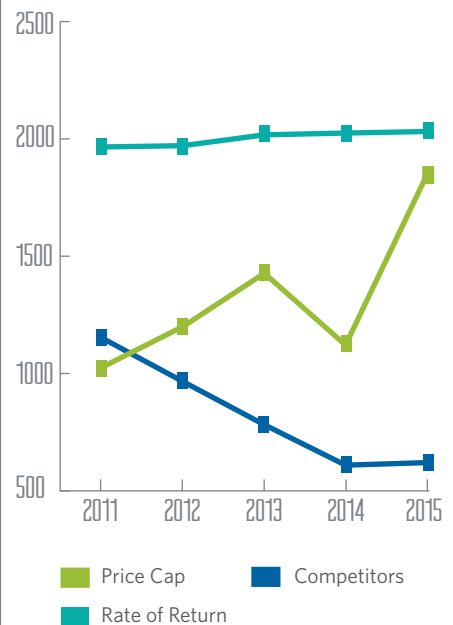
DATA TRANSPARENCY

We know that data transparency is critical to improving program effectiveness and addressing gaps in service. Our goal is to better leverage our data to extend that reach. In 2015, to ensure the integrity of the program, we did a thorough review to assess where data gaps were present and began more detailed analysis to validate

the data submitted by the carriers. Through renewed partnerships with stakeholder groups, a new approach to data, two-way conversations about improvement and effective management of funds, and modernization of systems and processes, the foundation has been built for the CAF to continue to support the evolving goals of universal service. ■

AUTHORIZED SUPPORT BY CARRIER TYPE

(in millions)



Note:

In 2013 Price Cap Support increased due to Incremental Support Phase I – Round 2.

In 2014 Price Cap support decreased due to no Incremental Support payments.

In 2015 Price Cap support increased due to commencement of CAF Phase II support.



2015 UNIVERSAL SERVICE PROGRAM STATISTICS

The following pages contain data from the four universal service programs administered by USAC. To better understand the data, please note the difference between authorized support and funding commitments as well as funding year versus calendar year.

FUNDING YEAR

For the Rural Health Care and Schools and Libraries programs, a funding year runs from July 1 to June 30 of the following year.

CALENDAR YEAR

The High Cost and Lifeline programs disburse funds on a calendar year basis. Data in these tables are for calendar year 2015.

AUTHORIZED SUPPORT

Authorized support represents funding that has been approved for disbursement for January through December 2015. It does not include recoveries from audits, appeals, or other enforcement actions during that timeframe.

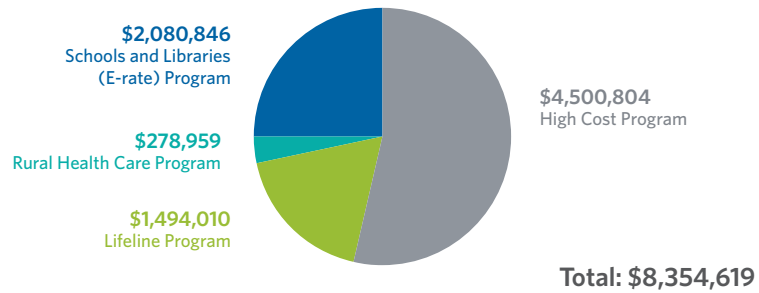
FUNDING COMMITMENTS

Funding commitments are not disbursements. Funding commitments are issued by the Rural Health Care and Schools and Libraries programs via commitment letters that approve what will be funded through support for a particular funding year.

Commitments made in calendar year 2015 may be for applications filed during previous funding years and/or the current funding year.

