



# UNIVERSAL SERVICE MONITORING REPORT

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## 2014

(Data Received Through September 2014)

Prepared by Federal and State Staff for the  
Federal-State Joint Board on Universal Service

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# Universal Service Monitoring Report

2014

## Introduction and Summary

This is the seventeenth report in a series prepared by federal and state staff members for the Federal-State Joint Board on Universal Service (Universal Service Joint Board).<sup>1</sup> This report is generally based on information available to us as of September 2014. These reports contain information designed to monitor the impact of various universal service support mechanisms and the method used to finance them. These reports are part of a monitoring program created by the Federal Communications Commission in 1997 in CC Docket No. 96-45 to replace a similar program in CC Docket No. 87-339 that previously resulted in a series of nineteen *Monitoring Reports*.<sup>2</sup>

The *Monitoring Report* incorporates data from several sources, including the National Exchange Carrier Association (NECA) and Universal Service Administrative Company (USAC). USAC collects information from both contributors and beneficiaries of the Universal Service Fund, including incumbent local exchange carriers (ILECs), competitive eligible telecommunications carriers (CETCs), schools, libraries and health care providers. NECA, at the direction of the Commission, provides information to USAC that is utilized in administering certain aspects of the high-cost program.

The following is the organization of this report: Section 1 provides an update on industry revenues, universal service program funding requirements, and contribution factors. Sections 2 through 5 provide the latest data on the low-income, high-cost, schools and libraries, and rural health care support mechanisms. Section 6 presents recent Census data on voice telephony subscribership from the Current Population Survey and the American Community Survey as well as data on telephone penetration by income by state. It also includes data on residential Internet subscribership. Section 7 includes updated Consumer Price Index data. An Appendix provides additional information regarding the high-cost program, updating the Universal Service Implementation Report released in March 2014.

This entire report is available electronically in page image (.pdf) format through the FCC's Federal-State Joint Board Monitoring Reports website, located at <http://www.fcc.gov/encyclopedia/federal-state-joint-board-monitoring-reports>. The tables of the report are available separately as spreadsheet files in a single compressed (.zip) format file at this site also. The *Monitoring Report* is published once a year. Information received well in advance of the next *Monitoring Report* will be made available on an interim basis in separate staff reports or in raw data files (such as most NECA filings used in the *Monitoring Report*) on the Wireline Competition Bureau Statistical Reports Internet site.

Supplementary material is available in a single compressed (.zip) format file at <http://www.fcc.gov/encyclopedia/federal-state-joint-board-monitoring-reports>. The supplementary material includes tables too extensive to be practical for a printed report. A table listing the files available when this file is unzipped is provided at the end of this introduction.

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<sup>1</sup> The last report was released in December 2013. *Universal Service Monitoring Report*, 2013 (Data Received Through October 2013).

<sup>2</sup> In 1997, the Commission adopted rules to implement section 254 largely based on the recommendations of the Universal Service Joint Board and delegated to the Common Carrier Bureau (the predecessor to the Wireline Competition Bureau), in consultation with the state staff, the creation of a new monitoring program. *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, 12 FCC Rcd 8776, 9218, para. 869 (1997) (*Universal Service First Report and Order*). See 47 C.F.R. § 54.702(i).

We continue to look for ways to present universal service data in a way that is useful for the public. We have reorganized the report so that each support program – low-income, high-cost, schools and libraries, and rural health care – appears in a separate chapter. As a result, the tables for each program have been renumbered. In the 2014 report, we also have eliminated certain tables.<sup>3</sup>

Former Tables 2.10 through 2.15 regarding high-cost disbursements are now provided in the report using claims data rather than disbursement data. Disbursement data will continue to be available in the supplementary material. Disbursement data is useful for understanding the flow of dollars in and out of the fund. In addition, the following tables from the 2013 report are now provided as files in supplementary material:

- Former Table 1.5. Contribution Base Revenues By Program
- Former Table 2.19. Schools and Libraries Funding Commitments and Disbursements by Applicant Type and Service Type
- Former Table 2.20. Schools and Libraries Funding Commitments and Disbursements by State and by Type of Applicant
- Former Table 2.21. Rural Health Care Funding Disbursements by Funding Year
- Former Table 5.1. Interstate Switched Access Minutes of Use - Incumbent Local Exchange Carriers by Tier
- Former Table 5.2. ILEC Interstate Switched Access Minutes of Use by State

National Telecommunications and Information Administration (NTIA) data used to create former Tables 3.9 and 3.10 are no longer available. The new Tables 6.9 and 6.10 are variants of these tables based on American Community Survey (ACS) data.

We invite questions or comments on this report via email at [IATDreports@fcc.gov](mailto:IATDreports@fcc.gov) with subject: December 2014 Monitoring Report.

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<sup>3</sup> The following tables have been deleted: former Table 1.4 on retail (end-user) telecommunications and interconnected VoIP service revenues by number portability region and former Table 2.4 on federal Lifeline average claims by state.

## 2014 Monitoring Report Supplementary Material

This list provides the names of files provided in the 2014 Monitoring Report Supplementary Material single compressed (.zip) format file available at <http://www.fcc.gov/encyclopedia/federal-state-joint-board-monitoring-reports>. Underlined names are folders containing those files after unzipping the file.

<u>Revenues and Contributions</u>	Revenue Details - 2012 Revenue Details - 2013 2012 Filer Revenues Top 5 Entities vs Others - by Service Type Estimating End-User Revenue by State - 2011 Technical Appendix Contribution Base Revenues by Program - 2012 and 2013
<u>Low Income</u>	LI Support - by State LI Support - by Study Area LI Subscribers and Beneficiaries - by State ETCs Receiving Lifeline Support 2013
<u>High Cost</u>	<u>Claims</u> HC Claims - by State HC Claims - by Study Area HC RoR Claims per Line - by Study Area HC Support Study Areas - 2013 2014 Rate Floor Report Support Reduction Waiver Requests HCL Benchmarks – by Study Area HC Rate Floor Reductions – by Study Area Max Subject to Rate Floor – by PC Study Area
	<u>Disbursements</u> HC Disbursements - by State HC Disbursements - by Study Area HC RoR Disbursements per Line - by Study Area
<u>Schools and Libraries</u>	SL Funds - by Service Type, State, and Funding Year SL Cumulative Funds - by Service Type and State SL Disbursements - by Service Provider Type SL Funds per Student - by State SL Funds - by Applicant Type, State, and Funding Year
<u>Rural Health Care</u>	RHC Disbursements - by Speed, Year, and HCP Type RHC Disbursements - by Speed, Year, and State RHC Disbursements per Person - by State RHC Funds - by HCP Type, Program, and Year RHC Funds - by State, Program, and Year
<u>Minutes of Use</u>	ILEC Interstate Switched Access Minutes of Use - by Tier ILEC Interstate Switched Access Minutes of Use - by State ILEC Interstate Switched Access Minutes of Use - by Study Area NECA Pool Results

## Section 1 - Revenues and Contributions

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### Overview – Revenues and Contributions

In response to the Telecommunications Act of 1996, the Commission established several universal service mechanisms to help ensure that all Americans have access to affordable telecommunications service. Congress mandated that these programs be supported by contributions from every telecommunications carrier that provides interstate telecommunications, and other providers of telecommunications if the Commission finds contributions from such providers to be in the public interest. The tables in this section provide a general overview of the revenues of the U.S. telecommunications industry and the contributions to the universal service support mechanisms that are based on these revenues. The tables are based on information filed with the Commission in FCC Forms 499-A and 499-Q. To the extent that certain telecommunications industry revenues are not subject to contributions, such revenues may not be fully captured in these tables.

Additional information about the revenues collected to support universal service can be found on the Commission's website at <http://www.fcc.gov/encyclopedia/contribution-methodology-administrative-filings> and on USAC's website at <http://www.usac.org/cont/default.aspx>. Please note that that the information provided in this report is based upon Commission rules in effect in 2014.



**Table 1.1**  
**Filer Revenues by Service Type: 2003-2013**  
(in Millions of Dollars)

		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Local Service and Payphone Revenues</b>	Local Exchange and Federal/State USF Support <sup>1</sup>	\$70,606	\$68,238	\$66,506	\$63,264	\$62,790	\$60,721	\$56,839	\$56,993	\$52,718	\$50,598	\$49,016
	Pay Telephone <sup>2</sup>	1,063	1,002	924	659	470	379	268	197	136	362	359
	Local Private Line <sup>3</sup>	22,415	23,840	25,673	25,448	24,307	26,314	27,098	26,809	28,243	29,101	29,632
	Other Local <sup>4</sup>	3,242	2,944	3,331	3,884	3,227	3,321	3,531	3,032	3,145	2,408	1,746
	Subscriber Line Charges <sup>5</sup>	12,136	11,715	11,113	10,827	10,141	9,283	8,363	7,481	6,703	6,195	5,968
	Access <sup>6</sup>	12,972	12,352	11,822	11,392	10,543	9,776	8,778	8,336	7,368	6,759	6,384
	<b>Total Local Service and Payphone Revenues</b>	<b>122,434</b>	<b>120,091</b>	<b>119,368</b>	<b>115,474</b>	<b>111,478</b>	<b>109,795</b>	<b>104,876</b>	<b>102,847</b>	<b>98,313</b>	<b>95,422</b>	<b>93,105</b>
<b>Mobile Revenues</b>	<b>Total Mobile Service Revenues<sup>7</sup></b>	<b>88,023</b>	<b>96,450</b>	<b>104,489</b>	<b>112,442</b>	<b>117,939</b>	<b>120,934</b>	<b>114,625</b>	<b>111,643</b>	<b>107,393</b>	<b>105,183</b>	<b>98,160</b>
<b>Toll Service Revenues</b>	Operator <sup>8</sup>	6,567	6,542	6,631	5,577	5,874	5,444	4,340	3,585	3,162	3,092	3,064
	Non-Operator Switched Toll <sup>9</sup>	50,178	46,387	44,876	41,570	42,518	39,329	34,943	27,132	27,557	25,340	23,345
	Long Distance Private Line <sup>10</sup>	15,316	13,906	13,264	12,739	12,080	11,683	11,649	14,344	11,443	12,262	12,542
	Other Long Distance <sup>11</sup>	2,222	1,801	2,021	2,154	1,661	2,071	2,708	4,945	4,186	3,929	3,886
	<b>Total Toll Service Revenues</b>	<b>74,283</b>	<b>68,637</b>	<b>66,792</b>	<b>62,039</b>	<b>62,133</b>	<b>58,527</b>	<b>53,640</b>	<b>50,006</b>	<b>46,347</b>	<b>44,624</b>	<b>42,837</b>
<b>Total Local, Mobile, and Toll Revenues</b>		<b>284,739</b>	<b>285,177</b>	<b>290,649</b>	<b>289,954</b>	<b>291,549</b>	<b>289,255</b>	<b>273,141</b>	<b>264,496</b>	<b>252,052</b>	<b>245,229</b>	<b>234,102</b>
	Universal Service Surcharges <sup>12,13</sup>	6,383	6,557	7,273	7,314	7,902	8,110	7,911	8,662	8,986	10,012	8,986
<b>Total Telecommunications Revenues<sup>14</sup></b>		<b>291,122</b>	<b>291,735</b>	<b>297,921</b>	<b>297,269</b>	<b>299,451</b>	<b>297,365</b>	<b>281,052</b>	<b>273,158</b>	<b>261,038</b>	<b>255,242</b>	<b>243,088</b>
	Total Non-Telecommunications Revenues <sup>15</sup>	65,186	71,493	86,764	101,061	131,615	151,494	158,859	173,228	214,538	224,487	251,892
<b>Total Reported Revenues</b>		<b>\$356,308</b>	<b>\$363,227</b>	<b>\$384,685</b>	<b>\$398,329</b>	<b>\$431,066</b>	<b>\$448,860</b>	<b>\$439,911</b>	<b>\$446,386</b>	<b>\$475,576</b>	<b>\$479,729</b>	<b>\$494,981</b>

## Footnotes to Table 1.1

<sup>1</sup> Dollar amounts are calculated using the sum of Lines 303a, 308a (Federal and State USF Support Revenues), and 404a from Form 499-A.

<sup>2</sup> Dollar amounts are calculated using the sum of Lines 306a and 407a from Form 499-A.

<sup>3</sup> Dollar amounts are calculated using the sum of Lines 305a and 406a from Form 499-A.

<sup>4</sup> Dollar amounts are calculated using the sum of Lines 307a and 408a from Form 499-A.

<sup>5</sup> Dollar amounts are calculated using Line 405a from Form 499-A. As of 2012, includes Access Recovery Charge (ARC).

<sup>6</sup> Dollar amounts are calculated using Line 304a from Form 499-A.

<sup>7</sup> Dollar amounts are calculated using the sum of Lines 309a, 409a, and 410a from Form 499-A.

<sup>8</sup> Dollar amounts are calculated using the sum of Lines 310a, 411a, 412a, and 413a from Form 499-A.

<sup>9</sup> Dollar amounts are calculated using the sum of Lines 311a and 414a from Form 499-A.

<sup>10</sup> Dollar amounts are calculated using the sum of Lines 312a and 415a from Form 499-A.

<sup>11</sup> Dollar amounts are calculated using the sum of Lines 313a, 314a, 416a, and 417a from Form 499-A.

<sup>12</sup> The surcharge figure indicates only surcharges that have been explicitly reported as such in Form 499-A and does not account for implicit surcharge revenues where carriers collect the surcharge through higher prices.

<sup>13</sup> Dollar amounts are calculated using Line 403a from Form 499-A.

<sup>14</sup> Subtotal includes surcharge.

<sup>15</sup> Dollar amounts are calculated using Line 418a from Form 499-A.

Note: Detail may not add to totals due to rounding.

Previously Table 1.2

Source: FCC Form 499-A. Data for 2012 are based on filings as of April 8, 2014; data for 2013 are based on filings as of May 5, 2014.

