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(Original Signature of Member)

109TH CONGRESS  
2D SESSION

# H. R. \_\_\_\_\_

To reform the universal service provisions of the Communications Act of 1934, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

Mr. TERRY (for himself and Mr. BOUCHER) introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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# A BILL

To reform the universal service provisions of the Communications Act of 1934, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Universal Service Re-  
5 form Act of 2006”.

6 **SEC. 2. FINDINGS AND PURPOSES.**

7 (a) FINDINGS.—The Congress finds the following:



1           (1) The current State and Federal mechanisms  
2           used to collect and distribute universal service sup-  
3           port are not sustainable in a competitive and rapidly  
4           changing technological environment.

5           (2) Voice-over-Internet-Protocol, wireless voice  
6           services, and popular flat rate, all-distance pricing  
7           plans for voice services have rendered meaningless  
8           the distinctions between and among interstate tele-  
9           communications and information services, and be-  
10          tween and among intrastate telecommunications  
11          services and information services, thus making uni-  
12          versal service support mechanisms based upon such  
13          jurisdictional concepts unsustainable.

14          (3) Providing unlimited universal service sup-  
15          port to multiple competing telecommunications car-  
16          riers in the same service area results in an excessive  
17          demand for universal service support.

18          (4) Implicit support mechanisms were the uni-  
19          versal service support mechanisms of choice for  
20          State commissions and during the natural monopoly  
21          era that preceded the Telecommunications Act of  
22          1996. Implicit support mechanisms are effective in  
23          monopoly environments; however, they are incon-  
24          sistent with the competitive environment fostered by  
25          the 1996 Act, and they should be eliminated.



1           (5) The Commission was required by the Tele-  
2           communications Act of 1996 to make all Federal  
3           universal service support mechanisms explicit. Ex-  
4           plicit universal service support mechanisms are ap-  
5           propriate in the competitive telecommunications  
6           marketplace of the 21st century.

7           (6) Universal service support mechanisms  
8           should preserve incentives for continued investment  
9           in and enhancements to the public switched tele-  
10          phone network and to increase the availability of  
11          broadband services.

12          (7) Maintaining predictable, sufficient, and sus-  
13          tainable universal service support will require that  
14          support be collected from a broad base of service  
15          providers and in a more competitively and tech-  
16          nology neutral manner.

17          (8) The aggregate amount of universal service  
18          support is increasing annually and as a result, tele-  
19          communications carriers have had to pay an in-  
20          creased percentage of their total revenues to support  
21          universal service support mechanisms. By law, tele-  
22          communications carriers may pass through these  
23          costs to their subscribers, increasing the amount  
24          consumers are required to pay to maintain the con-  
25          tinued growth of universal service support.



1           (9) Federal universal service support mecha-  
2           nisms have succeeded in bringing quality and afford-  
3           able telecommunications services to rural areas that  
4           are reasonably comparable to those in urban areas.  
5           Existing Federal universal service support mecha-  
6           nisms have helped to bring telecommunications serv-  
7           ices to approximately 95 percent of United States  
8           households.

9           (b) PURPOSES.—The purposes of this Act are to re-  
10          form State and Federal universal service support contribu-  
11          tion and distribution mechanisms by—

12           (1) targeting universal service support specifi-  
13           cally to eligible telecommunications carriers in high-  
14           cost geographic areas to ensure that communications  
15           services and high-speed broadband services are made  
16           available throughout all of the States of the United  
17           States in a fair and equitable manner;

18           (2) constraining the growth of universal service  
19           support by extending the current cap on the portion  
20           of the high cost loop support mechanism that is dis-  
21           tributed to rural incumbent local exchange carrier  
22           study areas to all eligible telecommunications car-  
23           riers receiving support from the high cost support  
24           mechanism;



1           (3) ensuring universal service support contribu-  
2           tions are assessed fairly, equitably, and in a competi-  
3           tively neutral manner by means of a contribution as-  
4           sessment methodology determined by the Federal  
5           Communications Commission applicable to any enti-  
6           ty that currently contributes to universal service  
7           support, provides real-time voice communications,  
8           over any platform, in which the voice component is  
9           the primary function, or offers a connection to the  
10          network over any platform;

11          (4) strengthening the criteria for eligible recipi-  
12          ents of universal service support; and

13          (5) ensuring that the United States becomes a  
14          world leader in broadband deployment by making  
15          high-speed broadband services and facilities eligible  
16          for universal service support.

