

The State of the Universal Service Fund in 2021

March 10, 2021

2021 is well underway and the new leadership at the FCC is taking shape. While we don't yet know who will fill the Chair on a permanent basis, the FCC under Acting Chairwoman Rosenworcel is proceeding without delay. So far, the Commission has [tackled ongoing issues of bipartisan support](#), including broadband mapping, communications supply chain security and preventing 911 fee diversion. But the biggest challenges ahead are in the universal service fund and, specifically, efforts to bridge the [digital divide](#).

In this post, we're going to take a look at developments in the FCC's \$9 billion-per-year Federal Universal Service Fund and more recent pandemic-related efforts to address deficiencies in broadband access that have been exposed by our year of remote work, school and social activities.

On the universal service front, the principal activity surprisingly has as much to do with non-Universal Service Fund ("USF") programs as with the USF itself. The USF is a \$9 billion-per-year fund with four primary programs aimed at different elements of the challenge to bring broadband telecommunications to all. For 25 years, the Fund has aimed to provide support to increase broadband availability in rural areas, in schools and libraries, among low-income consumers and to serve rural healthcare needs. These programs all have been modified significantly in the last ten years to re-focus on broadband services and de-emphasize (but not completely eliminate) support for voice services. The FCC also has focused on ensuring that these programs are run efficiently while protecting against waste, fraud and abuse by actors with mal intent. In 2020 and early 2021, we've discussed efforts to establish a new [Connected Care pilot program](#), to [waive rules during the pandemic](#) and to implement a [Rural Digital Opportunity Fund](#).

Separately, as the USF contribution factor continues to reach new and staggering heights, attention is again returning to the idea of USF contributions reform. With the contribution factor expected to top 33% in the next quarter, Acting Chairwoman Rosenworcel [pledged](#) to Senators Thune and Wicker to work with Congress "to explore how to improve [the contributions] system" in the coming months. We'll have more on contributions reform in a future blog post.

Special Programs Dwarf the USF

But the big news of 2021 is turning out to be the additional funding that is being provided outside the traditional fund. In legislation since December, Congress has authorized four programs that affect USF beneficiaries, to the tune of over \$13 billion.

- In the Consolidated Appropriations Act ("CAA"), Congress authorized a second Telehealth Fund to provide reimbursement for services and equipment used to provide telehealth services during the COVID pandemic. The Telehealth II fund provides \$249.95 million in new funding for this program. The FCC already has [designated USAC](#) to administer the new fund and promises to adopt criteria for USAC to use in evaluating applications soon.

- Also in December, Congress authorized an Emergency Broadband Benefit of up to \$50 per month for services and a one-time benefit of \$100 for a qualifying computer, laptop or tablet for low-income consumers during the pandemic. (For tribal subscribers, the benefit is \$75 per month). A total of \$3.2 Billion is appropriated for this emergency fund. Importantly, the program is open to providers that do not currently participate in the USF programs, expanding access to the funding. The FCC recently adopted rules for the program and you can read our summary [here](#). The program is expected to begin sometime in April.
- Congress recently approved an additional \$7.1 Billion over several years for E-rate support for remote learning and remote library services. The legislation [authorizes](#) funding for the purchase of eligible equipment, advanced telecommunications services and/or information services used to support education of students at locations other than the school and to support delivery of library services at locations other than the library. This fund will reimburse 100% of the cost of the equipment or services, up to the amount the FCC determines is reasonable. Funding remains available until the June 30th that is one year after the COVID-19 public health emergency order is terminated. The FCC will have 60 days to establish rules for this program.
- Finally, although not related to the COVID emergency, Congress recently appropriated \$1.9 Billion to fund the removal and replacement of telecommunications equipment that is deemed to present a national security threat. The FCC has been developing this so-called “Rip and Replace” program for over a year, contingent on the appropriation of funds, after determining in November 2019 to prohibit recipients of federal USF funding to purchase, install or maintain prohibited equipment. The FCC most recently adopted a [Further Notice of Proposed Rulemaking](#) to align its reimbursement priorities with the implementing legislation.

All told, this funding will more than double the broadband support offered under the FCC’s Universal Service programs. Moreover, the funding imposes burdens on the FCC in adopting rules (sometimes with a very short 60 day deadline, including comments) and challenges the FCC and USAC to administer dual programs, with different rules, simultaneously. Yet, for beneficiaries of the programs and for consumers on the wrong side of the digital divide, the many changes and resulting influx of money could represent a key lifeline in continued uncertain times. Pulling it all together is the challenge.

To stay up-to-date on these and other USF developments, [join us](#) on March 22, 2021 for our annual webinar discussing the state of the federal Universal Service Fund. This webinar, back for its 12th year, provides an in-depth look at all four USF programs and the USF contribution mechanism, highlighting major developments in the last year and trends for the upcoming year. In addition, this year we will discuss how the ongoing pandemic has influenced the importance of the USF and related policy decisions.

This webinar supplements the knowledge our clients gain from the monthly [USF Tracker](#) to provide context and analysis of the issues you need to know.

The 12th Annual Update will address the following, among other topics:

- The COVID-19 Telehealth Program
- The Connected Care Pilot and Rural Healthcare Program
- Lifeline and the Emergency Broadband Benefit Program

- E-Rate Outside the Classroom
- The Rural Digital Opportunity Fund and Broadband Mapping
- Rip and Replace
- Contributions Reform

[Register here.](#)