**Table 1.2**  
**Filer Revenues<sup>1</sup>, Wholesale vs. Retail: 2003-2013**  
(in Millions of Dollars)

		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Wholesale (Carrier's Carrier) Telecommunications Revenues<sup>2</sup></b>	Local Service <sup>3,4</sup>	\$37,742	\$38,546	\$39,213	\$39,392	\$38,383	\$39,200	\$38,285	\$37,955	\$39,807	\$39,783	\$39,101
	Mobile Service <sup>5</sup>	4,465	4,164	6,334	5,187	5,360	5,630	4,284	5,006	5,512	5,587	5,384
	Toll Service <sup>6</sup>	18,205	15,703	16,892	15,101	16,093	13,843	13,003	15,549	11,921	11,425	10,911
	<b>Total Wholesale Revenues</b>	<b>60,412</b>	<b>58,413</b>	<b>62,439</b>	<b>59,679</b>	<b>59,836</b>	<b>58,672</b>	<b>55,571</b>	<b>58,510</b>	<b>57,240</b>	<b>56,796</b>	<b>55,396</b>
	Intrastate <sup>7</sup>	24,825	25,852	27,486	24,848	22,566	21,836	20,173	22,484	20,379	18,860	17,236
	Interstate and International <sup>8,9</sup>	35,587	32,561	34,953	34,831	37,270	36,837	35,399	36,026	36,861	37,936	38,160
<b>Percentage Interstate/International</b>	<b>59%</b>	<b>56%</b>	<b>56%</b>	<b>58%</b>	<b>62%</b>	<b>63%</b>	<b>64%</b>	<b>62%</b>	<b>64%</b>	<b>67%</b>	<b>69%</b>	
<b>Retail (End User) Telecommunications Revenues</b>	Local Service <sup>3,10</sup>	\$84,691	\$81,545	\$80,155	\$76,082	\$73,095	\$70,598	\$66,591	\$64,892	\$58,506	\$55,639	\$54,004
	Mobile Service <sup>11</sup>	83,558	92,286	98,156	107,255	112,579	115,304	110,341	106,637	101,881	99,596	92,776
	Toll Service <sup>12</sup>	56,078	52,934	49,900	46,938	46,040	44,681	40,637	34,457	34,426	33,198	31,927
	Universal Service Surcharges <sup>13</sup>	6,384	6,557	7,272	7,314	7,902	8,110	7,911	8,662	8,986	10,012	8,986
	<b>Total Retail Revenues</b>	<b>\$230,711</b>	<b>\$233,322</b>	<b>\$235,482</b>	<b>\$237,589</b>	<b>\$239,615</b>	<b>\$238,693</b>	<b>\$225,481</b>	<b>\$214,648</b>	<b>\$203,798</b>	<b>\$198,446</b>	<b>\$187,693</b>
	Intrastate <sup>14</sup>	150,889	153,265	154,310	157,653	158,380	157,737	149,493	142,356	133,475	128,409	119,294
Interstate and International <sup>1,8,15</sup>	79,822	80,057	81,173	79,937	81,235	80,956	75,988	72,292	70,323	70,037	68,399	
<b>Percentage Interstate/International</b>	<b>35%</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>	<b>35%</b>	<b>35%</b>	<b>36%</b>
<b>Total Telecommunications Revenues (Wholesale + Retail)</b>	Local Service <sup>3</sup>	\$122,433	\$120,091	\$119,368	\$115,474	\$111,478	\$109,798	\$104,876	\$102,847	\$98,313	\$95,422	\$93,105
	Mobile Service	88,022	96,450	104,489	112,442	117,939	120,934	114,625	111,643	107,393	105,183	98,160
	Toll Service	74,283	68,637	66,792	62,039	62,133	58,523	53,640	50,006	46,347	44,624	42,837
	Universal Service Surcharges	6,384	6,557	7,272	7,314	7,902	8,110	7,911	8,662	8,986	10,012	8,986
	<b>Total Telecommunications Revenues</b>	<b>\$291,123</b>	<b>\$291,734</b>	<b>\$297,921</b>	<b>\$297,268</b>	<b>\$299,451</b>	<b>\$297,365</b>	<b>\$281,052</b>	<b>\$273,158</b>	<b>\$261,038</b>	<b>\$255,242</b>	<b>\$243,088</b>
	Intrastate	175,714	179,117	181,796	182,501	180,946	179,573	169,666	164,840	153,854	147,269	136,530
Interstate and International <sup>8</sup>	115,409	112,617	116,125	114,768	118,505	117,793	111,387	108,318	107,184	107,972	106,559	
<b>Percentage Interstate/International</b>	<b>40%</b>	<b>39%</b>	<b>39%</b>	<b>39%</b>	<b>40%</b>	<b>40%</b>	<b>40%</b>	<b>40%</b>	<b>41%</b>	<b>42%</b>	<b>44%</b>	
<b>Total Non-Telecommunications Revenues</b>	\$65,186	\$71,493	\$86,764	\$101,061	\$131,615	\$151,494	\$158,859	\$173,228	\$214,538	\$224,487	\$251,892	
<b>Total Reported Revenues</b>	<b>\$356,309</b>	<b>\$363,227</b>	<b>\$384,685</b>	<b>\$398,329</b>	<b>\$431,066</b>	<b>\$448,859</b>	<b>\$439,911</b>	<b>\$446,386</b>	<b>\$475,576</b>	<b>\$479,729</b>	<b>\$494,981</b>	

## Footnotes to Table 1.2

- <sup>1</sup> Data include revenues for de minimis filers as well as for other carriers that are exempt from universal service contribution requirements.
- <sup>2</sup> Wholesale revenues are reported on the FCC Form 499-A as sales to other universal service contributors for resale. This includes, for example, access services that local exchange carriers provide to toll carriers. Sales to de minimis resellers, end-user customers, government-only providers, international-only providers, and any other non-contributors are treated as end-user revenues. Filers contribute to the universal service funding mechanisms based on their end-user interstate and international revenues. See Table 1.5 for further details on the USF contribution base.
- <sup>3</sup> Payphone revenues and interconnected Voice over Internet Protocol (VoIP) revenues are included with local service revenues in this table.
- <sup>4</sup> Dollar amounts are calculated using the sum of Lines 303a to 308a from Form 499-A.
- <sup>5</sup> Dollar amounts are calculated using Line 309a from Form 499-A.
- <sup>6</sup> Dollar amounts are calculated using the sum of Lines 310a to 314a from Form 499-A.
- <sup>7</sup> Dollar amounts are calculated using the sum of Lines 303a to 314a, minus the sum of Lines 303d to 314d, minus the sum of Lines 303e to 314e from Form 499-A.
- <sup>8</sup> Revenues from calls that both originate and terminate in foreign points are reported as end-user revenues and are included in this table, but are not included in the universal service contribution base. This line best represents the USF contribution base, which is further described in Table 1.5.
- <sup>9</sup> Dollar amounts are calculated using the sum of Lines 303d to 314d, plus the sum of Lines 303e to 314e from Form 499-A.
- <sup>10</sup> Dollar amounts are calculated using the sum of Lines 404a to 408a from Form 499-A.
- <sup>11</sup> Dollar amounts are calculated using the sum of Lines 409a and 410a from Form 499-A.
- <sup>12</sup> Dollar amounts are calculated using the sum of Lines 411a to 417a from Form 499-A.
- <sup>13</sup> Dollar amounts are calculated using Line 403a from Form 499-A.
- <sup>14</sup> Dollar amounts are calculated using the sum of Lines 403a to 417a, minus the sum of Lines 403d to 417d, minus the sum of Lines 403e to 417e from Form 499-A.
- <sup>15</sup> This line best represents the USF contribution base, which is further described in Table 1.5. Dollar amounts are calculated using the sum of Lines 403d to 417d, plus the sum of Lines 403e to 417e from Form 499-A. This is different from billed interstate and international end user revenue, which does not include international-to-international revenues and uncollected revenues.

Note: Detail may not add to totals due to rounding.

Previously Table 1.1

Source: FCC Form 499-A. Data for 2012 are based on filings as of April 8, 2014; data for 2013 are based on filings as of May 5, 2014.

**Table 1.3**  
**2013 Filer Revenues by Service Type: Top 5 Affiliated Entities vs. Other Companies**  
**(in Millions of Dollars)**

		<b>Top 5 Affiliated Entities<sup>1</sup></b>	<b>Other Companies</b>	<b>Total</b>
<b>Local Service and Payphone Revenues</b>	Local Exchange <sup>2</sup>	\$26,141	\$16,884	\$43,025
	Pay Telephone <sup>3</sup>	17	343	359
	Local Private Line <sup>4</sup>	21,004	8,627	29,632
	Other Local <sup>5</sup>	968	778	1,746
	Federal and State USF Support <sup>6</sup>	1,915	4,076	5,991
	Subscriber Line Charges <sup>7</sup>	3,656	2,313	5,968
	Access <sup>8</sup>	3,408	2,976	6,384
	<b>Total Local Service and Payphone Revenues</b>	<b>57,108</b>	<b>35,997</b>	<b>93,105</b>
<b>Mobile Revenues</b>	<b>Total Mobile Service Revenues<sup>9</sup></b>	<b>87,409</b>	<b>10,751</b>	<b>98,160</b>
<b>Toll Service Revenues</b>	Operator <sup>10</sup>	453	2,611	3,064
	Non-Operator Switched Toll <sup>11</sup>	11,430	11,915	23,345
	Long Distance Private Line <sup>12</sup>	7,880	4,662	12,542
	Other Long Distance <sup>13</sup>	538	3,348	3,886
	<b>Total Toll Service Revenues</b>	<b>20,301</b>	<b>22,537</b>	<b>42,837</b>
<b>Total Local, Mobile, and Toll Revenues</b>		<b>164,818</b>	<b>69,284</b>	<b>234,102</b>
	Universal Service Surcharges <sup>14</sup>	6,798	2,189	8,986
<b>Total Telecommunications Revenues</b>		<b>171,615</b>	<b>71,473</b>	<b>243,089</b>
	Total Non-Telecommunications Revenues <sup>15</sup>	163,327	88,565	251,892
<b>Total Reported Revenues</b>		<b>\$334,942</b>	<b>\$160,038</b>	<b>\$494,981</b>

<sup>1</sup> The "Top 5 Affiliated Entities" are those with the greatest revenues as defined by Line 419a, which includes Lines 303a to 314a and Lines 403a to 418a. These companies are (in alphabetical order): AT&T Inc., CenturyLink, Deutsche Telekom AG, SoftBank Corporation (which acquired Sprint in June 2013), and Verizon Communications. Affiliated entity structure is as of year-end 2013.

<sup>2</sup> Dollar amounts are calculated using the sum of Lines 303a and 404a from Form 499-A.

<sup>3</sup> Dollar amounts are calculated using the sum of Lines 306a and 407a from Form 499-A.

<sup>4</sup> Dollar amounts are calculated using the sum of Lines 305a and 406a from Form 499-A.

<sup>5</sup> Dollar amounts are calculated using the sum of Lines 307a and 408a from Form 499-A.

<sup>6</sup> Dollar amounts are calculated using Line 308a from Form 499-A.

<sup>7</sup> Dollar amounts are calculated using Line 405a from Form 499-A. As of 2012, includes Access Recovery Charge.

<sup>8</sup> Dollar amounts are calculated using Line 304a from Form 499-A.

<sup>9</sup> Dollar amounts are calculated using the sum of Lines 309a, 409a, and 410a from Form 499-A.

<sup>10</sup> Dollar amounts are calculated using the sum of Lines 310a, 411a, 412a, and 413a from Form 499-A.

<sup>11</sup> Dollar amounts are calculated using the sum of Lines 311a and 414a from Form 499-A.

<sup>12</sup> Dollar amounts are calculated using the sum of Lines 312a and 415a from Form 499-A.

<sup>13</sup> Dollar amounts are calculated using the sum of Lines 313a, 314a, 416a, and 417a from Form 499-A.

<sup>14</sup> Dollar amounts are calculated using Line 403a from Form 499-A.

<sup>15</sup> Dollar amounts are calculated using Line 418a from Form 499-A.

Note: Detail may not add to totals due to rounding.

Note: Table 1.3 for 2012 can be found in supplemental files.

Source: FCC Form 499-A. Data for 2013 are based on filings as of May 5, 2014.

**Table 1.4**  
**Telecommunications Revenue Reported on FCC Form 499-Q: 2012-2014**

(in Millions of Dollars)

Data from FCC Form 499-Q			All Filers	LIRE Exemption <sup>1</sup>	Total Less LIRE
<b>Projected Revenues for 2012</b>	Interstate and International <sup>2</sup>	Retail (End User) Billed <sup>3</sup>	\$70,141		
		Retail Net of Uncollectibles <sup>4</sup>	69,125	(2,892)	66,233
		Implied Uncollectible Rate	1.4%		
<b>Historical Revenues Reported for 2012</b>	Intrastate, Interstate, and International	Wholesale (Carrier's Carrier) Billed <sup>5</sup>	59,803		
		Retail (End User) Billed	198,260		
		Total Revenue	258,063		
	Interstate and International	Retail (End User) Billed	69,622		
<b>Projected Revenues for 2013</b>	Interstate and International	Retail (End User) Billed	68,884		
		Retail Net of Uncollectibles	67,975	(2,609)	65,366
		Implied Uncollectible Rate	1.3%		
<b>Historical Revenues Reported for 2013</b>	Intrastate, Interstate, and International	Wholesale (Carrier's Carrier) Billed	53,543		
		Retail (End User) Billed	188,667		
		Total Revenue	242,210		
	Interstate and International	Retail (End User) Billed	67,938		
<b>Projected Revenues for 2014</b>	Interstate and International	Retail (End User) Billed <sup>6</sup>	68,042		
		Retail Net of Uncollectibles <sup>7,8</sup>	67,005	(2,868)	64,137
		Implied Uncollectible Rate	1.5%		
<b>Historical Revenues Reported for First Half of 2014</b>	Intrastate, Interstate, and International	Wholesale (Carrier's Carrier) Billed <sup>9</sup>	26,867		
		Retail (End User) Billed <sup>10</sup>	88,927		
		Total Revenue	115,794		
	Interstate and International	Retail (End User) Billed <sup>11</sup>	33,470		

<sup>1</sup> A provider receives the Limited International Revenue Exemption (LIRE) and its international revenues are excluded from the contribution base if the total amount of interstate end-user revenues for the filing entity consolidated with all affiliates is less than 12% of the total of interstate and international end-user revenues for the filing entity consolidated with all affiliates. Affiliated filer entities who do not pass the 12% rule, but whose USF obligation exceeds its interstate revenue may be considered for the LIRE exemption on a case by case basis. See 47 C.F.R. § 54.706(c). In addition, filers that provide only international services are exempt regardless of services offered by affiliates.

<sup>2</sup> Projected intrastate revenues are not reported on FCC Form 499-Q.

<sup>3</sup> Prior to 2014, line was referred to as "Billed to End Users".

<sup>4</sup> Prior to 2014, line was referred to as "Collected from End Users".

<sup>5</sup> Prior to 2014, line was referred to as "Billed to Resellers".

<sup>6</sup> Dollar amounts for projected revenues billed to end users are calculated using the sum of Lines 119b and 119c from Form 499-Q.

<sup>7</sup> Dollar amounts for projected revenues collected from end users are calculated using the sum of Lines 120b and 120c from Form 499-Q.

<sup>8</sup> Dollar amounts for projected LIRE exempt revenues are calculated using the sum of Lines 120b and 120c in the Form 499Q filings from those filers who are LIRE-exempt.

<sup>9</sup> Dollar amounts for historical revenues billed to wholesaler is calculated using Line 115a from Form 499-Q.

<sup>10</sup> Dollar amounts for historical revenues billed to retail is calculated using Line 116a from Form 499-Q.

<sup>11</sup> Dollar amounts for interstate and international historical revenues billed to end users is calculated using the sum of Lines 116b and 116c from Form 499-Q.

Note: Detail may not add to totals due to rounding.

Previously Table 1.7.

Source: FCC Form 499-Q.

**Table 1.5**  
**USF Contribution Base by Year<sup>1</sup>: 2003-2013**  
(in Millions of Dollars)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues Subject to USF Contribution</b>											
Billed interstate and international retail (end-user) revenues (includes Universal Service Surcharge) [Line 403 to Line 417, parts (d) and (e)]	\$79,822	\$80,057	\$81,173	\$79,937	\$81,235	\$80,956	\$75,988	\$72,292	\$70,323	\$70,037	\$68,399
less revenues for international-to-international services [ Line 412(e) ]	1,148	644	873	708	886	862	576	469	452	444	589
less international revenues of international-only filers and international revenues that were excluded because of the LIRE Exemption <sup>2</sup>	1,573	3,118	3,742	3,598	3,978	4,148	3,393	3,326	3,079	2,653	3,086
less interstate and other international revenues for filers who are de minimis or otherwise exempt from universal service support requirements	59	66	54	57	50	51	49	34	31	28	31
less uncollectible contribution base revenues [ Line 422(d) + Line 422(e) ] <sup>3</sup>	2,047	1,574	1,231	1,073	1,301	1,131	1,075	960	787	709	610
<b>equals</b>	<b>\$74,995</b>	<b>\$74,654</b>	<b>\$75,272</b>	<b>\$74,499</b>	<b>\$75,020</b>	<b>\$74,764</b>	<b>\$70,895</b>	<b>\$67,503</b>	<b>\$65,971</b>	<b>\$66,203</b>	<b>\$64,083</b>

<sup>1</sup> This table shows the contribution base for the Universal Service Fund (USF), but the actual amounts used for determining contributions may differ due to the following factors. Adjustments are made by the universal service Administrator to account for additional and corrected filings received. Exempt amounts were based on revenues and the filer type (i.e., principal business activity) information contained in the FCC Form 499-A filings. The fund Administrator may use carrier type, revenue type, Line 603 exemption certifications, and additional information requested from filers to determine which filers are required to contribute. The universal service fund Administrator bills delinquent filers based on estimated revenues and may, in some instances, include estimated revenue amounts in contribution base amounts. The universal service contribution factors are set quarterly based on FCC Form 499-Q filings. FCC Form 499-A data are used for true-up and auditing purposes. As a result of these factors, actual contribution bases have been based on different amounts than those shown.