17 **SEC. 3. DEFINITIONS.**

18          Section 3(a) of the Communications Act of 1934 (47  
19 U.S.C. 153(a)) is amended—

20           (1) by redesignating paragraphs (20) through  
21           (52) as paragraphs (22) through (54);

22           (2) by redesignating paragraphs (11) through  
23           (19) as paragraphs (12) through (20), respectively;

24           (3) by inserting after paragraph (10) the fol-  
25          lowing new paragraph:



1           “(11) COMMUNICATIONS SERVICE PROVIDER.—

2           The term ‘communications service provider’ means  
3           any entity that—

4                   “(A) contributes to or receives universal  
5                   service support for the most recent calendar  
6                   quarter ending before the date of enactment of  
7                   the Universal Service Reform Act of 2006;

8                   “(B) uses telephone numbers or Internet  
9                   protocol addresses, or their functional equiva-  
10                  lents or successors, to offer a service or a  
11                  capability—

12                           “(i) that provides or enables real-time  
13                           2-way voice communications; and

14                           “(ii) in which the voice component is  
15                           the primary function; or

16                   “(C) offers for a fee, directly to the public,  
17                   or to such classes of users as to be effectively  
18                   available directly to the public, a physical trans-  
19                   mission facility, whether circuit-switched, pack-  
20                   et-switched, a leased line, or using radio fre-  
21                   quency transmissions, regardless of the form,  
22                   protocol, or statutory classification of the serv-  
23                   ice, that allows an end user to obtain access,  
24                   from a particular end user location, to a net-  
25                   work that permits the end user to engage in



1 electronic communications (including tele-  
2 communications) with the public.”; and

3 (4) by inserting after paragraph (20) (as reded-  
4 igned by paragraph (2) of this section) the fol-  
5 lowing new paragraph:

6 “(21) HIGH-SPEED BROADBAND SERVICE.—

7 “(A) DEFINITION.—The term ‘high-speed  
8 broadband service’ means a two way network  
9 that uses the Internet protocol or a successor  
10 protocol, and the associated capabilities and  
11 functionalities, services, and applications pro-  
12 vided over an Internet protocol platform or for  
13 which an Internet protocol capability is an inte-  
14 gral component, and services, facilities, equip-  
15 ment, and applications that enable an end-user  
16 to receive communications in Internet protocol  
17 format, regardless of whether the communica-  
18 tions are voice, data, video, or any other form,  
19 at a download receiving rate not lower than 1  
20 megabit per second.

21 “(B) COMMISSION SPEED ADJUSTMENT  
22 REQUIREMENTS.—The Commission shall review  
23 the speed requirement in subparagraph (A)  
24 every other year beginning the sixth year after  
25 implementation of the Universal Service Reform



1 Act of 2006 and shall make the necessary ad-  
2 justments to move to higher speeds as deploy-  
3 ment and advancement of new technology al-  
4 lows communications service providers to pro-  
5 vide higher speed broadband to end users in an  
6 economically efficient manner.

7 “(C) INTERNET PROTOCOL.—The term  
8 ‘Internet protocol’ means the Transmission  
9 Control Protocol/Internet Protocol, or any pred-  
10 ecessor or successor protocols to such pro-  
11 tocol.”.

12 **SEC. 4. UNIVERSAL SERVICE REFORM.**

13 (a) IN GENERAL.—Section 254 of the Communica-  
14 tions Act of 1934 (47 U.S.C. 254) is amended by amend-  
15 ing subsections (a) through (e) to read as follows:

16 “(a) PROCEDURES TO REFORM UNIVERSAL SERV-  
17 ICE.—

18 “(1) FEDERAL-STATE JOINT BOARD ON UNI-  
19 VERSAL SERVICE.—Within one month after the date  
20 of enactment of the Universal Service Reform Act of  
21 2006, the Commission shall institute and refer to  
22 the Federal-State Joint Board under section 410(c)  
23 of this title a proceeding to recommend changes to  
24 any of its regulations in order to implement section  
25 214(e) of this title and this section (as amended by





1 the Universal Service Reform Act of 2006), includ-  
2 ing the definition of the services that are supported  
3 by Federal universal service support mechanisms  
4 and a specific timetable for completion of such rec-  
5 ommendations. In addition to the members of the  
6 Joint Board required under section 410(c) of this  
7 title, one member of such Joint Board shall be a  
8 State-appointed utility consumer advocate nominated  
9 by a national organization of State utility consumer  
10 advocates. The Joint Board shall, after notice and  
11 opportunity for public comment, make its rec-  
12 ommendations to the Commission 9 months after  
13 the date of enactment of the Universal Service Re-  
14 form Act of 2006.

15 “(2) COMMISSION ACTION.—The Commission  
16 shall initiate a single proceeding to consider the rec-  
17 ommendations from the Joint Board required by  
18 paragraph (1) and shall complete such proceeding  
19 within 18 months after the date of enactment of the  
20 Universal Service Reform Act of 2006. The rules es-  
21 tablished by such proceeding shall include a defini-  
22 tion of the services that are supported by Federal  
23 universal service support mechanisms and a specific  
24 timetable for implementation.



