



Perspectives from FSF Scholars
August 26, 2022
Vol. 17, No. 42

**The FCC's USF Report:
Unprecedented Broadband Funding Requires Fundamental Universal
Service Reforms**

by

Randolph J. May *

On August 15, 2022, in response to a mandate contained in the Infrastructure Investment and Jobs Act, the Federal Communications Commission released its [*Report on the Future of the Universal Service Fund \(Report\)*](#). Congress required the Commission to submit the Report "on options of the Commission for improving its effectiveness in achieving the universal service goals for broadband in light of this Act . . . and other legislation that addresses those goals."

In some respects the Commission's Report is commendable. For example, it contains considerable descriptive information detailing the intricacies of the agency's existing Universal Service Fund (USF) programs, along with the amount of support associated with various programs. It is helpful to have this information collected in one place on a generally up-to-date basis.

The Report is also commendable in recommending that Congress consider expanding the contribution base that provides the USF subsidies by requiring contributions from edge providers, or at least from so-called Big Tech web platforms. On this point, Seth Cooper, Free

State Foundation Director of Policy Studies and Senior Fellow, has explained in this August 23 [Perspectives from FSF Scholars](#) why this recommendation, initially put forward in an [op-ed](#) in May 2021 by FCC Commissioner Brendan Carr, warrants serious consideration.

But the size of the contribution base that funds the various universal service programs is only one side of the USF equation. The other is the size of the programs to be funded, that is, the dollars required to meet the programs' needs. Logically, of course, the amount of dollars needed to fund the programs' operations on an efficient and effective basis – and that avoids waste, fraud, and abuse – should be determined first, and independently, of the amount of contributions needed to fund the programs.

That being so, here I want to highlight a few parts of the Commission's Report that are relevant to one of the most important questions – probably *the* most important question – relating to "the future of the Universal Service Fund," as the caption of the agency's proceeding has it. That is, as FSF scholars put it in their [comments submitted to the agency](#) on February 17, 2022, "given the expected expenditure of such massive congressionally appropriated funds over the next several years for broadband ... what more, if any, funding may be needed at that time, and what the precise contours of a federal universal service system should be."

In its Report, the Commission includes this paragraph near the beginning:

The Infrastructure Act and other legislation enacted in 2020 and 2021 provided *unprecedented* funding for broadband deployment, equity, affordability, and adoption. The Infrastructure Act directed the National Telecommunications and Information Administration's (NTIA) to implement a *\$42.45 billion* Broadband Equity, Access, and Deployment (BEAD) Program that nearly matches the Commission's universal service High Cost program disbursements from 2011 to 2020. This level of funding is *even more striking* because these three examples represent only a portion of the new broadband funding authorized by the recent legislation – there are *billions of dollars more* that are available for broadband programs now being implemented by the Commission, NTIA, the Department of Treasury (Treasury), and Department of Agriculture (USDA).

The italics in the above paragraph are mine. "Emphasis Added" as we say following the law review style manual.

It is right and proper for the Commission to acknowledge up front the "unprecedented" amount of funds that Congress has provided in the last several years to support broadband deployment and adoption. The billions of dollars already appropriated is "striking" indeed. On this point, in our [reply comments](#) filed on March 17, 2022, FSF scholars said: "Considering the *massive* amount of funds already appropriated, which Congress just increased again this month, it is difficult, if not impossible, to predict with any reasonable degree of certainty what the future needs of a federal universal service system will be."

Even more specifically, given the massive subsidies already appropriated to support deployment, FSF's reply comments stated that the "Commission should plan now on transitioning to an 'end-state' for universal service that, at least for the most part, sunsets the High-Cost Fund and other legacy programs." Our comments went on to say that "[i]f there is future need for any additional universal service subsidies after spending the IJJA, ARPA, and other presently allocated funds, a determination can be made at that time."

I would have preferred that the Commission's Report go further than it did – be more forceful than it was – in promising action along the lines suggested in the Free State Foundation comments, or at least in articulating a likely "end state" for the USF's High Cost Fund. What the Commission did say is this:

We anticipate the BEAD Program will make substantial investments in broadband infrastructure and that such investments will impact how the Commission will define and meet its High Cost program goals. Consequently, we recommend that the Commission initiate a proceeding to consider the future support needs of networks serving high-cost and other hard to serve areas. The Commission should consider if, when, and under what circumstances continuing support is necessary to develop, sustain, and improve broadband operations and how best to determine which carriers may need such support and in what amounts.

This statement at least is an acknowledgement that the unprecedented flow of tens of billions of federal dollars over the next few years demands serious consideration of measures to meaningfully reform the existing universal service subsidy programs, especially the existing High Cost Fund. It would be wrong – indeed, a travesty to consumers and taxpayers alike – for policymakers, whether at the FCC, in the Executive Branch, or in Congress, not to begin thinking clearly now about implementing fundamental changes that ensure efficient and effective use of subsidies while avoiding waste, fraud, and abuse.

* Randolph J. May is President of the Free State Foundation, a free market-oriented think tank in Rockville, MD. The views expressed in this *Perspectives* do not necessarily reflect the views of others on the staff of the Free State Foundation or those affiliated with it.