<sup>2</sup> A provider receives the Limited International Revenue Exemption (LIRE) and its international revenues are excluded from the contribution base if the total amount of interstate end-user revenues for the filing entity consolidated with all affiliates is less than 12% of the total of interstate and international end-user revenues for the filing entity consolidated with all affiliates. Affiliated filer entities who do not pass the 12% rule, but whose USF obligation exceeds its interstate revenue may request to be considered for the LIRE exemption on a case by case basis. See 47 C.F.R. § 54.706(c). In addition, filers that provide only international services are exempt regardless of services offered by affiliates.

<sup>3</sup> Does not include uncollectible amounts associated with filers who are de minimis or LIRE exempt.

Note: Detail may not add to totals due to rounding. Revisions have been made for 2007.

Source: FCC Form 499-A. Data for 2012 are based on filings as of April 8, 2014; data for 2013 are based on filings as of May 5, 2014.

**Table 1.6**  
**Universal Service Fund Contribution Factor <sup>1</sup>**

<b>Year</b>	<b>Quarter</b>	<b>Factor</b>
2003	Second Quarter	9.1
	Third Quarter	9.5
	Fourth Quarter	9.2
2004	First Quarter	8.7
	Second Quarter	8.7
	Third Quarter	8.9
	Fourth Quarter	8.9
2005	First Quarter	10.7
	Second Quarter	11.1
	Third Quarter	10.2
	Fourth Quarter	10.2
2006	First Quarter	10.2
	Second Quarter	10.9
	Third Quarter	10.5
	Fourth Quarter	9.1
2007	First Quarter	9.7
	Second Quarter	11.7
	Third Quarter	11.3
	Fourth Quarter	11.0
2008	First Quarter	10.2
	Second Quarter	11.3
	Third Quarter	11.4
	Fourth Quarter	11.4
2009	First Quarter	9.5
	Second Quarter	11.3
	Third Quarter	12.9
	Fourth Quarter	12.3
2010	First Quarter	14.1
	Second Quarter	15.3
	Third Quarter	13.6
	Fourth Quarter	12.9
2011	First Quarter	15.5
	Second Quarter	14.9
	Third Quarter	14.4
	Fourth Quarter	15.3
2012	First Quarter	17.9
	Second Quarter	17.4
	Third Quarter	15.7
	Fourth Quarter	17.4
2013	First Quarter	16.1
	Second Quarter	15.5
	Third Quarter	15.1
	Fourth Quarter	15.6
2014	First Quarter	16.4
	Second Quarter	16.6
	Third Quarter	15.7
	Fourth Quarter	16.1

<sup>1</sup> Carriers contribute based on projected, collected, end-user interstate and international telecommunications revenues.

Previously Table 1.11

Source: Quarterly Public Notices on universal service contribution factors are in CC Docket 96-45. See <http://www.fcc.gov/encyclopedia/contribution-factor-quarterly-filings-universal-service-fund-usf-management-support>.



**Table 1.7**  
**Billed Interstate and International Retail Telecommunications Revenues<sup>1</sup> by**  
**Top 5 Affiliated Entities vs. Other Companies: 2011 - First Half 2014**  
**(in Millions of Dollars)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Preliminary<sup>3</sup> First Half 2014</b>
<b>Top 5 Affiliated Entities<sup>2</sup></b>	\$50,412	\$49,795	\$48,530	\$23,730
<b>Other Companies</b>	19,911	20,242	19,870	9,741
<b>Total</b>	<b>\$70,323</b>	<b>\$70,037</b>	<b>\$68,399</b>	<b>\$33,470</b>

<sup>1</sup> Revenues for 2011-2013 are calculated as the sum of Lines 403d to 417d (interstate end user revenue) and 403e to 417e (international end user revenue). The method for calculating revenue figures has been adjusted from previous years.

<sup>2</sup> The "Top 5 Affiliated Entities" are the five affiliated entities with the greatest revenues as defined by Line 419a, which is the sum of Lines 303a to 314a and Lines 403a to 418a, and is determined as of each year-end affiliate structure. These companies for 2011 and 2012 are (in alphabetical order): AT&T Inc., CenturyLink, Deutsche Telekom AG, Sprint Nextel Corporation, and Verizon Communications. These companies for 2013 and 2014 are (in alphabetical order): AT&T Inc., CenturyLink, Deutsche Telekom AG, SoftBank Corporation (which acquired Sprint Nextel Corporation in June 2013), and Verizon Communications.

<sup>3</sup> Preliminary revenues are calculated using Line 116b plus Line 116c for each quarter in FCC Form 499-Q.

Note: Detail may not add to totals due to rounding. Figures include VoIP revenues.

Previously Table 1.6.

Source: Data for 2011 are based on FCC Form 499-A for 2011 as of October 25, 2012. Data for 2012 are based on filings as of April 8, 2014. Data for 2013 are based on filings as of May 5, 2014. Data for 2014 are based on FCC Form 499-Q.

**Table 1.8**  
**End User Telecommunications Revenue by State: 2011**  
(in Millions of Dollars)

	Interstate and			% Interstate and		
	Intrastate	International	Total	% Intrastate	International	% Total
Alabama	\$1,945	\$1,083	\$3,028	1.46%	1.55%	1.49%
Alaska	311	180	491	0.23	0.26	0.24
American Samoa	13	6	19	0.01	0.01	0.01
Arizona	2,404	1,332	3,736	1.80	1.91	1.84
Arkansas	1,176	617	1,792	0.88	0.88	0.88
California	16,334	7,540	23,874	12.24	10.79	11.74
Colorado	2,143	1,236	3,378	1.61	1.77	1.66
Connecticut	1,636	917	2,554	1.23	1.31	1.26
Delaware	420	249	669	0.31	0.36	0.33
District of Columbia	717	371	1,088	0.54	0.53	0.53
Florida	8,167	4,462	12,628	6.12	6.39	6.21
Georgia	4,064	2,238	6,302	3.04	3.20	3.10
Guam	64	38	103	0.05	0.06	0.05
Hawaii	568	375	943	0.43	0.54	0.46
Idaho	577	335	912	0.43	0.48	0.45
Illinois	5,600	2,776	8,376	4.20	3.97	4.12
Indiana	2,524	1,305	3,828	1.89	1.87	1.88
Iowa	1,187	632	1,820	0.89	0.91	0.89
Kansas	1,134	597	1,731	0.85	0.85	0.85
Kentucky	1,713	929	2,642	1.28	1.33	1.30
Louisiana	2,062	1,036	3,097	1.54	1.48	1.52
Maine	560	307	867	0.42	0.44	0.43
Maryland	2,751	1,542	4,293	2.06	2.21	2.11
Massachusetts	3,212	1,741	4,953	2.41	2.49	2.44
Michigan	4,104	1,975	6,079	3.07	2.83	2.99
Minnesota	2,222	1,136	3,358	1.66	1.63	1.65
Mississippi	1,079	599	1,678	0.81	0.86	0.83
Missouri	2,488	1,330	3,817	1.86	1.90	1.88
Montana	390	233	623	0.29	0.33	0.31
Nebraska	725	409	1,134	0.54	0.59	0.56
Nevada	1,115	589	1,704	0.84	0.84	0.84
New Hampshire	569	323	892	0.43	0.46	0.44
New Jersey	4,295	2,373	6,668	3.22	3.40	3.28
New Mexico	753	427	1,180	0.56	0.61	0.58
New York	9,118	4,801	13,919	6.83	6.87	6.85
North Carolina	3,927	2,155	6,082	2.94	3.08	2.99
North Dakota	292	166	457	0.22	0.24	0.22
N. Mariana Islands	22	11	33	0.02	0.02	0.02
Ohio	4,828	2,391	7,219	3.62	3.42	3.55
Oklahoma	1,476	752	2,228	1.11	1.08	1.10
Oregon	1,497	808	2,306	1.12	1.16	1.13
Pennsylvania	5,674	3,019	8,694	4.25	4.32	4.28
Puerto Rico	1,170	738	1,908	0.88	1.06	0.94
Rhode Island	471	253	724	0.35	0.36	0.36
South Carolina	1,825	1,025	2,850	1.37	1.47	1.40
South Dakota	334	182	516	0.25	0.26	0.25
Tennessee	2,742	1,430	4,171	2.05	2.05	2.05
Texas	10,086	4,851	14,938	7.56	6.94	7.35
Utah	972	517	1,489	0.73	0.74	0.73
Vermont	269	164	433	0.20	0.23	0.21
Virgin Islands	61	53	113	0.05	0.08	0.06
Virginia	3,653	2,098	5,750	2.74	3.00	2.83
Washington	2,740	1,420	4,160	2.05	2.03	2.05
West Virginia	743	467	1,210	0.56	0.67	0.60
Wisconsin	2,324	1,198	3,522	1.74	1.71	1.73
Wyoming	231	136	367	0.17	0.20	0.18
<b>Total</b>	<b>\$133,475</b>	<b>\$69,871</b>	<b>\$203,346</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Note: Figures may not add to totals due to rounding.

Source: FCC/WCB staff estimates. For methodology end-user revenue per state, see the the Technical Appendix at <http://www.fcc.gov/encyclopedia/federal-state-joint-board-monitoring-reports>.



**Table 1.10**  
**Universal Service Disbursements 2001-2013**  
(in Millions of Dollars)

<b>Year</b>	<b>High-Cost Support</b>	<b>Low-Income Support</b>	<b>Rural Health Care</b>	<b>Schools and Libraries</b>	<b>Total</b>
2001	\$2,602	\$584	\$8	\$1,464	\$4,659
2002	2,978	673	16	1,683	5,351
2003	3,273	713	3	1,644	5,633
2004	3,488	759	1	1,076	5,324
2005	3,824	809	26	1,862	6,520
2006	4,096	820	41	1,669	6,626
2007	4,287	823	37	1,808	6,955
2008	4,478	819	49	1,760	7,106
2009	4,292	1,025	72	1,878	7,268
2010	4,268	1,316	110	2,282	7,976
2011	4,031	1,751	141	2,233	8,156
2012	4,147	2,189	155	2,218	8,710
2013	4,165	1,798	159	2,204	8,326

Notes: Figures may not add due to rounding. The figures used in this table are for the calendar year and include disbursements that were committed over several years but paid out in the respective calendar year. In Sections 4 and 5, figures for the Schools and Libraries program and the Rural Health Care program are reported based on fiscal year rather than calendar year. Rural Health Care support includes both the primary and pilot programs.

Source: Universal Service Administration Company (USAC).

Previously Table 1.12

**Table 1.11**  
**Universal Service Program Requirements and Contribution Factors for 2014**  
**(in Millions of Dollars)**

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
<b>All Support Mechanisms</b>					
Projections of demand and administrative expenses at the time the contribution factors were adopted					
<b>High Cost</b>					
High Cost Loop Support	\$191.87	\$192.05	\$190.30	\$190.91	\$765.13
Interstate Common Line Support	\$216.08	\$216.14	\$211.18	\$211.00	\$854.40
Connect America Fund - Frozen Price Cap Carrier Support <sup>1</sup>	\$259.37	\$259.18	\$256.95	\$258.69	\$1,034.19
Frozen Competitive ETC Support <sup>2</sup>	\$154.46	\$153.72	\$153.11	\$151.90	\$613.19
Connect America Fund - Intercarrier Compensation Support	\$108.42	\$108.49	\$108.49	\$102.37	\$427.77
Connect America Fund Reserve Pursuant to FCC 11-1612 <sup>3</sup>	\$194.80	\$195.42	\$204.97	\$210.13	\$805.32
Prior Period Adjustment <sup>3</sup>	-\$7.97	\$20.84	-\$5.35	-\$5.84	\$1.68
USAC Administrative Costs	\$9.38	\$7.24	\$5.80	\$2.30	\$24.72
Interest Income <sup>4</sup>	-\$1.05	-\$1.08	-\$1.31	-\$1.52	-\$4.96
Program Total	\$1,125.36	\$1,152.00	\$1,124.14	\$1,119.94	\$4,521.44
<b>Low Income</b>					
Lifeline Assistance	\$466.67	\$420.71	\$412.97	\$399.87	\$1,700.22
Link-Up	\$0.04	\$0.09	\$0.15	\$0.11	\$0.39
Broadband Pilot	\$0.93	\$0.55	\$0.25	\$0.02	\$1.75
Prior Period Adjustment	\$6.13	\$9.84	-\$44.62	-\$20.50	-\$49.15
USAC Administrative Costs	\$7.05	\$3.98	\$6.34	\$1.71	\$19.08
Interest Income <sup>4</sup>	-\$0.12	-\$0.08	-\$0.09	-\$0.14	-\$0.43
Program Total	\$480.70	\$435.09	\$375.00	\$381.07	\$1,671.86
<b>Rural Health</b>					
Rural Health Care Support	\$55.38	\$57.23	\$57.23	\$58.96	\$228.80
Prior Period Adjustment	\$0.23	\$1.08	-\$0.26	-\$0.26	\$0.79
USAC Administrative Costs	\$4.71	\$4.17	\$2.66	\$2.07	\$13.61
Interest Income <sup>4</sup>	-\$0.23	-\$0.25	-\$0.31	-\$0.31	-\$1.10
Program Total	\$60.09	\$62.23	\$59.32	\$60.46	\$242.10
<b>Schools &amp; Libraries</b>					
Schools and Libraries Support	\$537.75	\$541.27	\$544.09	\$550.81	\$2,173.92
Inflation adjustment <sup>5</sup>	\$32.58	\$32.58	\$40.95	\$40.95	\$147.06
Prior Period True-ups	-\$9.04	\$10.53	-\$3.12	-\$3.56	-\$5.19
Interest Income <sup>4</sup>	-\$3.54	-\$3.51	-\$4.28	-\$4.43	-\$15.76
Administrative expenses	\$24.75	\$21.23	\$18.41	\$11.69	\$76.08
Program Total	\$582.50	\$602.10	\$596.05	\$595.46	\$2,376.11
<b>Grand Total</b>	<b>\$2,248.65</b>	<b>\$2,251.42</b>	<b>\$2,154.51</b>	<b>\$2,156.93</b>	<b>\$8,811.51</b>
<b>Applicable interstate and international end-user revenues</b>					
Reported contribution base revenues	\$16,175.09	\$15,984.85	\$16,024.11	\$15,708.77	
<b>Circularity Adjustment</b>					
Amount carriers will contribute to USF in this quarter.	-2,248.65	-2,251.42	-2,154.51	-2,156.93	
<b>Subtotal</b>	<b>\$13,926.44</b>	<b>\$13,733.43</b>	<b>\$13,869.60</b>	<b>\$13,551.84</b>	
Adjustment factor for uncollectibles	1.0%	1.0%	1.0%	1.0%	
Contribution base at the time the factor was calculated	\$13,787.17	\$13,596.10	\$13,730.90	\$13,416.32	
Contribution factor	16.4%	16.6%	15.7%	16.1%	
Contribution factor times contribution base	\$2,261.10	\$2,256.95	\$2,155.75	\$2,160.03	

<sup>1</sup> In the *USF/ICC Transformation Order*, the Commission converted support received by Price Cap carriers and their rate-of-return affiliates, including IAS, HCMS, ICLS, LSS, and HCLS, to Frozen High Cost Carrier Support. *USF/ICC Transformation Order*, paras. 128-57.