1       “(b) UNIVERSAL SERVICE PRINCIPLES.—The Joint  
2 Board and the Commission shall base policies for the pres-  
3 ervation and advancement of universal service on the fol-  
4 lowing principles:

5           “(1) QUALITY AND RATES.—Quality services  
6 should be available at just, reasonable, and afford-  
7 able rates.

8           “(2) ACCESS TO ADVANCED SERVICES.—Access  
9 to advanced telecommunications and information  
10 services should be provided in all regions of the Na-  
11 tion.

12           “(3) ACCESS IN RURAL AND HIGH COST  
13 AREAS.—Consumers in all regions of the Nation, in-  
14 cluding low-income consumers and those in rural, in-  
15 sular, and high cost areas, should have access to the  
16 services the Commission determines to be universal  
17 services in accordance with subsection (c), including  
18 advanced telecommunications and information serv-  
19 ices, that are reasonably comparable to those serv-  
20 ices provided in urban areas and that are available  
21 at rates that are reasonably comparable to rates  
22 charged for similar services in urban areas.

23           “(4) EQUITABLE AND NONDISCRIMINATORY  
24 CONTRIBUTIONS.—All communications service pro-  
25 viders should make equitable and nondiscriminatory



1 contributions to the preservation and advancement  
2 of universal service.

3 “(5) SPECIFIC AND PREDICTABLE SUPPORT  
4 MECHANISMS.—There should be specific, predictable  
5 and sufficient Federal and State mechanisms to pre-  
6 serve and advance universal service.

7 “(6) ACCESS TO ADVANCED TELECOMMUNI-  
8 CATIONS SERVICES FOR SCHOOLS, HEALTH CARE,  
9 AND LIBRARIES.—Elementary and secondary schools  
10 and classrooms, health care providers, and libraries  
11 should have access to advanced telecommunications  
12 services as described in subsection (h).

13 “(7) ADDITIONAL PRINCIPLES.—Such other  
14 principles as the Joint Board and the Commission  
15 determine are necessary and appropriate for the pro-  
16 tection of the public interest, convenience, and ne-  
17 cessity and are consistent with this Act.

18 “(c) DEFINITION.—

19 “(1) IN GENERAL.—Universal service includes  
20 the services defined on the date of enactment of the  
21 Universal Service Reform Act of 2006 as universal  
22 services, high-speed broadband services, and an  
23 evolving level of telecommunications and information  
24 services that the Commission shall establish periodi-  
25 cally under this section, taking into account ad-



1 vances in telecommunications and information tech-  
2 nologies and services. The Joint Board in recom-  
3 mending, and the Commission in establishing, the  
4 definition of the services that are supported by Fed-  
5 eral universal service support mechanisms shall con-  
6 sider the extent to which such services—

7 “(A) are essential to education, public  
8 health, or public safety;

9 “(B) are being deployed in public tele-  
10 communications networks by communications  
11 service providers; and

12 “(C) are consistent with the public inter-  
13 est, convenience, and necessity.

14 “(2) ALTERATIONS AND MODIFICATIONS.—The  
15 Joint Board shall consider whether to recommend to  
16 the Commission modifications in the definition of  
17 the services that are supported by Federal universal  
18 service support mechanisms no less than once every  
19 5 years.

20 “(3) SPECIAL SERVICES.—In addition to the  
21 services included in the definition of universal serv-  
22 ice under paragraph (1), the Commission may des-  
23 ignate additional services for such support mecha-  
24 nisms for schools, libraries, and health care pro-  
25 viders for the purposes of subsection (h).



1           “(4) HIGH-SPEED BROADBAND SERVICE.—The  
2 definition of universal service shall not be construed  
3 to exclude eligible communications service providers  
4 from using universal service funding for the provi-  
5 sion, maintenance, and upgrading of high-speed  
6 broadband service.

7           “(d) UNIVERSAL SERVICE SUPPORT CONTRIBU-  
8 TIONS.—

9           “(1) CALCULATING UNIVERSAL SERVICE SUP-  
10 PORT CONTRIBUTIONS.—

11           “(A) IN GENERAL.—The Commission shall  
12 assess contributions to universal service support  
13 mechanisms from communications service pro-  
14 viders. The Commission shall assess such con-  
15 tributions in a manner that is equitable and  
16 competitively neutral, is nondiscriminatory in  
17 nature, and ensures that communications serv-  
18 ice providers are subject to similar obligations.  
19 The Commission may employ any methodology  
20 to assess such contributions, including consider-  
21 ation of—

22           “(i) revenues derived from the provi-  
23 sion of intrastate, interstate, and foreign  
24 communications services by communica-  
25 tions service providers;



1                   “(ii) working telephone numbers used  
2                   by communications service providers; or

3                   “(iii) any other current or successor  
4                   identifier protocols or connections to the  
5                   network used by communications service  
6                   providers.

