

USAC and the Universal Service Fund

An Overview



October 2011 | Denver, CO

One Fund, Four Programs

USF Overview

USAC is a not-for-profit corporation selected as the permanent administrator of the federal USF and the four USF Programs.

Through USAC, the USF provides communities across the country with affordable telecommunications services.

The **High Cost Program** ensures that consumers across the country have access to and pay rates for telecommunications services that are reasonably comparable to services provided and rates paid in urban areas.

The **Low Income Program**, commonly known as Lifeline and Link Up, helps eligible low-income consumers establish and maintain telephone service by discounting services provided to them by local telephone companies.

The **Rural Health Care Program** provides reduced rates to rural health care providers for telecommunications and Internet services necessary for the provision of health care.

The **Schools and Libraries Program**, commonly known as E-Rate, provides discounts to help schools and libraries in every U.S. state and territory receive affordable telecommunications and Internet access.

USAC's functions and responsibilities include:

- Administering each of the USF programs
- Billing contributors, collecting contributions, and disbursing universal service support
- Reporting quarterly to the FCC on disbursement of USF support

USAC may **NOT**:

- Make policy
- Interpret unclear provisions of the statute or rules
- Interpret the intent of Congress
- Advocate policy positions before the FCC or its staff, but may advocate on administrative issues



USAC and the Universal Service Fund

How Does the USF Work?

How does the USF work?

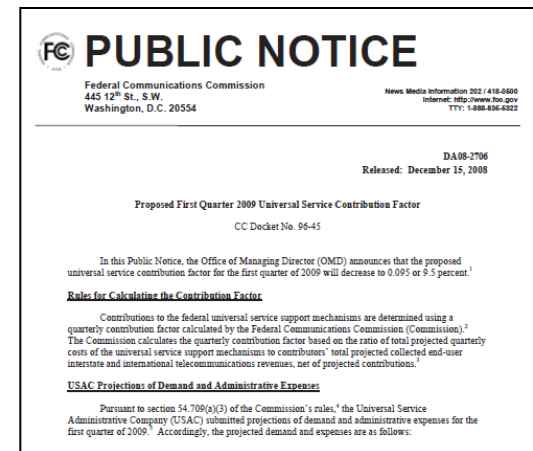
USAC collects projected revenue data from contributors (all telecom companies).



USAC files program demand estimates & projected revenue requirements with FCC.

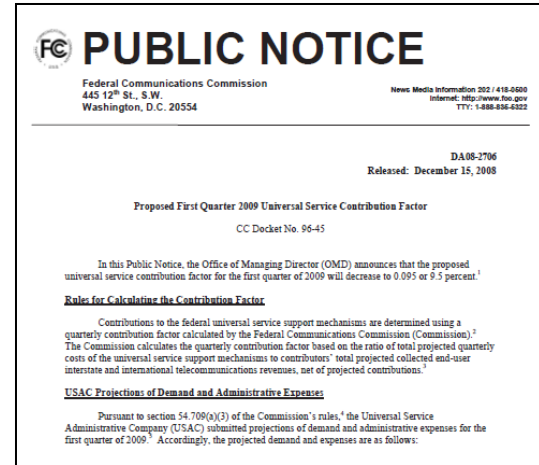


FCC issues public notice with proposed contribution factor.



How does the USF work?

FCC adopts contribution factor if no comments oppose it.

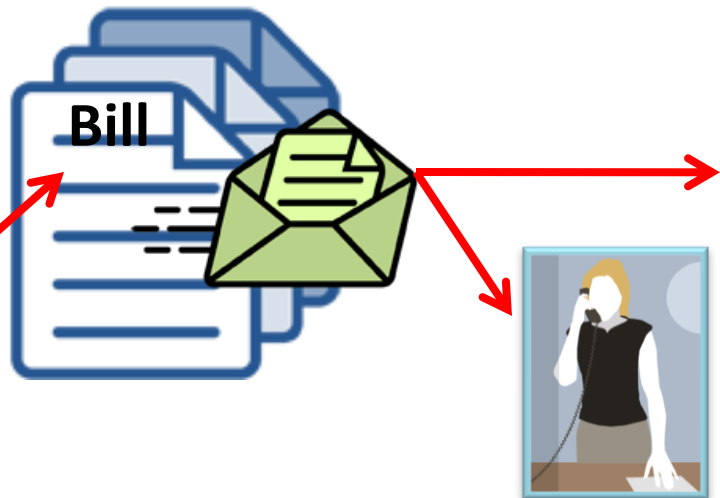


Telephone companies use the factor to bill their customers for their USF obligation.



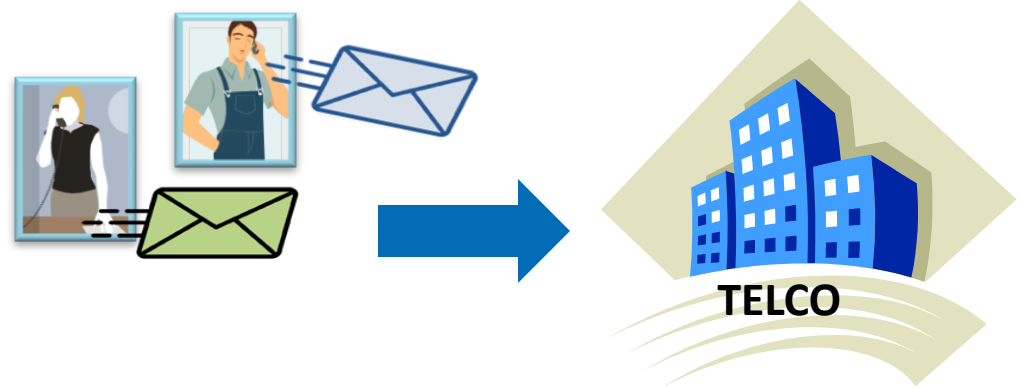
TELCO

e.g., 9.4%



How does the USF work?