2015 AUTHORIZED SUPPORT BY PROGRAM

Unaudited (in thousands)



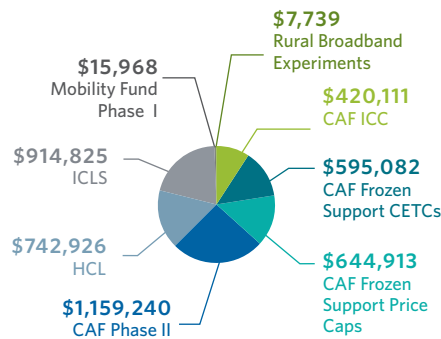
HIGH COST PROGRAM

Authorized Support By Year



2015 High Cost Authorized Support

(in thousands)



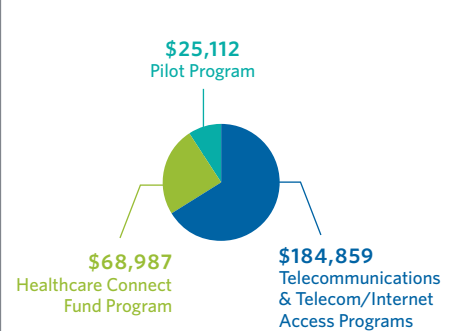
RURAL HEALTH CARE PROGRAM

Authorized Support By Year



2015 Rural Health Care Authorized Support

(in thousands)

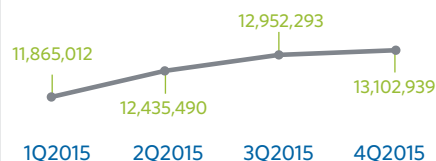


LIFELINE PROGRAM

Authorized Support By Year



Subscribers Supported



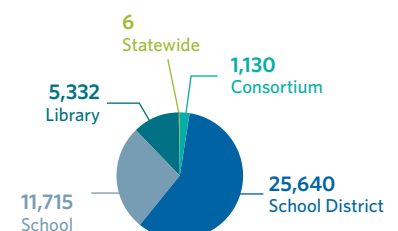
Note: Quarterly numbers are averages.

SCHOOLS AND LIBRARIES PROGRAM

Authorized Support By Year



Applications Funded, Funding Year 2015



HIGH COST PROGRAM Authorized Support by Component, 2015 (Unaudited | in thousands)

CONNECT AMERICA FUND

State	Frozen Support CETCs	Frozen Support Price Caps	Intercarrier Compensation	Connect America Fund Phase II	Rural Broadband Experiments
Alabama	\$ 5,039	\$ 26,087	\$ 11,608	\$ 20,539	\$ 0
Alaska	105,404	19,683	10,689	0	0
American Samoa	1,619	0	283	0	0
Arizona	5,266	8,117	6,010	15,455	0
Arkansas	2,951	22,461	10,224	46,040	0
California	38	23,923	3,022	61,291	0
Colorado	6,048	22,743	1,855	14,533	0
Connecticut	0	193	0	268	0
Delaware	0	228	0	0	0
District of Columbia	0	0	0	0	0
Florida	3,143	31,011	8,072	16,872	0
Georgia	244	18,140	16,267	35,137	0
Guam	5,405	0	110	0	0
Hawaii	5,163	1,148	2,714	3,276	0
Idaho	4,066	6,231	5,563	11,485	137
Illinois	8,628	9,294	10,210	40,883	1,600
Indiana	58	7,321	5,802	43,807	0
Iowa	30,663	4,904	17,889	47,671	2,067
Kansas	20,447	5,086	8,391	30,853	295
Kentucky	16,254	14,580	27,683	39,994	0
Louisiana	25,405	17,240	2,086	30,150	0
Maine	6,661	4,572	2,792	8,717	0
Maryland	0	2,303	191	0	0
Massachusetts	0	1,467	611	0	0
Michigan	4,408	5,042	6,019	55,470	0
Minnesota	1,353	9,491	18,686	80,404	85
Mississippi	87,478	50,653	6,217	29,985	0
Missouri	10,065	15,637	13,664	76,155	0
Montana	5,206	7,880	5,787	8,370	0
Nebraska	10,825	5,281	11,954	17,929	1,187
Nevada	1,243	6,805	2,373	3,016	0
New Hampshire	131	830	2,866	3,546	0
New Jersey	0	151	344	300	0
New Mexico	7,779	7,323	5,325	12,621	0
New York	1,464	13,154	6,366	16,443	0
North Carolina	1,789	17,840	16,460	15,028	0
North Dakota	25,857	234	11,312	5,423	433
Northern Mariana Islands	581	399	0	2,229	0
Ohio	0	6,506	11,187	52,503	0
Oklahoma	26,022	7,710	17,620	5,097	80
Oregon	11,354	10,254	9,329	14,362	740
Pennsylvania	178	33,390	11,757	26,787	0
Puerto Rico	79,183	36,054	0	0	0
Rhode Island	0	30	0	0	0
South Carolina	1,579	5,824	18,867	12,606	0
South Dakota	1,856	600	12,829	8,517	0
Tennessee	680	8,453	10,347	26,615	0
Texas	9,698	32,190	13,003	71,241	1,111
Utah	88	1,377	4,833	3,064	0
Vermont	0	5,015	4,752	3,774	0
Virgin Islands	67	16,361	0	0	0
Virginia	1,493	40,906	18,678	9,862	4
Washington	18,482	15,062	6,596	22,516	0
West Virginia	8,678	12,034	1,978	25,768	0
Wisconsin	19,223	12,803	15,063	82,636	0
Wyoming	5,818	12,889	3,827	0	0
Total	\$ 595,082	\$ 644,913	\$ 420,111	\$ 1,159,240	\$ 7,739