7                   “(B) USE OF MORE THAN ONE METHODOLOGY.—If no one methodology designated  
8                   under subparagraph (A) effectuates the principles described in this Act, the Commission  
9                   may employ a combination of any such methodologies.  
10                   may employ a combination of any such meth-  
11                   odologies.  
12                   odologies.

13                   “(C) LOW VOLUME EXCEPTION.—The  
14                   Commission may limit the contributions of com-  
15                   munications service providers whose customers  
16                   typically make a low volume of calls on a  
17                   monthly basis.

18                   “(D) DE MINIMIS EXCEPTION.—The Com-  
19                   mission may exempt a communications service  
20                   provider from the requirements of this sub-  
21                   section if the communications activities of such  
22                   provider are limited to such an extent that the  
23                   level of contributions of such provider to the  
24                   preservation and advancement of universal serv-  
25                   ice would be de minimis.



1           “(2) REPORTS.—The Commission shall estab-  
2           lish annual reporting requirements for all commu-  
3           nications service providers contributing to universal  
4           service support mechanisms or receiving universal  
5           service support. The reporting requirements shall  
6           not impose unnecessary burdens, and shall be tech-  
7           nology and provider neutral. The Commission shall  
8           periodically review the reporting requirements to en-  
9           sure that universal service support is used for the  
10          provision, maintenance, and upgrading of the facili-  
11          ties for which support is intended.

12          “(3) UNIVERSAL SERVICE SUPPORT CONTRIBU-  
13          TION LIMITS.—

14                 “(A) LIMITATION.—The total amount of  
15                 universal service support for all universal serv-  
16                 ice support mechanisms other than support for  
17                 schools, libraries, rural health care, life-line,  
18                 link-up, and toll limitation shall not exceed the  
19                 total amount that was collected from all sources  
20                 for all universal service support mechanisms  
21                 other than schools, libraries, rural health care,  
22                 life-line, link-up, and toll limitation in the last  
23                 year prior to the date of enactment of the Uni-  
24                 versal Service Reform Act of 2006, as adjusted  
25                 annually by a growth factor and once, within



1           one year of the date of enactment of the Uni-  
2           versal Service Reform Act of 2006, by the  
3           amounts that the adjustments in subsections  
4           (e)(3) and (m) increase demand for universal  
5           service support.

6           “(B) GROWTH FACTOR.—The growth fac-  
7           tor shall be the annual percentage change in  
8           the Gross Domestic Product–Chained Price  
9           Index (GDP–CPI), or any successor general in-  
10          flationary factor that the Bureau of Economic  
11          Analysis of the Department of Commerce deter-  
12          mines shall supersede such index, plus the an-  
13          nual percentage change in the total number of  
14          rural incumbent local exchange carrier working  
15          loops, if that percentage change is greater than  
16          zero.

17          “(C) INTERCARRIER COMPENSATION RE-  
18          COVERY MECHANISM.—If at any time after the  
19          date of enactment of the Universal Service Re-  
20          form Act of 2006 the Commission mandates  
21          that intercarrier compensation revenues be re-  
22          covered through an alternative revenue recovery  
23          mechanism, such alternative revenue recovery  
24          mechanism shall be included in the limitation  
25          set forth in subparagraph (A), and the Commis-





1           sion shall adjust such limitation once, within 3  
2           months of mandating that intercarrier com-  
3           pensation revenues be recovered through an al-  
4           ternative revenue recovery mechanism, by the  
5           amount that such revenue recovery mechanism  
6           increases demand for universal service support.

7           “(e) DISTRIBUTION AND USE OF UNIVERSAL SERV-  
8   ICE SUPPORT.—

9           “(1) IN GENERAL.—Only an eligible tele-  
10          communications carrier designated under section  
11          214(e) shall be eligible to receive specific Federal  
12          universal service support. A carrier that receives  
13          such support shall use that support only for the pro-  
14          vision, maintenance, and upgrading of facilities and  
15          services for which the support is intended. Any such  
16          support should be explicit and sufficient to achieve  
17          the purposes of this section.

18          “(2) USES OF UNIVERSAL SERVICE SUPPORT.—  
19          The use of universal service support for all rural, in-  
20          sular, and high cost areas—

21                  “(A) should be expanded to include high-  
22                  speed broadband services;

23                  “(B) should be based on actual costs rea-  
24                  sonably incurred in providing such services, ex-  
25                  clusive of the cost of acquiring spectrum, except



1 that an eligible telecommunications carrier that  
2 is an incumbent local exchange carrier may  
3 elect to have the Commission calculate the  
4 amount of universal service support payable to  
5 such carrier pursuant to section 54.309 of title  
6 47, Code of Federal Regulations (as in effect on  
7 the date of the enactment of the Universal  
8 Service Reform Act of 2006).

9 “(C) should be available to communica-  
10 tions service providers that are determined to  
11 be eligible telecommunications carriers under  
12 section 214(e).