<sup>2</sup> In the *USF/ICC Transformation Order*, the Commission froze support received by competitive ETCs, including IAS, HCMS, ICLS, LSS, and HCLS at 2011 levels, effective January 1, 2012, and began phasing the frozen support down effective July 1, 2012. *USF/ICC Transformation Order*, paras. 498-32.

<sup>3</sup> In the *USF/ICC Transformation Order*, the Commission created the Connect America reserve to be used to manage fluctuations in high-cost demand. *Id.*, paras. 547-56.

<sup>4</sup> Interest income is shown as negative because it is subtracted from expenses to yield the total.

<sup>5</sup> In the *USF/ICC Transformation Order*, the FCC directed USAC to include the inflation adjustments to the E-rate cap in the Schools and Library Support Mechanism demand projection. *USF/ICC Transformation Order*, para. 567.

Previously Table 1.9

Source: Support mechanism data are from USAC Appendix M02 from pertinent filings as shown at <http://www.usac.org/about/tools/fcc/filings/default.aspx>. Contribution factor information is available at <https://www.fcc.gov/encyclopedia/contribution-factor-quarterly-filings-universal-service-fund-usf-management-support>.

**Table 1.12**  
**Universal Service Contributions Divided by Number of Households**  
**Monthly**  
**Inflation Adjusted (2014 Dollars)**

Year	Total Contributions					Residential Contributions	
	High-Cost Support	Low-Income Support	Rural Health Care	Schools and Libraries	Total	Per-Household Low Estimate	Per-Household High Estimate
2011	\$3.33	\$1.25	\$0.07	\$1.74	\$6.39	\$2.88	\$3.52
2012	\$3.27	\$1.74	\$0.09	\$1.74	\$6.84	\$3.08	\$3.76
2013	\$3.11	\$1.12	\$0.12	\$1.61	\$5.97	\$2.68	\$3.28
2014	\$3.04	\$1.12	\$0.16	\$1.60	\$5.93	\$2.67	\$3.26

Notes: Performance measures reported pursuant to the *USF/ICC Transformation Order* and *Lifeline Reform Order*. Figures do not represent the average amount individual households see on their bills because universal service contribution data do not separate business from residential contributions. The Commission does not currently collect data that would allow the residential amount to be calculated accurately. FCC staff, using data from FCC Form 499 and third party reports, estimates that contributions based on services typically sold to residential users represent roughly one-half of overall contributions; the third party data sources used in creating these estimates are the 2013 Telecommunications Industry Association (TIA) Market Forecast and Review and the U.S. Census. FCC staff believe that the residential portion of the total contribution is between 45% (low estimate) and 55% (high estimate).

Previously Table 1.10.

Source: Universal service contributions in 2011 from Table 1.10 of the 2011 *Monitoring Report* and for 2012 from Table 1.9 of the 2012 *Monitoring Report* and for 2013 from Table 1.9 and for 2014 from Table 1.11. Inflation adjusted using CPI values reported for July of each year in Table 7.3. Household data as reported in Table 7.1 were used to calculate per household amount.

## Section 2 – Lifeline (Low Income)

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### Overview – Lifeline Program for Low-Income Consumers

Since 1985, the Universal Service Lifeline program has provided a discount on phone service for qualifying low-income consumers to ensure that all Americans have the opportunities and security that phone service brings, including being able to connect to jobs, family and emergency services. In 2005, Lifeline discounts were made available to qualifying low-income consumers on pre-paid wireless service plans in addition to traditional landline service. More recently, the Commission has made ensuring the availability of broadband service for low-income Americans a goal of the Lifeline program.

The Lifeline program is available to eligible low-income consumers in every state, territory, commonwealth, and on Tribal lands. Consumers with proper proof of eligibility may be qualified to enroll. To participate in the program, consumers must have an income that is at or below 135% of the federal Poverty Guidelines or participate in a qualifying state, federal or Tribal assistance program. The Lifeline program is administered by the Universal Service Administrative Company (USAC).

Additional information about the Lifeline program can be found on the Commission's website at <http://www.fcc.gov/lifeline> and on USAC's website at <http://www.usac.org/li/>. Please note that the information provided in this report is based upon the program rules through June 30, 2014.

**Table 2.1**  
**Lifeline Subscribers and Link Up Beneficiaries**  
(in Thousands)

Year	Lifeline			Link Up		
	Non-Tribal	Tribal	Total	Non-Tribal	Tribal	Total
1987			1,063			8
1988			1,829			106
1989			2,115			207
1990			2,467			513
1991			2,984			640
1992			3,440			743
1993			3,972			737
1994			4,423			838
1995			4,914			824
1996			5,233			808
1997 <sup>1</sup>			5,111			NA
1998	5,376	0	5,376	2,195	0	2,195
1999	5,638	0	5,638	1,835	0	1,835
2000	5,856	4	5,861	1,690	2	1,692
2001	6,088	53	6,140	1,670	23	1,694
2002	6,393	111	6,504	1,657	30	1,687
2003	6,352	146	6,498	1,662	23	1,685
2004	6,612	176	6,788	1,670	42	1,712
2005	6,829	234	7,063	1,672	90	1,762
2006	6,634	287	6,921	1,553	101	1,654
2007	6,615	328	6,943	1,382	112	1,494
2008	6,382	350	6,732	1,510	118	1,627
2009	7,661	371	8,032	1,751	111	1,862
2010	9,883	382	10,265	2,511	126	2,637
2011	13,301	463	13,764	4,014	285	4,300
2012	16,408	762	17,170	1,228	181	1,409
2013	13,865	648	14,513	0	17	17

NA - Not available.

Note: The Lifeline subscribers and Link Up beneficiaries represent USAC data for the time period January through December, including true-ups reported through August 2014. Data for 2009-2012 were revised.

<sup>1</sup> Subscriber data were not collected in 1997. Lifeline subscribership data were estimated by USAC.

Source: Universal Service Administrative Company.



**Table 2.2**  
**Low-Income Claims**  
**(in Thousands of Dollars)**

Year	Lifeline					Link Up			Total
	General	Additional Tribal <sup>2</sup>	TLS <sup>3</sup>	PICC <sup>4</sup>	Total	Non-Tribal	Tribal	Total	
1988	\$31,952	\$0	\$0	\$0	\$31,952	\$1,991	\$0	\$1,991	\$33,943
1989	50,878	0	0	0	50,878	4,480	0	4,480	55,358
1990	62,464	0	0	0	62,464	11,351	0	11,351	73,815
1991	79,104	0	0	0	79,104	13,705	0	13,705	92,809
1992	93,766	0	0	0	93,766	15,342	0	15,342	109,108
1993	109,083	0	0	0	109,083	17,019	0	17,019	126,102
1994	123,284	0	0	0	123,284	18,573	0	18,573	141,857
1995	137,277	0	0	0	137,277	18,392	0	18,392	155,670
1996	148,186	0	0	0	148,186	18,247	0	18,247	166,433
1997	147,579	0	0	0	147,579	13,711	0	13,711	161,290
1998 <sup>1</sup>	416,504	0	2,700	2,802	422,006	42,461	0	42,461	464,467
1999	438,578	0	3,134	4,450	446,162	33,988	0	33,988	480,150
2000	482,052	522	2,846	3,168	488,588	30,411	30	30,441	519,029
2001	548,419	6,960	3,195	0	558,574	30,314	475	30,788	589,362
2002	623,350	17,955	3,779	0	645,083	30,323	700	31,022	676,106
2003	657,095	24,167	4,425	0	685,687	30,170	515	30,686	716,373
2004	695,188	30,502	5,111	0	730,800	30,898	1,230	32,129	762,929
2005	716,133	45,124	6,215	0	767,472	31,715	2,788	34,503	801,975
2006	703,958	61,524	8,885	0	774,367	29,832	2,869	32,701	807,068
2007	710,180	73,145	8,514	0	791,839	27,816	3,575	31,391	823,230
2008	695,015	80,914	8,634	0	784,563	30,682	6,578	37,260	821,823
2009	867,541	88,061	8,959	0	964,561	40,807	7,485	48,291	1,012,852
2010	1,125,667	92,877	22,294	0	1,240,839	67,324	9,798	77,122	1,317,961
2011	1,522,195	118,119	11,085	0	1,651,399	108,860	21,528	130,388	1,781,787
2012	1,920,327	210,655	6,648	0	2,137,629	34,770	11,965	46,735	2,184,365
2013	1,610,768	179,445	2,697	0	1,792,910	0	567	567	1,793,482

Note: Data for 2009-2012 were updated to account for true-ups.

<sup>1</sup> Effective in 1998, the federal Lifeline support mechanism was expanded so that a basic level of assistance would be provided in all states. Further, the basic level of federal support was increased in 1998.

<sup>2</sup> Tribal Lifeline subscribers also receive General support which is currently \$9.25 per subscriber. This amount is not included in Additional Tribal support.

<sup>3</sup> TLS is an abbreviation for toll limitation service.

<sup>4</sup> Carriers no longer charge a residential Presubscribed Interexchange Carrier Charge (PICC) as of July 1, 2000.

Source: Universal Service Administrative Company.

**Table 2.3**  
**Low-Income Claims by State: 2013**  
**(in Thousands of Dollars)**

State or Jurisdiction	Lifeline		Link Up		TLS	Total
	General	Additional Tribal	Non-Tribal	Tribal		
Alabama	\$26,591	\$17	\$0	\$0	\$256	\$26,865
Alaska	5,307	12,796	0	49	26	18,182
American Samoa	79	0	0	0	0	79
Arizona	31,120	12,013	0	131	7	43,271
Arkansas	20,354	1	0	0	7	20,361
California	138,511	87	0	0	93	138,692
Colorado	6,112	0	0	0	2	6,115
Connecticut	12,387	0	0	0	0	12,387
Delaware	3,648	0	0	0	0	3,648
District of Columbia	5,606	0	0	0	0	5,606
Florida	100,891	1	0	0	39	100,931
Georgia	78,396	0	0	0	76	78,472
Guam	254	0	0	0	0	254
Hawaii	624	86	0	0	0	710
Idaho	2,355	125	0	0	2	2,483
Illinois	76,228	0	0	0	80	76,308
Indiana	27,507	0	0	0	1	27,507
Iowa	8,031	0	0	0	2	8,033
Kansas	11,213	1	0	0	15	11,229
Kentucky	27,872	0	0	0	68	27,940
Louisiana	42,403	0	0	0	103	42,506
Maine	7,484	24	0	0	3	7,511
Maryland	38,190	0	0	0	0	38,190
Massachusetts	32,267	0	0	0	0	32,267
Michigan	79,918	34	0	0	41	79,993
Minnesota	9,655	634	0	0	2	10,291
Mississippi	18,891	2	0	0	110	19,003
Missouri	24,624	2	0	0	29	24,654
Montana	887	1,161	0	19	16	2,082
Nebraska	1,433	54	0	0	2	1,490
Nevada	17,227	103	0	1	0	17,332
New Hampshire	2,399	0	0	0	0	2,399
New Jersey	33,024	0	0	0	1	33,025
New Mexico	9,073	5,854	0	60	9	14,996
New York	132,454	1	0	0	184	132,639
North Carolina	49,483	73	0	0	57	49,614
North Dakota	996	475	0	7	1	1,479
Northern Mariana Islands	243	0	0	0	0	243
Ohio	89,745	0	0	0	104	89,849
Oklahoma	56,990	143,316	0	285	1,228	201,820
Oregon	8,857	31	0	0	4	8,893
Pennsylvania	70,517	0	0	0	2	70,519
Puerto Rico	33,969	0	0	0	0	33,969
Rhode Island	7,256	0	0	0	0	7,256
South Carolina	39,560	11	0	0	20	39,591
South Dakota	684	234	0	1	0	919
Tennessee	39,986	0	0	0	51	40,037
Texas	91,245	0	0	0	36	91,281
Utah	4,402	222	0	3	8	4,635
Vermont	1,866	0	0	0	1	1,867
Virgin Islands	232	0	0	0	0	232
Virginia	23,790	0	0	0	0	23,791
Washington	23,696	1,785	0	7	11	25,498
West Virginia	9,337	0	0	0	0	9,337
Wisconsin	24,750	287	0	2	0	25,039
Wyoming	148	14	0	0	0	162
<b>Total</b>	<b>\$1,610,768</b>	<b>\$179,445</b>	<b>\$0</b>	<b>\$567</b>	<b>\$2,697</b>	<b>\$1,793,482</b>

Notes: These dollars represent submitted claims to USAC for the time period January 2013 through December 2013, including true-ups reported through August 2014. Tribal Lifeline subscribers also receive General support which is currently \$9.25 per subscriber. This amount is not included in Tribal support. For Link Up, the payments and subscribers for the two categories of recipients are kept separate.

Table 2.3 is the 2014 version of Table 2.6 of the 2013 USF Monitoring Report.

Source: Universal Service Administrative Company.

**Table 2.4**  
**Low-Income Claims Received by ILECs and CETCs**  
**(in Thousands of Dollars)**

	<b>ILECs</b>	<b>CETCs</b>	<b>Total</b>	<b>Percent CETCs</b>
1998	\$464,207	\$260	\$464,467	0.1 %
1999	479,353	796	480,150	0.2
2000	517,901	1,128	519,029	0.2
2001	585,790	3,572	589,362	0.6
2002	663,009	13,097	676,106	1.9
2003	693,378	22,994	716,373	3.2
2004	723,580	39,349	762,929	5.2
2005	734,344	67,631	801,975	8.4
2006	707,135	99,933	807,068	12.4
2007	701,990	121,240	823,230	14.7
2008	674,805	147,017	821,823	17.9
2009	642,644	370,208	1,012,852	36.6
2010	595,604	722,357	1,317,961	54.8
2011	532,227	1,249,560	1,781,787	70.1
2012	450,658	1,733,706	2,184,365	79.4
2013	296,567	1,496,916	1,793,482	83.5

Notes: ILECs is an abbreviation for incumbent local exchange carriers. CETCs is an abbreviation for competitive eligible telecommunications carriers. CETCs include both wireless and wireline carriers. Table 2.4 is the 2014 version of Table 2.7 of the 2013 USF Monitoring Report.

Source: Universal Service Administrative Company.

**Table 2.5**  
**Low-Income Claims by Affiliated Entities: 2013**  
(in Thousands of Dollars)

<b>Rank</b>	<b>Affiliated Entity Name<sup>1</sup></b>	<b>Low-Income Support</b>	<b>Percent of Total</b>	<b>Cumulative Percent of Total</b>
1	América Móvil <sup>2</sup>	\$430,308	24.0%	24.0%
2	Sprint Nextel Corporation <sup>3</sup>	320,009	17.8	41.8
3	AT&T Inc.	153,328	8.5	50.4
4	Budget Prepay Inc.	87,248	4.9	55.2
5	Telrite Corporation	80,385	4.5	59.7
6	Nexus Communications, Inc.	74,954	4.2	63.9
7	I-Wireless, LLC	64,494	3.6	67.5
8	Leap Wireless International, Inc.	62,685	3.5	71.0
9	Verizon Communications Inc.	58,982	3.3	74.3
10	TerraCom/YourTel America	54,234	3.0	77.3
	Other Carriers	406,854	22.7	100.0
	All Affiliated Entities	\$1,793,482	100.0%	100.0%

**Table 2.6**  
**Low-Income Claims by Program and by Affiliated Entities: 2013**  
(in Thousands of Dollars)

<b>Rank</b>	<b>Affiliated Entity Name<sup>1</sup></b>	<b>Lifeline Support</b>	<b>Link Up Support</b>	<b>TLS Support</b>
1	América Móvil <sup>2</sup>	\$430,308	\$0	\$0
2	Sprint Nextel Corporation <sup>3</sup>	320,009	0	0
3	AT&T Inc.	153,278	1	49
4	Budget Prepay Inc.	86,834	61	353
5	Telrite Corporation	80,385	0	0
6	Nexus Communications, Inc.	74,954	0	0
7	I-Wireless, LLC	64,494	0	0
8	Leap Wireless International, Inc.	62,685	0	0
9	Verizon Communications Inc.	58,959	0	23
10	TerraCom/YourTel America	54,049	0	185
	Other Carriers	404,262	505	2,086
	All Affiliated Entities	\$1,790,218	\$567	\$2,697

<sup>1</sup> Affiliated entities include all commonly-controlled or commonly-owned affiliates as of year-end 2013.