Note: Numbers may not add due to rounding.

¹ Authorized Support includes all funding approved for disbursement for the months of January-December 2015, including funding approved but not yet disbursed (due to the Red Light Rule). It does not include recoveries from audits, appeals, or other enforcement actions. Authorized Support over the \$4.5 billion cap is attributable to CAF mechanisms and is paid through the CAF reserve account.

² Total Support includes all funding approved for disbursement and is reflective of recoveries from audits, appeals, or other enforcement actions, as of December 31, 2015.

Mobility Fund Phase I	High Cost Loop	Interstate Common Line Support	Authorized Support ¹ 2015	Total Support ² 1998-2015	State
\$ 0	\$ 9,020	\$ 14,624	\$ 86,917	\$ 1,739,354	Alabama
13,805	21,582	25,206	196,368	2,502,457	Alaska
0	0	1,159	3,062	41,859	American Samoa
0	23,593	15,105	73,545	1,164,564	Arizona
0	17,983	15,672	115,331	1,932,934	Arkansas
0	24,937	21,445	134,656	1,630,327	California
0	12,925	8,726	66,831	1,266,945	Colorado
0	0	0	461	19,378	Connecticut
0	0	0	228	7,316	Delaware
0	0	0	0	0	District of Columbia
0	1,584	4,049	64,731	1,208,956	Florida
0	18,918	29,758	118,464	1,955,026	Georgia
0	0	5,473	10,989	185,850	Guam
0	3,513	1,915	17,730	513,455	Hawaii
0	7,959	9,693	45,133	850,427	Idaho
0	17,226	20,556	108,398	1,091,656	Illinois
0	29,808	27,586	114,383	1,117,128	Indiana
0	29,039	42,325	174,560	1,730,069	Iowa
0	65,966	43,802	174,839	2,710,052	Kansas
0	20,502	28,501	147,514	1,497,349	Kentucky
0	11,337	12,526	98,744	1,925,927	Louisiana
0	604	6,018	29,364	519,977	Maine
0	0	1,046	3,540	61,308	Maryland
0	0	212	2,291	70,410	Massachusetts
0	3,758	10,656	85,355	889,299	Michigan
0	23,916	42,238	176,174	1,756,308	Minnesota
0	4,525	6,989	185,847	3,533,678	Mississippi
0	24,263	24,649	164,433	1,681,251	Missouri
9	35,516	31,929	94,697	1,316,160	Montana
357	22,780	22,059	92,371	1,195,415	Nebraska
0	3,327	5,110	21,874	437,101	Nevada
0	109	5,282	12,766	174,910	New Hampshire
0	0	312	1,107	33,833	New Jersey
690	31,162	19,015	83,914	1,089,444	New Mexico
0	1,253	10,593	49,273	860,032	New York
0	4,612	23,640	79,370	1,248,384	North Carolina
351	26,556	36,408	106,574	1,252,612	North Dakota
0	0	0	3,209	40,682	Northern Mariana Islands
0	4,803	10,400	85,399	671,634	Ohio
0	35,266	37,185	128,981	2,050,574	Oklahoma
0	14,631	16,489	77,160	1,231,330	Oregon
0	364	7,217	79,693	1,008,131	Pennsylvania
0	0	0	115,237	2,528,137	Puerto Rico
0	0	0	30	642	Rhode Island
0	21,574	47,177	107,627	1,492,407	South Carolina
756	30,668	32,496	87,722	1,136,966	South Dakota
0	9,930	33,664	89,689	986,827	Tennessee
0	80,633	63,040	270,914	3,885,861	Texas
0	4,640	13,422	27,425	371,181	Utah
0	387	6,139	20,067	424,520	Vermont
0	0	0	16,428	391,390	Virgin Islands
0	1,130	10,280	82,354	1,213,760	Virginia
0	5,375	9,288	77,319	1,421,626	Washington
0	1,499	3,307	53,264	1,109,982	West Virginia
0	23,764	39,950	193,439	2,076,923	Wisconsin
0	9,986	10,493	43,014	821,191	Wyoming
\$ 15,968	\$ 742,926	\$ 914,825	\$ 4,500,804	\$ 34,713,615	Total