13 “(3) SUPPORT FOR NON RURAL CARRIERS PRO-  
14 VIDING SERVICE IN RURAL, INSULAR, AND HIGH  
15 COST AREAS.—

16 “(A) CALCULATING SUPPORT.—Except  
17 with respect to non-rural carriers serving insu-  
18 lar areas, in calculating Federal universal serv-  
19 ice support for eligible telecommunications car-  
20 riers that serve rural, insular, and high cost  
21 areas and that are not rural telephone compa-  
22 nies, the Commission shall, subject to the provi-  
23 sions of subparagraph (B), revise the Commis-  
24 sion’s support mechanism for rural, insular,  
25 and high cost areas to provide support to each



1 wire center in which the incumbent local ex-  
 2 change carrier's average cost per line for such  
 3 wire center exceeds 3.75 times the national av-  
 4 erage cost per line.

5 “(B) HOLD HARMLESS.—In implementing  
 6 this paragraph, the Commission shall ensure  
 7 that no non-rural carrier receives less Federal  
 8 support calculated under paragraph (1) than  
 9 the non-rural carrier would have received under  
 10 the Commission's support mechanism for rural,  
 11 insular, and high cost areas as in effect on the  
 12 day before the date of the enactment of the  
 13 Universal Service Reform Act of 2006.

14 “(4) ADMINISTRATION: ACCOUNTABILITY  
 15 STANDARDS.—

16 “(A) NETWORK TRAFFIC IDENTIFICATION  
 17 ACCOUNTABILITY STANDARDS.—

18 “(i) NETWORK TRAFFIC IDENTIFICA-  
 19 TION STANDARDS.—Communications serv-  
 20 ice providers shall ensure that all traffic  
 21 that originates on their networks contains  
 22 sufficient information to allow for traffic  
 23 identification by other communications  
 24 service providers that transport, transit, or  
 25 terminate such traffic, including informa-



1 tion on the identity of the originating pro-  
2 vider, the calling and called parties, and  
3 the jurisdiction in which the traffic origi-  
4 nates.

5 “(ii) NETWORK TRAFFIC IDENTIFICA-  
6 TION RULEMAKING.—The Commission, in  
7 consultation with the States, shall initiate  
8 a single rulemaking no later than 180 days  
9 after the date of enactment of the Uni-  
10 versal Service Reform Act of 2006 to es-  
11 tablish rules and enforcement provisions  
12 for traffic identification. Such rules shall  
13 include mandatory requirements for identi-  
14 fication of all traffic by the originating  
15 provider and shall require that such traffic  
16 identification information is transferred to  
17 transporting, transiting, and terminating  
18 providers unchanged and unaltered. The  
19 rules shall also establish procedures for  
20 carriers to contest insufficiently labeled  
21 traffic in a prompt manner and shall es-  
22 tablish appropriate enforcement and pen-  
23 alty provisions for carriers that insuffi-  
24 ciently label traffic. The processes to adju-  
25 dicate insufficiently labeled traffic shall re-



1           quire the relevant providers to demonstrate  
2           their compliance with the Commission’s  
3           traffic labeling standards.

4                   “(iii) NETWORK TRAFFIC IDENTIFICA-  
5           TION ENFORCEMENT.—The Commission  
6           shall adopt clear penalties, fines, and sanc-  
7           tions for insufficiently labeled traffic. The  
8           penalties, fines, and sanctions established  
9           by the Commission shall provide—

10                           “(I) adequate retroactive mone-  
11                           tary reimbursement to the defrauded  
12                           provider or providers equal to the rate  
13                           differential between accurately and in-  
14                           accurately labeled traffic;

15                           “(II) monetary fines determined  
16                           by the Commission;

17                           “(III) a deterrence penalty for  
18                           those offenders who do not resolve  
19                           their violations or remit the required  
20                           reimbursements to defrauded provider  
21                           or providers;

22                           “(IV) an adequate deterrence  
23                           penalty against frivolous accusations;



1                   “(V) the ability of network traffic  
2 operators to block inaccurately labeled  
3 traffic;

4                   “(VI) the decertification of re-  
5 peat offenders or those providers un-  
6 willing to comply with the established  
7 rules and penalties; and

8                   “(VII) specific and clear time  
9 frames for the investigation and sub-  
10 sequent penalty, fines, and sanctions  
11 of offending providers, to ensure prop-  
12 er accountability.

13                   “(iv) ACCOUNTABILITY FOR NETWORK  
14 TRAFFIC EXCHANGE.—To ensure that all  
15 communications service providers are ac-  
16 countable for the volume of traffic the pro-  
17 viders terminate on other carriers’ net-  
18 works, the Commission shall ensure that  
19 all providers are compensated for the use  
20 of their networks by other providers.

21                   “(B) UNIVERSAL SERVICE DISTRIBUTION  
22 ACCOUNTABILITY STANDARDS.—To ensure fair-  
23 ness and accountability in the distribution of  
24 universal service funding contributions, the  
25 Commission shall promulgate rules to calculate



1           the level of universal service support to be dis-  
2           tributed to all eligible recipients.”.