<sup>2</sup> América Móvil owns TracFone Wireless.

<sup>3</sup> Sprint Nextel Corporation owns Virgin Mobile USA.

Tables 2.5 and 2.6 are the 2014 versions of Tables 2.8 and 2.9 respectively of the 2013 USF Monitoring Report.

**Table 2.7**  
**Total Monthly Lifeline Subscribers Since January 2012**

<b>Month</b>	<b>Tribal Lifeline Subscribers</b>	<b>Non-Tribal Lifeline Subscribers</b>	<b>Total Lifeline Subscribers</b>
January-12	549,258	15,908,572	16,457,830
February-12	576,151	16,238,084	16,814,235
March-12	662,640	16,534,059	17,196,699
April-12	723,861	16,848,842	17,572,703
May-12	783,946	17,317,870	18,101,816
June-12	816,402	17,321,765	18,138,167
July-12	848,074	16,866,539	17,714,613
August-12	845,086	16,518,290	17,363,376
September-12	844,038	16,238,807	17,082,845
October-12	831,743	16,027,355	16,859,098
November-12	859,098	15,789,971	16,649,069
December-12	804,972	15,287,370	16,092,342
January-13	688,004	13,333,448	14,021,452
February-13	718,410	12,976,039	13,694,449
March-13	740,966	13,138,230	13,879,196
April-13	717,888	13,263,758	13,981,646
May-13	708,594	13,637,508	14,346,102
June-13	696,107	14,040,185	14,736,292
July-13	624,979	14,244,587	14,869,566
August-13	610,339	14,475,214	15,085,553
September-13	574,765	14,551,745	15,126,510
October-13	576,191	14,528,607	15,104,798
November-13	568,989	14,329,305	14,898,294
December-13	551,560	13,861,663	14,413,223
January-14	522,353	13,226,404	13,748,757
February-14	521,859	13,284,965	13,806,824
March-14	506,901	13,283,599	13,790,500
April-14	505,172	13,179,038	13,684,210

Source: Universal Service Administration Company.

**Table 2.8**  
**Lifeline De-Enrollments or Scheduled to be De-Enrolled by State in 2013**  
(in Thousands)

<b>State</b>	<b>Due to Non-Response or Customer Reporting Ineligibility <sup>1</sup></b>	<b>Due to a Finding of Ineligibility by State Administrator, ETC Access to Eligibility Data or USAC <sup>2</sup></b>	<b>Total</b>
Alabama	46	0	47
Alaska	11	1	12
American Samoa	0	0	0
Arizona	32	3	35
Arkansas	61	0	62
California	0	351	351
Colorado	6	0	6
Connecticut	19	0	19
Delaware	7	0	7
District of Columbia	8	1	9
Florida	154	0	155
Georgia	141	0	141
Guam	1	0	1
Hawaii	0	0	0
Idaho	0	3	3
Illinois	102	1	103
Indiana	54	0	54
Iowa	20	1	21
Kansas	23	1	23
Kentucky	50	0	50
Louisiana	103	0	104
Maine	17	0	17
Maryland	113	1	114
Massachusetts	50	0	50
Michigan	130	1	131
Minnesota	9	2	10
Mississippi	47	1	48
Missouri	38	0	38
Montana	3	0	3
Nebraska	0	2	3
Nevada	34	0	34
New Hampshire	4	0	4
New Jersey	77	0	77
New Mexico	15	0	15
New York	232	0	232
North Carolina	98	0	98
North Dakota	1	0	2
Northern Mariana Islands	0	0	0
Ohio	208	0	208
Oklahoma	146	14	160
Oregon	0	3	3
Pennsylvania	113	1	114
Puerto Rico	40	40	80
Rhode Island	16	0	16
South Carolina	57	2	59
South Dakota	1	1	2
Tennessee	76	0	76
Texas	79	274	353
Utah	4	1	5
Vermont	0	0	0
Virgin Islands	0	0	0
Virginia	43	0	43
Washington	33	5	39
West Virginia	19	0	19
Wisconsin	46	1	48
Wyoming	0	0	0
<b>Total</b>	<b>2,588</b>	<b>714</b>	<b>3,302</b>

Note: Zero indicates fewer than 500 de-enrollments.

<sup>1</sup> Column H of FCC Form 555.

<sup>2</sup> Column K of FCC Form 555.

Source: Universal Service Administrative Company.

**Table 2.9**  
**Non-Facilities Based Low-Income Subscribers by State in 2013**

State	Non-Tribal			Tribal			All		
	Facilities-Based		Total	Facilities-Based		Total	Facilities-Based		Total
	No	Yes		No	Yes		No	Yes	
Alabama	139,455	100,041	239,496	46	25	72	139,501	100,067	239,567
Alaska	0	0	0	0	47,856	47,856	0	47,856	47,856
American Samoa	0	710	710	0	0	0	0	710	710
Arizona	153,698	83,145	236,843	2,161	41,359	43,520	155,859	124,504	280,363
Arkansas	144,936	38,433	183,369	0	12	12	144,936	38,445	183,381
California	125,227	1,122,084	1,247,311	0	538	538	125,227	1,122,623	1,247,849
Colorado	10,429	44,636	55,065	0	0	0	10,429	44,636	55,065
Connecticut	61,435	50,161	111,597	0	0	0	61,435	50,161	111,597
Delaware	17,218	15,647	32,865	0	0	0	17,218	15,647	32,865
District of Columbia	29,549	20,973	50,522	0	0	0	29,549	20,973	50,522
Florida	529,520	379,483	909,003	0	7	7	529,520	379,490	909,010
Georgia	553,804	152,650	706,454	0	0	0	553,804	152,650	706,454
Guam	0	2,367	2,367	0	0	0	0	2,367	2,367
Hawaii	955	4,360	5,314	169	136	305	1,123	4,496	5,619
Idaho	10	20,731	20,741	0	478	478	10	21,208	21,218
Illinois	616,010	70,861	686,870	0	0	0	616,010	70,861	686,870
Indiana	137,269	110,554	247,823	0	0	0	137,269	110,554	247,823
Iowa	32,235	40,110	72,345	0	0	0	32,235	40,110	72,345
Kansas	64,462	36,549	101,012	0	6	6	64,462	36,556	101,018
Kentucky	152,705	98,393	251,098	0	0	0	152,705	98,393	251,098
Louisiana	321,176	61,068	382,244	0	0	0	321,176	61,068	382,244
Maine	39,603	27,693	67,296	0	130	130	39,603	27,823	67,426
Maryland	281,076	63,028	344,103	0	0	0	281,076	63,028	344,103
Massachusetts	160,432	130,261	290,693	0	0	0	160,432	130,261	290,693
Michigan	573,625	146,125	719,750	1	234	234	573,625	146,359	719,984
Minnesota	42,136	42,308	84,443	1,730	814	2,544	43,865	43,122	86,987
Mississippi	106,494	63,687	170,181	0	7	7	106,494	63,694	170,188
Missouri	168,239	53,619	221,857	0	16	16	168,239	53,634	221,873
Montana	0	3,422	3,422	0	4,566	4,566	0	7,988	7,988
Nebraska	100	12,528	12,629	0	281	281	100	12,810	12,910
Nevada	121,102	33,513	154,615	0	591	591	121,102	34,104	155,206
New Hampshire	13,427	8,187	21,613	0	0	0	13,427	8,187	21,613
New Jersey	114,765	182,854	297,619	0	0	0	114,765	182,854	297,619
New Mexico	15,798	43,682	59,480	0	22,260	22,260	15,798	65,942	81,740
New York	501,675	691,598	1,193,273	0	8	8	501,675	691,605	1,193,281
North Carolina	194,324	250,836	445,160	0	633	633	194,324	251,469	445,793
North Dakota	10	6,364	6,374	250	2,352	2,602	260	8,715	8,975
Northern Mariana Isl.	0	2,192	2,192	0	0	0	0	2,192	2,192
Ohio	497,750	310,762	808,512	0	0	0	497,750	310,762	808,512
Oklahoma	267	2,254	2,521	385,057	126,289	511,346	385,324	128,544	513,868
Oregon	3,928	75,490	79,418	0	377	377	3,928	75,867	79,795
Pennsylvania	423,000	212,311	635,311	0	0	0	423,000	212,311	635,311
Puerto Rico	171,743	134,280	306,023	0	0	0	171,743	134,280	306,023
Rhode Island	43,315	22,060	65,375	0	0	0	43,315	22,060	65,375
South Carolina	240,876	115,414	356,290	15	107	122	240,891	115,521	356,412
South Dakota	44	4,547	4,591	0	1,570	1,570	44	6,117	6,161
Tennessee	164,164	196,068	360,232	0	0	0	164,164	196,068	360,232
Texas	333,896	488,263	822,159	0	2	2	333,896	488,265	822,161
Utah	13,664	25,158	38,822	0	839	839	13,664	25,997	39,660
Vermont	7	16,810	16,817	0	0	0	7	16,810	16,817
Virgin Islands	1	2,091	2,092	0	0	0	1	2,091	2,092
Virginia	103,169	111,184	214,352	0	0	0	103,169	111,184	214,352
Washington	53,468	153,972	207,440	473	5,572	6,046	53,941	159,544	213,486
West Virginia	63,571	20,545	84,116	0	0	0	63,571	20,545	84,116
Wisconsin	158,264	63,665	221,930	396	645	1,041	158,660	64,311	222,971
Wyoming	5	1,270	1,275	0	59	59	5	1,329	1,334
<b>Total</b>	<b>7,694,029</b>	<b>6,170,995</b>	<b>13,865,024</b>	<b>390,298</b>	<b>257,769</b>	<b>648,066</b>	<b>8,084,326</b>	<b>6,428,764</b>	<b>14,513,090</b>

Non-facilities based carriers have either submitted a compliance plan with the FCC that they are not a facilities-based provider or have been approved to be a non-facilities-based provider by the FCC. Other carriers are assumed to be facilities-based.

Source: Universal Service Administrative Company.

## Section 3 – Connect America Fund (High Cost)

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### Overview – Connect America Fund Program

The federal universal service Connect America Fund program (formerly High-Cost Support) is designed to ensure that consumers in rural, insular, and high-cost areas have access to modern communications networks capable of providing voice and broadband service, both fixed and mobile, at rates that are reasonably comparable to those in urban areas. The program fulfills this universal service goal by allowing eligible carriers who serve these areas to recover some of their costs from the federal Universal Service Fund (USF). The values of support in these tables may vary from those in previous Monitoring Reports. All support dollar values in these tables are for claims<sup>1</sup> as opposed to disbursements<sup>2</sup>. Claim dollars are subject to true-ups. For example, claims for support in 2012 may be true-up in 2014; such a true-up is reflected in the year supported (2012), not in the year the true-up was disbursed (2014). Additional information regarding the Connect America Fund program is available in the Appendix, which updates the Universal Service Implementation Progress Report released earlier this year. Data on changes in local exchange carriers and High-Cost ILEC support data by study area are available at <http://www.fcc.gov/encyclopedia/neca-usac-data-0>. Please note that the information provided in this report is based upon the program rules through June 30, 2014.

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<sup>1</sup> A “claim” is the distribution of funds *in support of a specified time period*. These funds were distributed in that period and *possibly a later time period*. The disbursements in later time periods are the result of true-ups to resolve differences between initial payments and disbursements necessitated by revisions to supporting data made at that later date. *Claims are always positive values.*

<sup>2</sup> A “disbursement” is the distribution of funds *in a specified time period*. These funds were distributed in support of high-cost mechanisms in that period and *possibly in support of earlier time periods*. The disbursements in support of earlier time periods are the result of true-ups to resolve differences between initial payments and disbursements necessitated by revisions to supporting data. *It is possible for disbursements to be negative*, thus requiring the recipient to return dollars to the high-cost fund.



**Table 3.1**  
**High-Cost Support Fund Claim History**  
(in Millions of Dollars)

Year	High-Cost Loop Support	Safety Net Additive Support	Safety Valve Support	High-Cost Model Support	Interstate			Frozen High-Cost Support <sup>1</sup>	CAF Phase I Incremental Support	CAF Intercarrier Compensation Support	Mobility Fund Phase I Support	Total Support
					Common Line Support	Interstate Access Support	Local Switching Support					
2009	\$1,398	\$51	\$5	\$329	\$1,594	\$566	\$389	\$0	\$0	\$0	\$0	\$4,332
2010	1,320	77	7	311	1,631	549	383	0	0	0	0	4,278
2011	1,213	97	9	291	1,640	521	370	0	0	0	0	4,142
2012	824	42	6	0	905	0	121	1,926	114	211	0	4,150
2013	800	20	6	0	910	0	11	1,663	307	426	74	4,218
2014*	771	17	6	0	915	0	12	1,564	17	434	1	3,736

Notes: Detail may not appear to add to totals due to rounding.

Table 3.1 is the 2014 version of Table 2.16 of the 2013 USF Monitoring Report.

<sup>1</sup> Includes Phase I Frozen Support for price cap carriers and for competitive ETCs.

\* Estimate for 2014 extrapolated from claims through June 2014. Claims for CAF Phase I Incremental Support and Mobility Fund Phase I Support were not extrapolated.

Source: Universal Service Administrative Company.

**Table 3.2**  
**High-Cost Support Fund Claim History - ILECs and CETCs**  
(in Millions of Dollars)

Year	Companies	High-Cost Loop Support	Safety Net Additive Support	Safety Valve Support	High-Cost Model Support	Interstate Common Line Support	Interstate Access Support	Local Switching Support	Frozen High-Cost Support	CAF Phase I Incremental Support	CAF Intercarrier Compensation Support	Mobility Fund Phase I Support	Total Support
2009	ILEC	\$1,007.3	\$37.7	\$4.9	\$169.3	\$1,069.4	\$456.1	\$288.4	\$0.0	\$0.0	\$0.0	\$0.0	\$3,033.0
	CETC	390.6	13.6	0.5	159.4	524.2	109.9	100.3	0.0	0.0	0.0	0.0	1,298.5
	Total	1,397.9	51.4	5.3	328.6	1,593.6	565.9	388.7	0.0	0.0	0.0	0.0	4,331.5
2010	ILEC	961.9	60.0	5.7	155.7	1,110.1	455.2	287.3	0.0	0.0	0.0	0.0	3,035.9
	CETC	358.2	17.1	1.2	155.0	521.1	94.2	95.4	0.0	0.0	0.0	0.0	1,242.1
	Total	1,320.1	77.1	6.9	310.7	1,631.2	549.3	382.7	0.0	0.0	0.0	0.0	4,278.0
2011	ILEC	905.8	76.2	6.5	144.6	1,131.4	440.7	280.5	0.0	0.0	0.0	0.0	2,985.8
	CETC	307.4	21.0	2.5	146.4	508.3	80.5	89.7	0.0	0.0	0.0	0.0	1,155.7
	Total	1,213.2	97.2	8.9	291.0	1,639.8	521.2	370.2	0.0	0.0	0.0	0.0	4,141.5
2012	ILEC	791.6	41.6	6.3	0.0	870.3	0.0	109.9	1,037.4	114.3	211.1	0.0	3,182.6
	CETC	32.1	0.5	0.0	0.0	34.7	0.0	11.1	888.9	0.0	0.0	0.0	967.4
	Total	823.8	42.1	6.3	0.0	905.1	0.0	121.0	1,926.3	114.3	211.1	0.0	4,150.0
2013	ILEC	767.5	19.4	6.1	0.0	875.6	0.0	0.0	1,034.1	307.2	426.1	0.0	3,436.0
	CETC	32.8	0.5	0.0	0.0	34.1	0.0	11.3	629.3	0.0	0.0	74.1	782.1
	Total	800.2	19.9	6.1	0.0	909.7	0.0	11.3	1,663.4	307.2	426.1	74.1	4,218.1
2014*	ILEC	738.7	16.2	6.0	0.0	881.2	0.0	0.0	1,035.6	16.7	434.0	0.0	3,128.4
	CETC	32.7	0.5	0.0	0.0	33.9	0.0	11.5	528.4	0.0	0.0	0.8	607.8
	Total	771.4	16.7	6.0	0.0	915.1	0.0	11.5	1,564.0	16.7	434.0	0.8	3,736.2

Notes: Details may not appear to add to totals due to rounding. ILECs are incumbent local exchange carriers.

