

The Nation Broadband Plan & Its Effects on USF and ICC Reform



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USF Today

- In 2010, USF projected to spend \$8.7 billion on its 4 programs
- Of that, \$4.6 billion will go to the High-Cost fund
- Current High-Cost fund not designed to universalize broadband



ICC Today

- The current ICC system has fundamental problems that create inefficient incentives
- ILEC access MOUs decreased by 56% from 2000 to 2008
- The continued decline of access revenues threaten carriers' ability to invest in network upgrades



USF/ICC Reform Guiding Principles

- USF should support broadband deployment directly
- Maximize broadband availability
- No flash cuts
- Reform requires federal and state coordination



USF Reform – Phase 1

- Phase One – Set foundation for reform (2010-2011)
 - FCC will create Connect America Fund (CAF) and Mobility Fund (MF)
 - FCC will set basic parameters of new funds through rulemakings, modeling of costs and revenues, and mapping



USF Reform – Phase 1

- CAF should adhere to following principles:
 - Should flow to areas where no business case exists to provide broadband
 - One subsidized provider in geographic area
 - Eligibility should be technologically agnostic
 - Should identify ways to drive funding to efficient levels
 - Accountability



USF Reform – Phase 1

- Mobility Fund
 - MF would provide one-time support for deployment of 3G networks to bring all areas to a minimum standard for mobile service availability



USF Reform – Phase 1

- NOI/NPRM issued April 21, 2010, seeks comment on:
 - How to fast-track broadband deployment in unserved areas while CAF in development
 - Use of economic model to determine level of USF support



USF Reform – Phase 1

- NOI/NPRM also seeks comments on proposals designed to shift spending from legacy USF services to broadband services, such as:
 - Capping HC fund at 2010 levels
 - Reexamining rules for small telcos
 - Phasing out funding of multiple competitors in areas where market cannot support even one provider



USF Reform – Phase 2

- Phase Two – Reform Implementation (2012 -2016)
 - FCC may focus first on states with highest number of unserved households or where states provide matching funds
 - Competitive ETC support phased out
 - USF contribution base will be expanded



USF Reform – Phase 3

- Phase Three – Complete the transition (2017 – 2020)
 - Legacy high-cost program for voice-only networks will cease operations by 2020
 - The “new” high-cost program will only provide funding support for deployment and provision of supported services through the CAF



ICC Reform

- Phase 1 (2010-2011) – set foundation for reform by establishing rules and adopting interim solution for arbitrage
- Phase 2 (2012-2016) – reduce intrastate access charges to interstate level
- Phase Three (2017-2020) – phase out per-minute access rates



Accelerating Deployment

- NBP recommendations for USF and ICC reform can be accomplished without Congressional appropriation
- However, an appropriation of an additional \$3 billion per year for three years would accelerate broadband deployment