3           (b) RURAL HEALTH CARE SUPPORT MECHANISMS.—

4           (1) AMENDMENT.—Subparagraph (A) of sec-  
5           tion 254(h)(1) of the Communications Act of 1934  
6           (47 U.S.C. 254(h)(1)) is amended to read as follows:

7                   “(A) HEALTH CARE SERVICES FOR RURAL  
8           AREAS.—Within 180 days after the date of en-  
9           actment of the Universal Service Reform Act of  
10          2006, the Commission shall prescribe regula-  
11          tions that provide that a communications serv-  
12          ice provider shall, upon, receiving a bona fide  
13          request, provide covered services which are nec-  
14          essary for the provision of health care services  
15          in a State, including instruction relating to  
16          such services, to any public or nonprofit health  
17          care provider that serves persons who reside in  
18          rural areas in that State at rates that are rea-  
19          sonably comparable to rates charged for similar  
20          services in urban areas in that State. A commu-  
21          nications service provider providing service  
22          under this subparagraph shall be entitled to  
23          have an amount equal to the difference, if any,  
24          between the rates for services provided to health  
25          care providers for rural areas in a State and



1 the rates for similar services in urban areas in  
2 that State treated as a service obligation as a  
3 part of its obligation to participate in the mech-  
4 anisms to preserve and advance universal serv-  
5 ice.”.

6 (2) DEFINITION OF HEALTH CARE PRO-  
7 VIDER.—Subparagraph (B) of section 254(h)(7) of  
8 such Act (47 U.S.C. 254(h)(7)(B)) is amended to  
9 read as follows:

10 “(B) HEALTH CARE PROVIDER.—The term  
11 ‘health care provider’ means—

12 “(i) post-secondary educational insti-  
13 tutions offering health care instruction,  
14 teaching hospitals, and medical schools;

15 “(ii) community health centers or  
16 health centers providing health care to mi-  
17 grants;

18 “(iii) local health departments or  
19 agencies;

20 “(iv) community mental health cen-  
21 ters;

22 “(v) not-for-profit hospitals;

23 “(vi) critical access hospitals;

24 “(vii) rural hospitals with emergency  
25 rooms;





- 1 “(viii) rural health clinics;  
2 “(ix) not-for-profit nursing homes or  
3 skilled nursing homes;  
4 “(x) hospice providers;  
5 “(xi) emergency medical services fa-  
6 cilities;  
7 “(xii) rural dialysis facilities;  
8 “(xiii) elementary, secondary, and  
9 post-secondary school health clinics; and  
10 “(xiv) consortia of health care pro-  
11 viders consisting of one or more entities  
12 described in clauses (i) through (xiii).”.

13 (3) DEFINITION OF RURAL FOR HEALTH CARE  
14 SUPPORT.—Section 254(h)(7) of such Act is further  
15 amended by adding at the end the following new  
16 subparagraph:

17 “(J) RURAL AREA.—Within 180 days after  
18 the date of enactment of the Universal Service  
19 Reform Act of 2006, the Commission shall pre-  
20 scribe regulations that provide that, for pur-  
21 poses of the rural health care universal service  
22 support mechanisms established pursuant to  
23 this subsection, a ‘rural area’ is—

24 “(i) any incorporated or unincor-  
25 porated place in the United States, its ter-



1 ritories and insular possessions (including  
 2 any area within the Federated States of  
 3 Micronesia, the Republic of the Marshall  
 4 Islands and the Republic of Palau) that  
 5 has no more than 20,000 inhabitants  
 6 based on the most recent available popu-  
 7 lation statistics from the Census Bureau;

8 “(ii) any area located outside of the  
 9 boundaries of any incorporated or unincor-  
 10 porated city, village, or borough having a  
 11 population exceeding 20,000;

12 “(iii) any area with a population den-  
 13 sity of fewer than 250 persons per square  
 14 mile; or

15 “(iv) any place that qualified as a  
 16 ‘rural area’ and received support from the  
 17 rural health care support mechanism pur-  
 18 suant to the Commission’s rules in effect  
 19 prior to December 1, 2004, and that con-  
 20 tinues to qualify as a ‘rural area’ pursuant  
 21 to such rules.”.

22 (c) SCHOOLS, LIBRARIES, RURAL HEALTH CARE,  
 23 LIFE-LINE, LINK-UP, AND TOLL LIMITATION HOLD  
 24 HARMLESS.—Except as provided in subsections (h)(1)(A),  
 25 (h)(7)(B), and (h)(7)(J) of section 254 of the Communica-



1 tions Act of 1934 (47 U.S.C. 254), as amended by sub-  
2 section (b)—

3 (1) nothing in this Act (and the amendments  
4 made by this Act) shall be construed as limiting,  
5 changing, modifying, or altering the amount of sup-  
6 port or means of distribution for the schools, librar-  
7 ies, rural health care, life-line, link-up, and toll limi-  
8 tation programs; and

9 (2) the Federal Communications Commission  
10 shall ensure that such amendments do not result in  
11 a decrease of such support to a level below the level  
12 for the fiscal year preceding the fiscal year in which  
13 this Act is enacted.