CETCs are competitive eligible telecommunications carriers.

Table 3.2 is the 2014 version of Table 2.17 of the 2013 USF Monitoring Report.

\* Estimate for 2014 extrapolated from claims through June 2014. Claims for CAF Phase I Incremental Support and Mobility Fund Phase I Support were not extrapolated.

Source: Universal Service Administrative Company.

**Table 3.3**  
**High-Cost Support Fund Claim History - Price Cap and Rate of Return ILECs**  
(in Millions of Dollars)

Year	Companies	High-Cost Loop Support	Safety Net Additive Support	Safety Valve Support	High-Cost Model Support	Interstate Common Line Support	Interstate Access Support	Local Switching Support	Frozen High-Cost Support	CAF Phase I Incremental Support	CAF		Total Support
											Intercarrier Compensation Support	Mobility Fund Phase I Support	
2009	Price Cap	\$209.1	\$8.4	\$0.2	\$169.3	\$292.8	\$456.1	\$48.1	\$0.0	\$0.0	\$0.0	\$0.0	\$1,184.0
	Rate of Return	798.2	29.3	4.7	0.0	776.6	0.0	240.2	0.0	0.0	0.0	0.0	1,849.1
	Total	1,007.3	37.7	4.9	169.3	1,069.4	456.1	288.4	0.0	0.0	0.0	0.0	3,033.0
2010	Price Cap	145.1	10.0	0.0	155.7	283.0	455.2	59.5	0.0	0.0	0.0	0.0	1,108.4
	Rate of Return	816.8	50.0	5.7	0.0	827.1	0.0	227.8	0.0	0.0	0.0	0.0	1,927.4
	Total	961.9	60.0	5.7	155.7	1,110.1	455.2	287.3	0.0	0.0	0.0	0.0	3,035.9
2011	Price Cap	99.8	10.7	0.0	144.6	272.6	440.7	60.8	0.0	0.0	0.0	0.0	1,029.2
	Rate of Return	806.0	65.5	6.5	0.0	858.9	0.0	219.7	0.0	0.0	0.0	0.0	1,956.6
	Total	905.8	76.2	6.5	144.6	1,131.4	440.7	280.5	0.0	0.0	0.0	0.0	2,985.8
2012	Price Cap	0.0	0.0	0.0	0.0	2.8	0.0	0.0	1,037.4	114.3	44.1	0.0	1,198.6
	Rate of Return	791.6	41.6	6.3	0.0	867.5	0.0	109.9	0.0	0.0	167.0	0.0	1,983.9
	Total	791.6	41.6	6.3	0.0	870.3	0.0	109.9	1,037.4	114.3	211.1	0.0	3,182.6
2013	Price Cap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,034.1	307.2	86.0	0.0	1,427.3
	Rate of Return	767.5	19.4	6.1	0.0	875.6	0.0	0.0	0.0	0.0	340.2	0.0	2,008.7
	Total	767.5	19.4	6.1	0.0	875.6	0.0	0.0	1,034.1	307.2	426.1	0.0	3,436.0
2014*	Price Cap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,035.6	16.7	87.3	0.0	1,139.5
	Rate of Return	738.7	16.2	6.0	0.0	881.2	0.0	0.0	0.0	0.0	346.7	0.0	1,988.9
	Total	738.7	16.2	6.0	0.0	881.2	0.0	0.0	1,035.6	16.7	434.0	0.0	3,128.4

Notes: Details may not appear to add to totals due to rounding. ILECs are incumbent local exchange carriers.

Price cap carriers include their rate of return affiliates. The designation of price cap versus rate of return carriers for 2009-2012 is based on their regulatory status in 2012.

\* Estimate for 2014 extrapolated from claims through June 2014. Claims for CAF Phase I Incremental Support and Mobility Fund Phase I Support were not extrapolated.

Source: Universal Service Administrative Company.



**Table 3.5**  
**Annual High-Cost Claims by Year-End 2013 Affiliate Structure: 2011-2013**

Rank	Affiliate Name <sup>1</sup>	2011	2012	2013	Total	CETC Share of 3-Year Total <sup>2</sup>
1	AT&T Inc.	\$447,456,065	\$422,324,892	\$460,218,790	\$1,342,368,195	53.0 %
2	CenturyLink, Inc. <sup>4</sup>	346,800,346	392,229,918	398,893,171	1,040,401,038	0.0
3	Verizon Communications Inc. <sup>3</sup>	278,292,924	213,197,783	140,517,106	834,878,772	35.9
4	Telephone and Data Systems, Inc.	251,955,664	234,432,762	213,783,937	755,866,992	56.5
5	Frontier Communications Corporation	152,691,539	234,944,508	230,133,680	458,074,617	0.0
6	Windstream Corporation	100,241,732	125,833,740	230,177,604	300,725,196	0.1
7	Telapex, Inc. <sup>5</sup>	84,656,856	77,520,798	61,560,387	253,970,568	79.7
8	América Móvil	81,092,737	76,588,848	99,151,420	243,278,211	48.1
9	General Communication, Inc.	50,065,024	53,469,747	52,749,639	150,195,072	94.8
10	Rural Telephone Service/Golden Belt	48,886,974	45,735,372	38,702,139	146,660,922	33.0
11	Alaska Communications Systems Holdings, Inc.	42,128,868	45,738,405	40,681,063	126,386,604	51.8
12	Deutsche Telekom AG	38,766,492	33,114,348	34,902,469	116,299,476	91.8
13	FairPoint Communications, Inc.	38,738,457	42,812,538	45,903,042	116,215,371	0.0
14	American Broadband Communications et al.	32,507,522	29,905,098	26,707,677	97,522,566	3.5
15	Consolidated Communications, Inc.	30,643,611	32,387,742	30,963,453	91,930,833	0.0

<sup>1</sup> These responses refer to “affiliate name” rather than “holding company” so as to include all entities under common ownership or control, to the extent this information is readily available to the Commission. In most cases, the “affiliate name” is reported by the entity or entities in FCC Form 477. Carriers appear on this list if they are in the top 10 for any of the presented years.

<sup>2</sup> In the *USF/ICC Transformation Order*, the Commission eliminated the rule providing identical support to competitive ETCs, determining the rule did not provide an “appropriate level of support for the efficient deployment of mobile services in areas that do not support a private business case for mobile voice and broadband.” *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking 26 FCC Rcd 17666, 17851-59, para. 502 (2011 *aff’d In re: FCC 11-161*, 753 F.3d 1015 (10th Cir. 2014)). The Commission, however, transitioned the elimination of that support over five years, beginning on July 1, 2012. See *USF/ICC Transformation Order*, 26 FCC Rcd at 17853, para. 513. This phase down of support for competitive ETCs was halted at 40 percent on June 30, 2014 under the terms adopted in the *USF/ICC Transformation Order* because the Mobility Fund Phase II is not operational. See *id.* at 17832, para. 519.

<sup>3</sup> Verizon Wireless and Sprint Nextel, in separate transactions in 2008, each committed to phase down their CETC high-cost universal service support in 20 percent increments over five years, beginning in 2009. These commitments were not implemented until the Commission released an Order on August 31, 2010 providing guidance to the Universal Service Administrative Company regarding the methodology to achieve those commitments. *High-Cost Universal Service Support, Federal-State Joint Board on Universal Service, Request for Review of Decision of Universal Service Administrator by Corr Wireless Communications, LLC*, WC Docket No. 05-337, CC Docket No. 96-45, Order and Notice of Proposed Rulemaking, 25 FCC Rcd 12854 (2010). To the extent that Verizon Wireless received support prior to the August 31, 2010 Order that should have been surrendered under its commitment, USAC reclaimed that support in 2010 and 2011.

<sup>4</sup> CenturyLink merged with Qwest on April 1, 2011. See <http://news.centurylink.com/index.php?s=43&item=2226.A12>.

<sup>5</sup> Telapex, Inc. owns C Spire Wireless.

Table 3.5 is the 2014 version of Table 2.13 of the 2013 USF Monitoring Report. This version reports claims instead of disbursements.  
Source: Universal Service Administrative Company.



## Section 4 – E-rate (Schools and Libraries)

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### Overview – Schools and Libraries Program

The Schools and Libraries universal service support program, commonly known as the E-rate program, helps schools and libraries to obtain affordable telecommunications services, broadband Internet access and internal network connections.

Eligible schools, school districts and libraries may apply individually or as part of a consortium. Funding may be requested under five categories of service: telecommunications, telecommunications services, Internet access, internal connections, and basic maintenance of internal connections. Beginning in funding year 2015, funding will be requested under two categories of service. Category one will include digital transmission services, Internet access services, and voice services. Category two will include broadband internal connections components, managed internal broadband services, and basic maintenance of broadband internal connections components. Discounts for support depend on the level of poverty and whether the school or library is located in an urban or rural area. The discounts range from 20 percent to 90 percent of the costs of eligible services. E-rate program funding is based on demand up to an annual Commission-established cap of about \$2.4 billion.

The E-rate program is administered by the Universal Service Administrative Company (USAC) under the direction of the FCC. Specifically, USAC is responsible for processing the applications for support, confirming eligibility, and reimbursing service providers and eligible schools and libraries for the discounted services. USAC also ensures that the applicants and service providers comply with the E-rate rules and procedures established by the Commission.

Additional information about the Schools and Library program can be found on the Commission's website at <http://www.fcc.gov/encyclopedia/e-rate-schools-libraries-usf-program> and on USAC's website at <http://www.usac.org/sl/>. Please note that the information provided in this report is based upon the program rules through June 30, 2014.

**Table 4.1**  
**Schools and Libraries Funding Commitments and Disbursements**  
**by Applicant Type and Year**  
**(in Thousands of Dollars)**

Year	Funding Commitments						Funding Disbursements					
	Total Commitments	Libraries	Schools	School Districts	Statewide Contract <sup>1</sup>	Other Consortia	Total Disbursements	Libraries	Schools	School Districts	Statewide Contract <sup>1</sup>	Other Consortia
1998	\$1,699,125	\$65,988	\$110,701	\$1,288,421	\$0	\$234,015	\$1,399,070	\$49,870	\$83,343	\$1,069,762	\$0	\$196,094
1999	2,147,891	66,172	180,632	1,598,385	0	302,701	1,651,673	47,457	140,256	1,267,437	0	196,523
2000	2,078,537	65,879	110,618	1,692,230	0	209,810	1,647,039	43,566	88,526	1,384,126	0	130,821
2001	2,176,541	57,824	164,598	1,739,612	0	214,508	1,695,645	41,940	117,493	1,400,544	0	135,668
2002	2,198,052	62,941	167,229	1,717,947	0	249,935	1,597,600	42,088	106,200	1,286,713	0	162,599
2003	2,638,660	63,310	200,601	2,112,832	0	261,918	1,940,222	44,325	136,110	1,587,310	0	172,477
2004	2,191,487	54,303	158,786	1,723,447	0	254,951	1,536,332	39,723	107,113	1,209,964	0	179,532
2005	2,134,443	54,434	153,488	1,711,799	0	214,722	1,621,746	48,598	110,778	1,284,405	0	177,965
2006	1,982,169	59,710	129,414	1,532,376	0	260,669	1,567,379	46,138	96,393	1,221,261	0	203,587
2007	2,439,162	60,627	174,643	1,960,568	0	243,324	1,950,030	47,964	135,913	1,557,886	0	208,267
2008	2,571,400	75,749	148,907	2,087,354	0	259,391	1,908,654	58,119	113,437	1,515,680	0	221,419
2009	2,883,582	85,285	193,784	2,334,401	0	270,111	2,273,341	68,630	151,460	1,826,792	0	226,458
2010	3,114,298	90,157	211,007	2,523,493	0	289,641	2,379,659	71,585	155,628	1,912,853	0	239,593
2011	2,665,160	95,516	215,811	2,031,296	0	322,537	2,026,424	73,389	157,161	1,550,449	0	245,425
2012	2,870,708	96,232	276,860	2,193,394	6,467	297,756	1,979,043	73,950	184,546	1,493,506	3,881	223,160
2013	2,076,741	90,891	130,789	1,568,325	11,830	274,907	724,995	37,164	43,999	563,743	3,578	76,512

Note: Activity through June 30, 2014. Funding Year 2014 commitment and disbursement information have not been displayed because only a small fraction of commitments (and no disbursements) have been made for that funding year. A substantial amount of commitments and disbursements for funding year 2014 will be made. Also, because of the appeals process, funding commitments and disbursements can be made after the end of the program year. Disbursements may also continue beyond the end of the program year in the event of delayed internal connections installation. Other adjustments and corrections may also be made.

Source: Raw data provided by the Universal Service Administrative Company, rollups performed by Industry Analysis and Technology Division, Wireline Competition Bureau, FCC.

<sup>1</sup> Starting January 2011, applicants could designate their consortium as a statewide entity if the application encompassed all public schools, private schools and/or all public libraries in the state. See [http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DA-10-2218A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-10-2218A1.pdf)

Table 4.1 is the 2014 version of Table 2.19 of the 2013 USF Monitoring Report. Funds by service type have not been included in this version, but can be found in the Supplementary Material file "SL Funds - by Service Type, State, and Funding Year".