HIGH COST PROGRAM Authorized Support by Carrier Type, 2015 (Unaudited | in thousands)

INCUMBENT CARRIERS

State	Competitive Carriers	Price Cap/Rate of Return Affiliates	Rate of Return	Authorized Support ¹ 2015
Alabama	\$ 5,039	\$ 47,179	\$ 34,700	\$ 86,917
Alaska	119,208	19,683	57,477	196,368
American Samoa	1,619	0	1,442	3,062
Arizona	5,266	23,572	44,708	73,545
Arkansas	2,951	69,908	42,472	115,331
California	38	85,337	49,280	134,656
Colorado	6,048	37,291	23,492	66,831
Connecticut	0	461	0	461
Delaware	0	228	0	228
District of Columbia	0	0	0	0
Florida	3,143	51,586	10,002	64,731
Georgia	244	57,782	60,438	118,464
Guam	5,405	0	5,584	10,989
Hawaii	5,163	4,424	8,142	17,730
Idaho	4,203	17,715	23,214	45,133
Illinois	10,228	50,870	47,300	108,398
Indiana	58	51,128	63,196	114,383
Iowa	32,730	54,413	87,417	174,560
Kansas	20,742	35,939	118,158	174,839
Kentucky	16,254	61,155	70,105	147,514
Louisiana	25,405	47,390	25,949	98,744
Maine	6,661	13,289	9,414	29,364
Maryland	0	2,303	1,237	3,540
Massachusetts	0	1,467	823	2,291
Michigan	4,408	60,512	20,434	85,355
Minnesota	1,439	91,728	83,008	176,174
Mississippi	87,478	80,967	17,402	185,847
Missouri	10,065	93,170	61,198	164,433
Montana	5,215	16,250	73,232	94,697
Nebraska	12,369	24,227	55,775	92,371
Nevada	1,243	9,821	10,810	21,874
New Hampshire	131	4,377	8,258	12,766
New Jersey	0	450	656	1,107
New Mexico	8,469	20,424	55,021	83,914
New York	1,464	30,371	17,437	49,273
North Carolina	1,789	37,384	40,197	79,370
North Dakota	26,641	5,657	74,276	106,574
Northern Mariana Islands	581	2,627	0	3,209
Ohio	0	62,615	22,784	85,399
Oklahoma	26,102	14,018	88,861	128,981
Oregon	12,094	24,617	40,449	77,160
Pennsylvania	178	65,279	14,237	79,693
Puerto Rico	79,183	36,054	0	115,237
Rhode Island	0	30	0	30
South Carolina	1,579	18,828	87,221	107,627
South Dakota	2,612	9,117	75,993	87,722
Tennessee	680	35,068	53,942	89,689
Texas	10,808	106,658	153,448	270,914
Utah	88	4,442	22,895	27,425
Vermont	0	8,789	11,278	20,067
Virgin Islands	67	16,361	0	16,428
Virginia	1,497	51,033	29,824	82,354
Washington	18,482	38,441	20,396	77,319
West Virginia	8,678	37,803	6,784	53,264
Wisconsin	19,223	95,439	78,777	193,439
Wyoming	5,818	12,889	24,306	43,014
Total	\$ 618,790	\$ 1,848,566	\$ 2,033,448	\$ 4,500,804

Note: Numbers may not add due to rounding.

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