14 **SEC. 5. ELIGIBLE RECIPIENTS OF UNIVERSAL SERVICE**  
15 **SUPPORT.**

16 (a) AMENDMENT.—Section 214(e) of the Commu-  
17 nications Act of 1934 (47 U.S.C. 214(e)) is amended—

18 (1) by redesignating paragraphs (3), (4), (5),  
19 and (6) as paragraphs (6), (7), (9), and (8), respec-  
20 tively, and reordering such paragraphs in numerical  
21 order; and

22 (2) by striking paragraphs (1) and (2) and in-  
23 serting the following:

24 “(1) ELIGIBILITY TO RECEIVE UNIVERSAL  
25 SERVICE SUPPORT.—A communications service pro-



1 vider shall be eligible to receive universal service  
2 support in accordance with the requirements of this  
3 subsection only if such communications service  
4 provider—

5 “(A) uses its own facilities to make avail-  
6 able in a service area the services that have  
7 been determined by the Commission to be uni-  
8 versal services pursuant to section 254(e), and  
9 responds to reasonable requests for service from  
10 persons located anywhere in such service area  
11 consistent with carrier-of-last-resort require-  
12 ments in the State in which the requesting per-  
13 son is located;

14 “(B) advertises the supported services and  
15 their associated charges throughout the service  
16 area using media of general distribution, and  
17 advertises the availability of life-line and link-up  
18 services in a manner reasonably designed to  
19 reach those likely to qualify for those services;

20 “(C) demonstrates the ability to remain  
21 functional in emergency situations;

22 “(D) satisfies consumer protection and  
23 service quality standards;

24 “(E) meets the basic requirements for the  
25 deployment of high-speed broadband service,



1 and provides high-speed broadband service, ex-  
2 cept that the Commission shall establish a  
3 process—

4 “(i) whereby a determination can be  
5 made to waive the requirements of this  
6 subparagraph for 3 years upon application  
7 of a communications service provider dem-  
8 onstrating that the deployment and provi-  
9 sion of high-speed broadband service is not  
10 technically feasible or would materially im-  
11 pair the communications service provider’s  
12 ability to continue to provide local ex-  
13 change service throughout its service area,  
14 except that a waiver shall be deemed auto-  
15 matically granted under this clause for a  
16 communications service provider which can  
17 demonstrate that the cost per line of de-  
18 ploying and providing high-speed  
19 broadband service is at least three times  
20 the average cost of providing high-speed  
21 broadband service among all recipients of  
22 universal service support, subject to the re-  
23 newal provisions set forth in clause (ii);

24 “(ii) whereby the communications  
25 service provider may seek renewal of such



1 waiver every 3 years for as long as the de-  
2 ployment and provision of high-speed  
3 broadband service is not technically fea-  
4 sible or would materially impair the com-  
5 munications service provider's ability to  
6 continue to provide local exchange service  
7 throughout its service area; and

8 “(iii) whereby any application of a  
9 communications service provider for a  
10 waiver pursuant to clause (i) on which the  
11 Commission has not taken final action  
12 within 60 days of the date of submission to  
13 the Commission shall be deemed granted.

14 “(2) ELIGIBILITY CRITERIA.—In addition to the  
15 criteria specified in paragraph (1), the Commission  
16 shall establish such additional eligibility criteria for  
17 the receipt of universal service support by commu-  
18 nications service providers as it deems necessary and  
19 in the public interest. The criteria established in  
20 paragraph (1) and the criteria established by the  
21 Commission pursuant to this paragraph shall be  
22 used by State commissions in determining which  
23 providers shall be designated as eligible recipients of  
24 universal service support for the purpose of para-  
25 graph (3).



1           “(3) DESIGNATION OF ELIGIBLE RECIPIENTS.—

2           A State commission shall, upon its own motion or  
3           upon request, designate as an eligible recipient of  
4           universal service support only those providers meet-  
5           ing the requirements of paragraphs (1) and (2).

6           “(4) GRANDFATHER PROVISION.—Recipients of  
7           universal service support in any service area prior to  
8           the date of enactment of the Universal Service Re-  
9           form Act of 2006 shall meet the eligibility require-  
10          ments for eligible recipients of universal service  
11          support—

12                   “(A) as described in paragraphs (1)(A)  
13                   through (D) within one year of the date of en-  
14                   actment of the Universal Service Reform Act of  
15                   2006; and

16                   “(B) as described in paragraph (1)(E)  
17                   within 5 years after the date of enactment of  
18                   the Universal Service Reform Act of 2006.