Telephone companies collect fees for their USF obligation.



Companies send USF contribution obligation to USAC.



USAC disburses the funds to the 4 USF programs.



How does the USF work?

- Schools and Libraries, and Rural Health Care providers, apply directly to USAC for support
- Rural and non-rural telecommunications companies eligible for High Cost program support submit cost, expense, and other data to USAC to qualify for support
- Low-income consumers apply for discounts for local telephone service through their telephone company, which is then reimbursed through the USF for providing the discounts

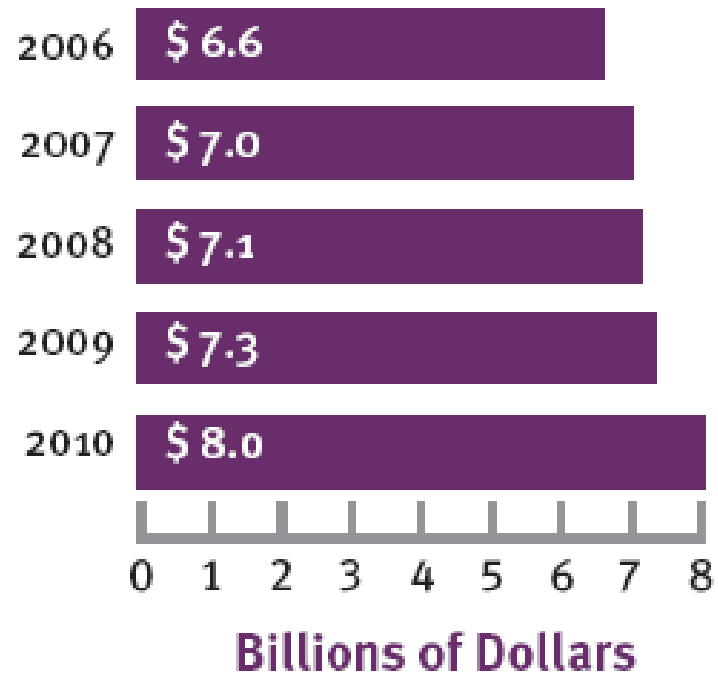


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One Fund, Four Programs

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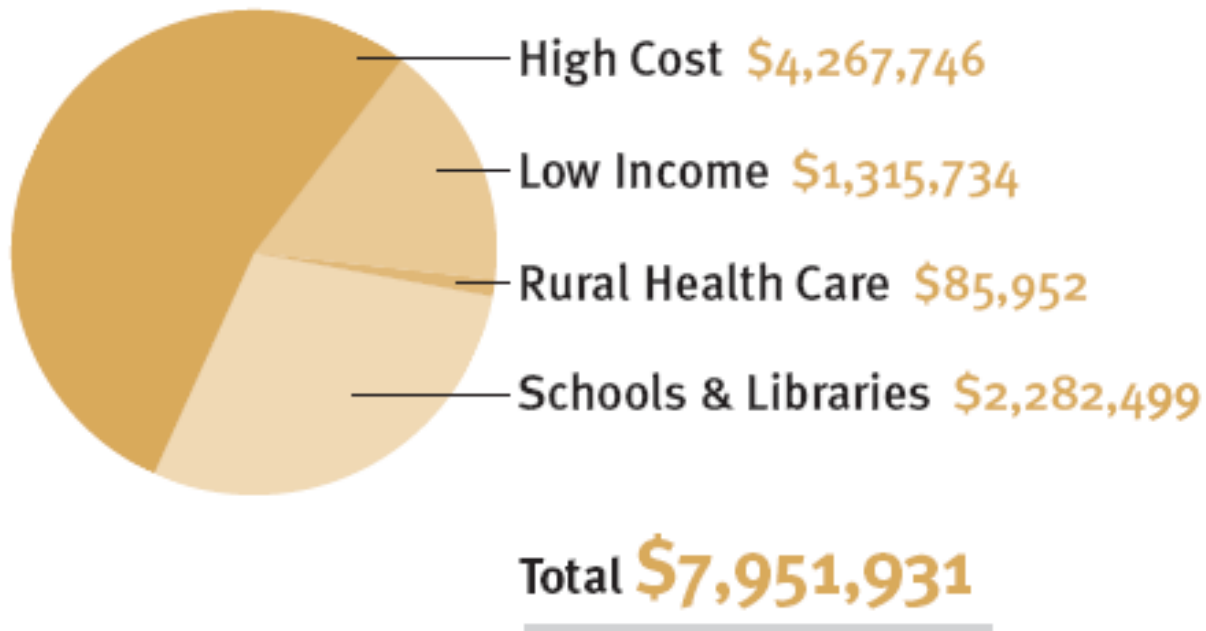
OVERALL USF DISBURSEMENTS Unaudited



One Fund, Four Programs

2010 DISBURSEMENTS BY PROGRAM

Unaudited (in thousands)





Thank You!

To learn more, visit:

www.usac.org/fund-administration/

Rob Binder
Director | Industry Support High Cost
and Low Income Division