

***Resolution Calling for Sufficient Funding of the High-Cost Universal Service Program for  
Rate of Return (RoR) Carriers***

*Whereas* Section 254 of the Communications Act, as amended (“Act”), establishes that consumers should “have access to telecommunications and information services . . . that are reasonably comparable to services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas;”

*Whereas* Section 254 of the Act further establishes that mechanisms to support universal service should be “specific, predictable and sufficient”;

*Whereas* the Federal Communications Commission (“FCC”) has taken steps in recent years to reform its High-Cost Universal Service Fund (“USF”) programs, including the creation of the Connect America Fund, which continues to be implemented in areas served by larger, price-cap regulated incumbent local exchange carriers, as well as more recent reforms to the USF mechanisms that provide support in areas served by smaller, rate-of-return regulated rural local exchange carriers (“RLECs”);

*Whereas* the more recent USF reforms applicable to RLEC areas include both the creation of an Alternative Connect America Cost Model (“A-CAM”) and updates to the existing USF mechanisms, as to be more efficient and effective in promoting substantial network investment to enable greater consumer choices for voice and broadband services;

*Whereas* the RLEC USF reforms also include, for the first time, overall caps on USF support notwithstanding the costs involved (as determined either by A-CAM or by reference to actual costs under the non-model USF mechanisms) in serving rural consumers;

*Whereas* the FCC provided \$200 million per year in additional funding for A-CAM support to enable additional broadband network investment by those RLECs electing such support;

*Whereas* despite such additional funding, demand for A-CAM support exceeded supply by \$110 million per year, resulting in the FCC reducing A-CAM support for all electing RLECs, which could result in deployment of lower speeds and fewer locations being connected;

*Whereas* the FCC did not provide any additional funding for those RLECs that did not, or could not, elect A-CAM support, resulting in this group of carriers being subject to a budget control that is approximately the same collective level of support that they received in 2010;

*Whereas* in the face of increasing investments under buildout obligations, RLECs will incur greater costs, and the non-model USF budget control mechanism has already reduced USF support for RLECs from an average of 4.5 percent in late 2016 to 9.1 percent in early 2017, and to 12.4 percent for the remainder of 2017 and early 2018;

*Whereas* this non-model USF budget control is translating to higher prices for rural consumers, as RLECs denied USF support due to this budget control for recovery of actual costs, for investments already made, must turn to their consumers for such recovery; *and*

*Whereas* these higher prices as a result of the non-model USF budget control are in direct conflict with the repeated bipartisan calls by hundreds of members of Congress in 2014, 2015, and 2017 for the FCC to make targeted reforms to the USF mechanisms to enable *lower* prices for standalone broadband services that are “reasonably comparable” to those available in urban areas; *now, therefore be it*

*Resolved*, that the Board of Directors of the National Association of Regulatory Utility Commissioners (“NARUC”), convened at its 2017 Summer Policy Summit in San Diego, California, joins the most recent bipartisan calls by 57 members of the United States Senate and 102 members of the United States House of Representatives expressing concern that “the lack of sufficient resources in the reformed High-Cost mechanism may be undermining the desired effect of the [FCC’s] reforms and falling short of the statutory mandate that reasonably comparable services at reasonably comparable rates be available to rural and urban Americans alike.” NARUC joins these Congressional leaders in urging the FCC to evaluate means of providing, and then ultimately providing, sufficient USF support to enable the availability and affordability of voice and broadband services in rural America.

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*Sponsored by the Committee on Telecommunications on July 18, 2017*

*Adopted by the NARUC Board of Directors on July 19, 2017*