19          Failure of such an eligible recipient of universal  
20          service support to maintain and meet the eligibility  
21          requirements within the period required by subpara-  
22          graph (A) or (B) after the date of enactment of the  
23          Universal Service Reform Act of 2006 shall require  
24          the automatic termination of Federal universal serv-  
25          ice support to that recipient. This paragraph shall



1 not be construed to prohibit such a recipient from  
2 obtaining a waiver under paragraph (1)(E).

3 “(5) STATE AUTHORITY.—Nothing in this Act  
4 or the Universal Service Reform Act of 2006 pre-  
5 cludes a State from establishing funding mecha-  
6 nisms to preserve and advance universal service  
7 within that State pursuant to section 254(f) of this  
8 Act.”.

9 (b) DEFINITIONS.—Paragraph (9) of section 214(e)  
10 (as redesignated by subsection (a)) is amended to read as  
11 follows:

12 “(9) DEFINITIONS.—As used in this subsection,  
13 the term ‘service area’ means a geographic area that  
14 aligns with the area in which a communications  
15 service provider is licensed or authorized to provide  
16 service for the purpose of determining universal  
17 service obligations and support mechanisms. In the  
18 case of an area served by a rural telephone company,  
19 ‘service area’ means such company’s ‘study area’ or  
20 the licensed or authorized service area of any other  
21 communications service provider serving an area  
22 that overlaps with the service area of a rural tele-  
23 phone company.”.





1 **SEC. 6. REMOVAL OF IMPEDIMENTS TO SUFFICIENT SUP-**  
2 **PORT MECHANISMS.**

3 Section 254 of the Communications Act of 1934 is  
4 amended by adding at the end the following new sub-  
5 section:

6 “(m) **REMOVAL OF LIMITATIONS ON HIGH COST**  
7 **SUPPORT MECHANISMS.**—The limitations on universal  
8 service support contained in section 54.305 of the Com-  
9 mission’s regulations (47 CFR 54.305), and the individual  
10 caps imposed upon carriers contained in section 36.631  
11 of the Commission’s regulations (47 CFR 36.631), shall  
12 cease to be effective on the date of enactment of the Uni-  
13 versal Service Reform Act of 2006. The Commission shall  
14 not, on or after such date of enactment, enforce or reim-  
15 pose limitations on support mechanisms for rural tele-  
16 phone companies or exchanges they acquire based on fund  
17 size or other considerations unrelated to the sufficiency  
18 of support to achieve the purposes of this section.”.

19 **SEC. 7. APPLICATION OF ANTIDEFICIENCY ACT.**

20 (a) **MAKING ANTIDEFICIENCY ACT EXEMPTION PER-**  
21 **MANENT.**—Section 254 of the Communications Act of  
22 1934 (47 U.S.C. 254) is amended by adding the following  
23 subsection (n):

24 “(n) **APPLICATION OF ANTIDEFICIENCY ACT.**—Sec-  
25 tion 1341 and subchapter II of chapter 15 of title 31,  
26 United States Code, do not apply—



1           “(1) to any amount collected or received as  
2           Federal universal service contributions required by  
3           this section, including any interest earned on such  
4           contributions; nor

5           “(2) to the expenditure or obligation of  
6           amounts attributable to such contributions for uni-  
7           versal service support programs established pursuant  
8           to this section.”.

9           (b) INVESTMENT OF UNIVERSAL SERVICE FUND  
10          CONTRIBUTIONS.—Notwithstanding any other provision  
11          of law, including but not limited to sections 3302, 3321,  
12          3322, and 3325 of title 31, United States Code, the cash  
13          balance of receipts of universal service contributions col-  
14          lected pursuant to section 254 of the Communications Act  
15          of 1934 (47 U.S.C. 254) shall be invested by the Commis-  
16          sion or its designee in conservative, liquid, interest-bearing  
17          investment vehicles of government backed securities until  
18          such time as such receipts are disbursed pursuant to sec-  
19          tion 254 of the Communications Act of 1934 (47 U.S.C.  
20          254).

21          **SEC. 8. SCOPE OF SUPPORT.**

22                 The Commission in implementing the requirements of  
23          this Act with respect to the distribution and use of Federal  
24          universal service support shall not limit such distribution  
25          and use to a single connection or primary line, and all



1 residential and business lines served by an eligible tele-  
2 communications carrier shall be eligible for Federal uni-  
3 versal service support.

4 **SEC. 9. REPORT TO CONGRESS.**

5       The Commission shall, not later than 3 years after  
6 the date of enactment of this Act and triennially there-  
7 after, report to Congress regarding the availability of the  
8 services designated by the Commission as universal serv-  
9 ices to all Americans, including schools, libraries, rural  
10 health care providers, and low income consumers.

