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**Congress Should Consider Expanding Universal Service Contributions:
FCC Poses a Potential Answer to USF's Financial Problems**

by

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A report released by the Federal Communications Commission on August 15 recommends that Congress give the agency authority to expand the base of contributors to the universal service program. The Universal Service Fund (USF), which provides subsidies to help ensure that all Americans have access to communications services, is supported by a dwindling number of traditional telephone calls and the program is overburdening consumers of voice services with higher and higher fees. Yet Big Tech web platforms that benefit the most from universal access to broadband do not share in the costs of supporting the subsidy system.

Congress ought to treat the Commission's recommendation with utmost seriousness. A wider base of support could help ensure the financial stability of whatever subsidies, ultimately, are deemed necessary and proper to support the goal of universal service. Requiring Internet companies like Amazon, Apple, Facebook, Google, Microsoft, Netflix, and Twitter to pay into the USF may be the best way to ensure future universal broadband service for Americans who have low incomes or live in areas that are difficult and more costly to serve.

When the USF program was established in 1996, it was designed for voice services. The USF regime supports communications services for high-cost areas, low-income consumers, schools

and libraries, as well as rural health care. In recent years, the Commission has modified the USF to support networks that can provide both voice and broadband services. Each year, the USF distributes over \$8 billion in subsidies – an amount far higher than when the program started. Voice consumers pay for universal service through surcharges on their monthly bills. The surcharges (which, in economic effect, are taxes) are based on a percentage of the interstate long distance portion of their bills. The surcharge rate has climbed from 9% in 2004 to 33% as of the third quarter of 2022. In a [September 2021 report](#), Matthey Consulting, LLC, estimated the surcharge rate could reach 43% by 2026. Keep in mind that the surcharges are added on top of the regular telephone charges.

Increasing surcharge rates are the direct result of a decreasing telephony revenue base for universal service contributions. According to figures in the FCC's [2021 Universal Service Monitoring Report](#), the telephony revenue contribution base dropped to \$41.4 billion in 2021 – an amount far lower than the \$74 billion reported in 2004. And Matthey Consulting, LLC, has projected that assessable telephony revenues will shrink to less than \$23 billion by 2026.

By contrast, [2021 revenues for digital advertisers](#) in the U.S. totaled nearly \$190 billion. Consider also the [2021 revenues for major web platforms](#): \$470 billion for Amazon, \$366 billion for Apple, \$257 billion for Alphabet (Google), \$118 billion for Meta (Facebook), and \$168 billion for Microsoft. Even if only a fraction of those revenues derived from their online businesses in the U.S. is considered, the totals still would dwarf annual telephony revenues. Digital advertisers, major web platforms, and other online edge providers are the primary financial beneficiaries of widely accessible high-speed broadband networks. It's reasonable to ask: Why should they be able to avoid responsibility for the costs of universal service for Americans who have low incomes or who live in high-cost areas?

In its recent "[Report on the Future of the Universal Service Fund](#)," the FCC concluded that there is "significant ambiguity" regarding its existing statutory authority to broaden the base of USF contributors. To address the ambiguity, the Commission "recommend[s] Congress provide the Commission with the legislative tools needed to make changes to the contributions methodology and base in order to reduce the financial burden on consumers, to provide additional certainty for entities that will be required to make contributions, and to sustain the Fund and its programs over the long term."

Congress ought to consider seriously the FCC's recommendation. One way forward is for Congress to pass legislation that authorizes the Commission to require universal service contributions from online companies that generate the most Internet traffic as well as the most revenues via universally-accessible broadband networks. Such legislation could set forth with sufficient specificity principles or factors that would guide the Commission's decisions in expanding the number and types of providers that must contribute to the preservation and advancement of universal service.

Another approach is for Congress to pass legislation like the Funding Affordable Internet with Reliable Contributions Act – or FAIR Contributions Act, [S.2427](#). The bill would require the FCC to examine and report to Congress on the feasibility and equities to consumers of funding the USF program with contributions from online services like as search engines, social media platforms, streaming media content, app stores, cloud computing, and e-

commerce platforms. The FAIR Contributions Act was passed out of the Senate Commerce, Science, and Transportation Committee on May 11 of this year.

The universal service contribution structure already is terribly outdated. The status quo is fiscally unsustainable and inequitable for voice providers and voice consumers. Congressional inaction is therefore not an option. Congress needs to consider fundamental reform of the entire universal service system, and this is especially so in light of the massive new federal subsidies appropriated and authorized over the next years to support both more ubiquitous broadband deployment and adoption. These subsidies are part of new programs that are being administered, not by the FCC, but by various executive branch agencies. As part of this congressional review effort, and in light of the massive subsidies already appropriated and authorized, Congress certainly should focus on the level of support needed going forward to ensure that any federal funds are used efficiently and effectively, not wastefully.

In the context of considering reform of the present universal service regime, the FCC's report on the future of the USF underscores that expanding the base of contributors to the program certainly is worthy of serious consideration as a means of helping to ensure that all Americans will have access to broadband in the years ahead. The Commission was right to urge Congress to do so, and FCC Commissioner Brendan Carr deserves credit for [his advocacy](#) of the idea.

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Further Readings

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Seth L. Cooper, "[NTIA's Broadband Subsidies Must Respect State Law Limits on Government-Owned Networks](#)," *Perspectives from FSF Scholars*, Vol. 17, 28 (May 26, 2022).

Andrew Long, "[Future Guidance Can Fix NTIA's Flawed "Fiber-First Approach](#)," *Perspectives from FSF Scholars*, Vol. 17, No. 27 (May 24, 2022).

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Randolph J. May, "[A Nondelegation Doctrine Challenge to the FCC's Universal Service Regime](#)," *Perspectives from FSF Scholars*, Vol. 16, No. 58 (November 4, 2021).

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