**Table 4.2**  
**Schools and Libraries Funding Commitments and Disbursements from Program Inception through June 30, 2014**  
**by State and Applicant Type**  
**(in Thousands of Dollars)**

State/Territory	Library/Library Consortium		Schools		School Districts		Statewide Contracts		Other Consortium		Totals	
	Funds Committed	Funds Disbursed	Funds Committed	Funds Disbursed	Funds Committed	Funds Disbursed	Funds Committed	Funds Disbursed	Funds Committed	Funds Disbursed	Funds Committed	Funds Disbursed
Alabama	\$13,113	\$9,719	\$19,443	\$13,803	\$534,638	\$424,839	\$86	\$1	\$76,504	\$60,816	\$643,784	\$509,178
Alaska	8,223	5,033	3,930	2,777	362,984	304,619	0	0	10,960	8,587	386,097	321,018
American Samoa	0	0	0	0	0	0	0	0	36,197	27,425	36,197	27,425
Arizona	16,897	18,539	135,701	88,808	807,134	569,053	0	0	27,428	15,126	987,160	691,526
Arkansas	4,550	3,053	7,328	5,578	218,829	143,014	4,209	1,347	148,639	93,133	383,555	246,126
California	92,196	55,547	253,981	170,623	5,148,417	3,612,044	67	6	197,552	127,813	5,692,214	3,966,032
Colorado	12,402	8,122	18,911	13,401	316,951	234,413	0	0	20,629	14,183	368,893	270,119
Connecticut	4,834	3,412	46,213	32,262	240,815	189,317	0	0	107,868	90,345	399,730	315,335
Delaware	1,379	1,178	2,937	1,878	13,108	10,680	0	0	13,422	7,815	30,847	21,552
District of Columbia	7,106	3,393	24,259	14,614	157,467	103,048	0	0	17,916	8,589	206,748	129,644
Florida	51,938	37,378	148,170	107,749	983,769	767,925	0	0	97,407	78,181	1,281,284	991,233
Georgia	79,471	62,810	36,488	29,141	1,000,228	760,027	0	0	172,277	143,247	1,288,463	995,226
Guam	118	13	234	122	26,076	18,581	0	0	0	0	26,428	18,716
Hawaii	2,721	1,239	56,890	25,083	26,573	13,966	457	202	732	294	87,372	40,784
Idaho	3,709	2,615	7,082	4,436	84,728	59,746	0	0	23,193	13,811	118,712	80,608
Illinois	35,493	25,271	135,249	99,342	1,439,878	1,047,339	0	0	72,345	50,411	1,682,965	1,222,364
Indiana	44,827	30,190	34,343	22,055	397,961	271,197	0	0	93,294	41,338	570,426	364,779
Iowa	4,348	2,701	13,688	9,339	133,120	87,706	0	0	68,924	52,511	220,080	152,257
Kansas	10,422	7,250	9,463	6,572	232,818	168,737	0	0	23,316	18,772	276,020	201,331
Kentucky	14,131	9,549	5,713	3,519	510,197	354,381	0	0	94,932	68,988	624,973	436,437
Louisiana	56,618	44,058	49,979	33,830	659,365	516,840	0	0	32,103	23,577	798,064	618,305
Maine	1,438	973	15,299	10,994	56,422	37,804	0	0	49,760	40,042	122,919	89,814
Maryland	16,878	12,034	25,590	16,468	282,975	207,945	0	0	29,277	21,794	354,720	258,241
Massachusetts	41,912	28,386	54,305	36,661	396,586	299,472	11	0	49,112	24,916	541,925	389,436
Michigan	29,099	21,527	51,341	32,089	772,838	565,184	0	0	106,753	77,880	960,031	696,679
Minnesota	21,978	14,589	34,755	22,653	264,617	187,083	0	0	111,063	90,170	432,414	314,496
Mississippi	27,935	19,070	19,454	13,549	428,869	312,488	65	0	99,522	69,528	575,845	414,635
Missouri	18,491	14,065	43,589	30,076	451,550	337,232	0	0	150,862	108,888	664,492	490,261
Montana	1,503	1,013	4,546	3,266	68,708	51,803	0	0	570	399	75,327	56,481
Nebraska	3,873	2,841	7,180	5,374	104,861	84,439	0	0	30,314	26,500	146,227	119,154
Nevada	3,815	2,314	5,404	3,499	99,856	63,509	0	0	0	0	109,075	69,323
New Hampshire	377	203	6,900	4,664	31,970	20,690	0	0	1,265	801	40,513	26,358
New Jersey	25,443	16,039	122,942	87,169	798,125	540,252	0	0	15,257	9,904	961,768	653,363
New Mexico	5,580	3,364	75,080	49,943	466,843	352,349	0	0	73,891	23,995	621,393	429,052
New York	183,357	121,763	510,849	364,201	3,202,830	1,930,590	0	0	501,042	360,526	4,398,078	2,777,079
North Carolina	27,289	20,886	41,373	31,565	835,808	644,788	0	0	49,196	27,272	953,666	724,511
North Dakota	186	133	9,495	6,957	22,293	16,111	0	0	37,046	29,835	69,020	53,036
Northern Mariana Isl.	138	63	143	120	15,845	12,820	0	0	0	0	16,126	13,003
Ohio	44,689	34,314	119,310	81,743	1,016,278	732,611	0	0	79,596	63,594	1,259,874	912,262
Oklahoma	30,208	21,093	45,749	31,118	768,914	564,931	0	0	13,482	4,789	858,352	621,932
Oregon	5,174	2,931	11,153	7,856	194,471	147,551	0	0	37,056	21,293	247,854	179,631
Pennsylvania	41,268	31,120	152,346	97,407	945,975	745,959	0	0	126,695	101,463	1,266,283	975,948
Puerto Rico	60,049	31,998	79,428	50,574	128,726	105,541	0	0	113,455	56,627	381,657	244,739
Rhode Island	1,937	1,550	7,242	4,929	67,557	51,185	8	8	37,768	34,740	114,511	92,412
South Carolina	5,521	3,725	24,034	15,872	476,266	344,248	0	0	239,059	183,012	744,880	546,857
South Dakota	370	173	19,325	13,870	37,748	26,849	2,745	0	33,246	20,202	93,433	61,094
Tennessee	16,435	11,164	15,450	12,195	634,887	454,611	0	0	216,022	171,888	882,795	649,858
Texas	54,010	33,374	173,410	126,500	3,503,517	2,597,794	0	0	165,584	104,906	3,896,522	2,862,574
Utah	2,236	1,028	3,698	1,936	86,953	65,758	0	0	182,988	99,678	275,874	168,400
Vermont	1,045	511	12,870	7,218	23,391	14,814	0	0	1,638	1,094	38,943	23,637
Virgin Islands	287	41	13,403	9,823	10,665	9,412	0	0	57,599	50,332	81,954	69,608
Virginia	28,305	20,145	24,187	18,651	474,619	360,732	0	0	13,272	11,116	540,383	410,644
Washington	25,046	17,348	18,343	14,240	351,080	255,783	78	0	73,211	54,155	467,757	341,526
West Virginia	3,871	2,790	3,569	1,988	161,576	102,141	19,676	5,894	45,372	32,677	234,064	145,491
Wisconsin	14,764	10,445	38,565	25,458	291,505	215,079	0	0	146,242	103,917	491,076	354,900
Wyoming	625	419	4,226	2,797	23,404	15,398	1,170	0	29,409	23,809	58,834	42,423
<b>Totals</b>	<b>\$1,209,629</b>	<b>\$834,506</b>	<b>\$2,804,552</b>	<b>\$1,928,356</b>	<b>\$30,793,585</b>	<b>\$22,132,429</b>	<b>\$28,572</b>	<b>\$7,458</b>	<b>\$4,252,259</b>	<b>\$2,996,103</b>	<b>\$39,088,597</b>	<b>\$27,898,853</b>

Note: Activity through June 30, 2014. Because of the appeals process, funding commitments and disbursements can be made after the end of the program year. Also, disbursements may continue beyond the end of the program year in the event of delayed internal connections installation. Other adjustments and corrections may also be made.

Source: Raw data provided by the Universal Service Administrative Company, rollups performed by Industry Analysis and Technology Division, Wireline Competition Bureau, FCC.

## Section 5 – Rural Health Care

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### Overview – Rural Health Care Program

The Rural Health Care Program, which includes the new Healthcare Connect Fund, provides funding to eligible health care providers (HCPs) for telecommunications and broadband services necessary for the provision of health care. The goal of the program is to improve the quality of health care available to patients in rural communities by ensuring that eligible HCPs have access to telecommunications and broadband services. Funding for the Rural Health Care Program is capped at \$400 million annually.

During the time period reported upon in this report, the Rural Health Care Program provided funding through four programs: the Healthcare Connect Fund, the Telecommunications Program, the Internet Access Program (funding for this program ended on 2014), and the Rural Health Care Pilot Program. Funding through the Internet Access Program was available through June 30, 2014 and there is some remaining funding already committed under the Pilot Program that has yet to be exhausted. The Rural Health Care Program is administered by USAC under the direction of the FCC.

Additional information about the Rural Health Care Program can be found on the Commission's website at <http://www.fcc.gov/encyclopedia/rural-health-care> and on USAC's website at <http://www.usac.org/rhc/>. Please note that the information provided in this report is based upon the program rules through June 30, 2014.

**Table 5.1**  
**Rural Health Care Funding Commitments and Disbursements by Program and Year**  
**(in Thousands of Dollars)**

<b>Funding Year</b>	<b>Telecommunications and Information Assistance Program</b>		<b>Pilot</b>		<b>Healthcare Connect</b>		<b>Totals</b>	
	Funds Committed	Funds Disbursed	Funds Committed	Funds Disbursed	Funds Committed	Funds Disbursed	Funds Committed	Funds Disbursed
1998	\$3,388	\$3,375	\$0	\$0	\$0	\$0	\$3,388	\$3,375
1999	7,121	4,305	0	0	0	0	7,121	4,305
2000	10,754	10,314	0	0	0	0	10,754	10,314
2001	19,689	18,555	0	0	0	0	19,689	18,555
2002	23,344	21,620	0	0	0	0	23,344	21,620
2003	27,908	25,872	0	0	0	0	27,908	25,872
2004	32,126	31,002	0	0	0	0	32,126	31,002
2005	41,347	40,127	0	0	0	0	41,347	40,127
2006	46,244	45,279	0	0	0	0	46,244	45,279
2007	56,210	54,968	467	467	0	0	56,677	55,434
2008	67,765	66,754	14,721	14,278	0	0	82,486	81,033
2009	72,379	71,469	351,066	223,596	0	0	423,444	295,065
2010	91,670	87,227	0	0	0	0	91,670	87,227
2011	103,845	101,977	0	0	0	0	103,845	101,977
2012	132,499	101,898	0	0	0	0	132,499	101,898
2013	146,467	39,113	0	0	14,394	1,417	160,861	40,531

Note: Disbursements through June 30, 2014. Because of the appeals process, funding commitments and disbursements may be made after the program year ended.

Source: USAC data. Rollups performed by the Industry Analysis and Technology Division, Wireline Competition Bureau, FCC.

**Table 5.2**  
**Rural Health Care Funding Commitments and Disbursements from Program Inception through June 30, 2014**  
**by State and Program**  
**(in Thousands of Dollars)**

State	Telecommunications and Information Assistance Program		Pilot		Healthcare Connect		Totals	
	Funds Committed	Funds Disbursed	Funds Committed	Funds Disbursed	Funds Committed	Funds Disbursed	Funds Committed	Funds Disbursed
Alabama	\$4,822	\$3,733	\$2,749	\$2,746	\$64	\$0	\$7,635	\$6,480
Alaska	459,047	381,616	1,882	209	0	0	460,928	381,825
American Samoa	1,570	1,419	0	0	0	0	1,570	1,419
Arizona	18,865	17,239	7,511	2,249	8	0	26,383	19,488
Arkansas	11,693	8,650	4,218	2,797	127	0	16,038	11,448
California	32,126	22,368	22,911	3,443	353	0	55,390	25,811
Colorado	2,756	2,374	10,884	10,526	7,322	1,294	20,962	14,193
Connecticut	16	9	0	0	11	0	26	9
Delaware	1	1	0	0	0	0	1	1
District of Columbia	16	0	0	0	0	0	16	0
Florida	4,234	3,691	82	23	9	0	4,326	3,714
Georgia	19,929	16,681	2,233	2,166	603	0	22,765	18,847
Guam	716	664	89	63	0	0	804	727
Hawaii	2,440	2,376	4,653	1,951	0	0	7,093	4,327
Idaho	3,682	3,119	0	0	0	0	3,682	3,119
Illinois	14,776	12,029	21,071	17,027	279	0	36,126	29,057
Indiana	6,578	5,590	15,458	9,845	265	0	22,301	15,435
Iowa	5,899	5,327	17,370	17,102	81	0	23,350	22,429
Kansas	6,607	5,387	0	0	172	0	6,778	5,387
Kentucky	10,347	7,949	2,945	498	260	0	13,552	8,448
Louisiana	2,866	2,085	15,570	375	139	0	18,575	2,459
Maine	565	424	13,105	9,070	0	0	13,670	9,494
Maryland	164	96	0	0	25	0	189	96
Massachusetts	961	896	91	0	0	0	1,052	896
Michigan	18,063	16,073	19,449	16,790	53	0	37,564	32,863
Minnesota	28,285	25,316	5,717	3,755	23	0	34,025	29,071
Mississippi	8,026	5,367	0	0	189	0	8,215	5,367
Missouri	6,954	5,346	2,538	2,078	337	1	9,828	7,424
Montana	9,105	8,529	15,413	13,734	71	0	24,589	22,263
Nebraska	18,211	15,834	18,010	18,010	0	0	36,221	33,843
Nevada	1,052	868	0	0	0	0	1,052	868
New Hampshire	255	172	5,551	4,317	0	0	5,805	4,489
New Jersey	0	0	0	0	0	0	0	0
New Mexico	7,619	6,708	11,737	4,920	59	0	19,416	11,628
New York	1,954	1,165	15,492	9,672	62	0	17,508	10,837
North Carolina	5,360	3,890	12,169	6,806	188	0	17,717	10,696
North Dakota	12,441	10,286	912	377	22	0	13,375	10,663
Northern Mariana Is.	29	9	46	0	0	0	75	9
Ohio	5,950	4,571	27,209	26,376	154	0	33,313	30,946
Oklahoma	16,851	11,572	0	0	96	0	16,947	11,572
Oregon	2,837	2,157	18,122	16,613	5	0	20,965	18,770
Pennsylvania	1,478	1,067	6,805	4,922	19	0	8,302	5,989
Puerto Rico	0	0	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0	0	0
South Carolina	636	451	8,826	8,282	12	0	9,474	8,733
South Dakota	9,759	9,214	4,586	4,482	508	0	14,853	13,696
Tennessee	4,489	3,506	6,834	0	87	0	11,411	3,506
Texas	28,364	17,711	15,503	0	481	0	44,348	17,711
Utah	7,867	7,355	8,815	6,133	1	0	16,683	13,488
Vermont	818	729	6,690	3,893	14	0	7,522	4,622
Virgin Islands	883	846	0	0	0	0	883	846
Virginia	12,989	9,067	2,709	106	73	0	15,771	9,173
Washington	1,861	1,376	119	116	180	0	2,159	1,492
West Virginia	2,255	1,856	7,070	3,824	249	0	9,575	5,680
Wisconsin	54,841	46,547	2,312	2,270	1,784	122	58,936	48,939
Wyoming	2,852	2,547	797	776	12	0	3,660	3,323
<b>Totals</b>	<b>882,757</b>	<b>723,855</b>	<b>366,254</b>	<b>238,341</b>	<b>14,394</b>	<b>1,417</b>	<b>1,263,404</b>	<b>963,614</b>

Note: Disbursements through June 30, 2014. Because of the appeals process, funding commitments and disbursements may be made after the program year ended.

Source: USAC data. Rollups performed by the Industry Analysis and Technology Division, Wireline Competition Bureau, FCC.

## Section 6 – Subscribership & Penetration

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### Overview – Subscribership & Penetration: Voice & Internet

Continuing analysis of telephone penetration statistics allows one to examine the aggregate effects of Commission actions and industry evolution on households' decisions to maintain, acquire or drop telephone service. In addition to telephone penetration statistics, recent surveys by the Census Bureau now also provide information about the penetration of high-speed Internet services. This chapter presents comprehensive data on telephone penetration statistics collected by the Bureau of the Census primarily through the American Community Survey (ACS) and the Current Population Survey (CPS). The chapter also provides national and state-level estimates of high-speed Internet adoption based on the ACS. Along with telephone and high-speed Internet penetration statistics for the nation and each of the states, data are provided on penetration for various demographic characteristics. In particular for telephone service, attention is given to penetration rates for lower income households given the Commission's various low income programs such as Lifeline.

To provide regular, high-quality data on telephone penetration, the Commission requested that the Census Bureau include questions on telephone availability as part of its CPS, which monitors demographic trends between decennial censuses. The CPS is a staggered panel survey in which the people residing at particular addresses are included in the survey for four consecutive months in one year and the same four months in the following year. Use of the CPS has several advantages: it is conducted every month by an independent and expert agency, the sample is large, and the questions are consistent. Thus, changes in the results can be compared over time with a reasonable degree of confidence.

In addition to the CPS, the ACS also provides data for calculating a measure of telephone penetration. The ACS has replaced the decennial census long form and thus also provides a wealth of data and large sample sizes, though on a less frequent basis than the CPS. Whereas the CPS reports household penetration, the ACS follows the design of past decennial censuses and reports telephone penetration for occupied housing units. In this chapter, penetration measures from the CPS, the ACS, and decennial censuses (prior to the ACS) are reported as complements to each other.<sup>1</sup>

While the ACS provides telephone penetration data, the ACS now also provides data for calculating high-speed Internet penetration rates. Specifically, the ACS for the first time in 2013 asked whether households have access to the Internet. The ACS asks, "At this house, apartment, or mobile home – do you or any member of this household access the Internet?" Statistics based on data from the ACS on high-speed Internet penetration has been incorporated into this report. Since the ACS is conducted throughout the year, a 1-year average is calculated using the data.

The specific questions regarding telephone availability asked in the CPS are: "Does this house, apartment, or mobile home have telephone service from which you can both make and receive calls? Please include cell phones, regular phones, and any other type of telephone." And, if the answer to the

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<sup>1</sup> Penetration statistics derived from the CPS cannot be directly compared with the penetration estimates based on the responses to the long forms of the 1990 and 2000 decennial censuses or the ACS. This is due to differences in sampling techniques and survey methodologies as well as differences in the context in which the questions are asked. For example, the 2013 ACS reported 97.7% of all occupied housing units in the United States had telephone service available, whereas the March 2013 CPS data showed a household penetration rate of 96.0%. This difference is statistically significant and may indicate that the CPS value is on the low side and the ACS value is on the high side, with the most probable value lying somewhere in between.

first question is “no,” this is followed up with: “Is there a telephone elsewhere on which people in this household can be called?” If the answer to the first question is “yes,” the household is counted as having a telephone “in unit.” If the answer to either the first or second question is “yes,” the household is counted as having a telephone “available.” In contrast to the CPS, the ACS simply asks: “Does this house, apartment, or mobile home have telephone service from which you can both make and receive calls? Include cell phones.” Thus, the ACS question is most similar to the CPS’s “in unit” rather than “available” penetration rate.

Although the CPS is conducted every month, not all questions are asked every month. The telephone questions are asked once every four months, in the month that a household is first included in the sample and in the month that the household re-enters the sample a year later. Since the sample is staggered, the reported information for any given month actually reflects responses over the preceding four months. Aggregated summaries of the responses are reported to the Commission, based on the surveys conducted through March, July, and November of each year. The ACS provides annual telephone penetration statistics based on data collected monthly throughout the year.

The CPS data are based on a nationwide sample of about 50 to 60 thousand households in the 50 states and the District of Columbia. The CPS does not cover outlying areas that are not states, such as Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Northern Mariana Islands.<sup>2</sup> The ACS form is sent to approximately 250 thousand addresses per month, for a total of about 3 million addresses per year. The ACS covers the states, the District of Columbia, and Puerto Rico.

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<sup>2</sup> Annual data for Puerto Rico have been available from the ACS starting with 2005. The latest available value for Puerto Rico from that survey is 93.8% for 2013, compared to a national average (for the 50 states and the District of Columbia) of 97.7% using the ACS.

**Table 6.1**  
**Household Voice Subscribership in the United States, 1983-2014**

Date		Households (millions)	Households with Telephones in Unit (millions)	Percentage with Telephones in Unit	Households without Telephones (millions)	Percentage without Telephones
November	1983	85.8	78.4	91.4 %	7.4	8.6 %
November	1984	87.4	79.9	91.4	7.5	8.6
November	1985	88.8	81.6	91.9	7.2	8.1
November	1986	89.9	83.1	92.4	6.8	7.6
November	1987	91.3	84.3	92.3	7.0	7.7
November	1988	92.6	85.7	92.5	6.9	7.5
November	1989	93.9	87.3	93.0	6.6	7.0
November	1990	94.7	88.4	93.3	6.3	6.7
November	1991	95.7	89.4	93.4	6.3	6.6
November	1992	97.0	91.0	93.8	6.0	6.2
November	1993	98.8	93.0	94.2	5.8	5.8
November	1994	99.8	93.7	93.8	6.2	6.2
November	1995	100.4	94.2	93.9	6.2	6.1
November	1996	101.3	95.1	93.9	6.2	6.1
November	1997	102.8	96.5	93.8	6.3	6.2
November	1998	104.1	98.0	94.2	6.1	5.8
November	1999	105.4	99.1	94.1	6.3	5.9
November	2000	106.5	100.2	94.1	6.3	5.9
November	2001	107.7	102.2	94.9	5.5	5.1
November	2002	109.0	104.0	95.3	5.1	4.7
November	2003	113.1	107.1	94.7	6.0	5.3
March	2004	112.9	106.4	94.2	6.5	5.8
July	2004	113.5	106.5	93.8	7.1	6.2
November	2004	113.8	106.4	93.5	7.4	6.5
March	2005	114.5	105.8	92.4	8.7	7.6
July	2005	114.4	107.5	94.0	6.8	6.0
November	2005	115.2	107.0	92.9	8.2	7.1
March	2006	115.5	107.2	92.8	8.4	7.2
July	2006	116.2	109.9	94.6	6.3	5.4
November	2006	116.4	108.8	93.4	7.6	6.6
March	2007	117.1	110.8	94.6	6.4	5.4
July	2007	117.7	111.7	95.0	5.9	5.0
November	2007	118.2	112.2	94.9	6.0	5.1
March	2008	117.8	112.2	95.2	5.6	4.8
July	2008	118.0	112.6	95.4	5.5	4.6
November	2008	118.6	112.7	95.0	5.9	5.0
March	2009	118.4	113.2	95.6	5.2	4.4
July	2009	118.4	113.3	95.7	5.1	4.3
November	2009	119.2	114.0	95.7	5.1	4.3
March	2010	118.3	113.6	96.0	4.7	4.0
July	2010	118.3	113.5	96.0	4.8	4.0
November	2010	119.4	114.0	95.5	5.4	4.5
March	2011	119.8	114.9	95.9	4.9	4.1
July	2011	119.3	114.1	95.6	5.2	4.4
November	2011	119.7	114.4	95.6	5.3	4.4
March	2012	121.9	117.0	96.0	4.9	4.0
July	2012	121.7	117.0	96.1	4.7	3.9
November	2012	122.0	116.9	95.8	5.1	4.2
March	2013	123.3	118.3	96.0	5.0	4.0
July	2013	123.1	118.3	96.1	4.8	3.9
November	2013	123.7	118.4	95.7	5.3	4.3
March	2014	124.2	119.5	96.2	4.7	3.8
July	2014	123.9	119.0	96.0	4.9	4.0

Source: U.S. Census Bureau, Current Population Survey.

Table 6.1 is the 2014 version of Table 3.1 of the 2013 USF Monitoring Report.

**Table 6.2**  
**Household Voice Penetration by Income, 1997-2013**

Year	\$9,999 or Less	\$10,000 - \$19,000	\$20,000 - \$29,999	\$30,000 - \$39,999	\$40,000 or Greater	All Households
1997	86.0%	93.0%	96.5%	97.6%	98.2%	94.0%
1998	85.7	93.7	96.1	97.4	98.2	94.1
1999	85.5	92.9	96.0	97.2	98.2	94.0
2000	87.5	93.3	96.1	97.3	98.0	94.5
2001	87.6	93.4	95.9	97.1	97.8	94.4
2002	89.1	94.3	96.9	98.1	98.8	95.5
2003	89.2	94.6	97.0	98.1	98.8	95.5
2004	88.0	93.2	95.3	96.7	97.7	94.2
2005	86.4	91.2	94.1	95.2	96.0	92.5
2006	86.3	91.8	94.4	95.4	96.5	92.9
2007	88.4	94.1	95.9	96.8	97.9	94.6
2008	89.7	94.3	96.2	97.4	98.3	95.2
2009	90.4	95.2	96.6	97.3	98.3	95.6
2010	91.9	95.8	96.9	97.7	98.6	96.1
2011	91.5	95.9	96.8	97.8	98.3	95.9
2012	92.0	95.3	96.9	97.8	98.3	95.9
2013	92.6	95.6	97.0	97.2	98.3	96.0
2014	93.1	95.9	96.7	97.9	98.2	96.3

Source: U.S. Census Bureau, Current Population Survey (March CPS Supplement).  
Note: Income groups classified by 1984 dollars. Total penetration rates may differ slightly from those in Table 6.1 due to sampling differences between the March CPS and the March CPS Supplement.

**Table 6.3**  
**Nominal Dollar Equivalents by Year**  
**(in 1984 Dollars)**

Year	\$10,000	\$20,000	\$30,000	\$40,000
1997	\$15,595	\$31,190	\$46,785	\$62,380
1998	15,809	31,618	47,427	63,236
1999	16,082	32,164	48,246	64,328
2000	16,686	33,372	50,058	66,744
2001	17,173	34,346	51,519	68,692
2002	17,427	34,854	52,281	69,708
2003	17,953	35,906	53,859	71,812
2004	18,265	36,530	54,795	73,060
2005	18,840	37,680	56,520	75,360
2006	19,474	38,948	58,422	77,896
2007	20,015	40,030	60,045	80,060
2008	20,812	41,624	62,436	83,248
2009	20,732	41,464	62,196	82,928
2010	21,212	42,423	63,635	84,846
2011	21,780	43,561	65,341	87,122
2012	22,358	44,716	67,074	89,432
2013	22,687	45,375	68,062	90,750
2014	22,883	45,766	68,649	91,533

Note: All numbers based on CPI non-adjusted series, March 1984 base of 102.6

Tables 6.2 and 6.3 are the 2014 versions of Tables 3.2 and 3.3 of the 2013 USF Monitoring Report.



**Table 6.4**  
**Historical Voice Penetration Estimates**

<b>Year</b>	<b>Percentage of Occupied Housing Units with Telephone Service<sup>1</sup></b>	<b>Percentage of Households with Telephone Service<sup>2</sup></b>
1920	35.0 %	
1930	40.9	
1940	36.9	
1950	61.8	
1960	78.3	
1970	90.5	
1980	92.9	
1990	94.8	93.3 %
2000	97.6	94.4
2001	96.9	94.9
2002	96.6	95.3
2003	96.2	95.1
2004	95.7	93.8
2005	94.8	93.1
2006	94.1	93.6
2007	94.6	94.8
2008 <sup>3</sup>	98.2	95.2
2009	97.7	95.7
2010	97.5	95.8
2011	97.4	95.7
2012	97.4	95.9
2013	97.7	96.1
2014	NA <sup>4</sup>	96.0

<sup>1</sup> Housing Unit penetration statistics are from the U.S. Census Bureau's *Historical Statistics of the United States, Colonial Times to 1970*, Part 2, page 783 (1920 - 1970); the decennial censuses (1980 - 2000); and the Census Bureau's American Community Survey (ACS) 1-year estimates (2001 - 2013).

<sup>2</sup> Household penetration data (1990 - 2013) are annual averages from the U.S. Census based on the Current Population Survey. For 2014, July CPS data are used.

<sup>3</sup> Errata #53: released April 12, 2010, regarding 2008 ACS 1-year and 2006-2008 ACS 3-year estimates for household kitchen facilities and telephone service. Two errors were found affecting the 2008 ACS 1-year data and the 2006-2008 ACS 3-year data for telephone service. The errors involve the last two items in Question 8 on the housing section of the 2008 ACS questionnaire which asks whether the housing unit has telephone service (including cell phones). The error involved the incorrect capture of the responses to those items. It affected the estimates of householders who reported no telephone service, resulting in an underestimate of "no" responses and an increased imputation rate for both items. At the national level, the percent of households reporting no telephone service in 2008 was 1.8 percent; however, after correcting the data capture error, the percent reporting no telephone service is approximately 2.8 percent.

<sup>4</sup> ACS statistics for 2014 are not available.

Table 6.4 is the 2014 version of Table 3.4 of the 2013 USF Monitoring Report.

**Table 6.5**  
**Voice Penetration by Selected Demographic Characteristics, 2011-2014**  
**(Percentage of Households with Voice Service)**

<b>Characteristic</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<i>Persons in Household</i>				
1	93.7%	93.8%	94.0%	94.0%
2 - 3	96.5	96.7	96.7	96.7
4 - 5	96.7	97.0	96.8	97.1
6 +	95.6	96.1	95.8	96.3
<i>Age of Householder</i>				
15 - 24 Yrs Old	93.4	94.1	93.8	94.9
25 - 54 Yrs Old	95.5	95.7	95.6	95.8
55 - 59 Yrs Old	95.9	96.2	96.6	96.5
60 - 64 Yrs Old	96.4	96.4	96.4	96.1
65 - 69 Yrs Old	96.6	96.9	97.1	97.1
70 - 99 Yrs Old	96.5	96.4	96.6	96.4
<i>Race of Householder</i>				
White	96.3	96.4	96.4	96.5
Black	92.5	93.2	93.0	93.7
Hispanic Origin	92.7	93.1	93.1	93.6
<b>Total United States</b>	<b>95.7</b>	<b>95.9</b>	<b>95.9</b>	<b>96.0</b>

Source: U.S. Census Bureau, Current Population Survey. Note that 2011 to 2013 values are annual averages. For 2014, values are July 2014 figures since complete 2014 figures were unavailable at the time of publication.

Table 6.5 is the 2014 version of Table 3.5 of the 2013 USF Monitoring Report.

**Table 6.6**  
**Voice Penetration by State, 2009-2013**  
**(Percentage of Occupied Housing Units with Voice Service)**

State	2009	2010	2011	2012	2013
Alabama	97.5 %	97.4 %	97.2 %	97.3 %	97.4 %
Alaska	98.1	98.3	98.1	97.7	98.0
Arizona	96.4	97.0	97.0	97.2	97.3
Arkansas	97.1	96.9	96.6	96.2	97.2
California	98.3	97.9	97.9	97.9	98.0
Colorado	97.7	97.7	97.5	97.7	97.7
Connecticut	98.8	98.3	98.5	98.5	98.6
Delaware	98.6	98.2	98.2	97.8	98.1
District of Columbia	96.7	96.7	96.7	97.0	97.2
Florida	97.6	97.2	96.6	96.5	97.0
Georgia	97.1	96.9	96.4	96.0	97.6
Hawaii	97.6	97.5	97.4	97.4	97.7
Idaho	98.3	97.4	96.5	97.1	97.1
Illinois	97.9	97.7	97.7	97.7	97.7
Indiana	97.2	97.1	96.6	96.7	97.4
Iowa	98.2	97.4	96.9	97.4	97.9
Kansas	97.9	97.5	97.6	97.3	97.4
Kentucky	96.8	96.9	96.9	96.8	97.2
Louisiana	96.5	96.8	97.2	97.4	97.3
Maine	98.5	97.8	98.2	98.2	97.6
Maryland	98.5	97.6	97.5	97.8	98.1
Massachusetts	98.7	98.4	98.3	98.4	98.4
Michigan	97.5	97.2	97.0	97.2	97.4
Minnesota	98.6	98.2	98.0	98.0	98.1
Mississippi	97.2	96.9	96.9	97.2	96.8
Missouri	97.7	97.3	97.3	97.1	97.6
Montana	97.2	97.0	97.1	97.4	96.9
Nebraska	98.3	98.0	97.8	97.6	97.5
Nevada	97.7	97.7	97.8	97.5	97.9
New Hampshire	98.5	98.3	98.2	98.0	97.9
New Jersey	97.9	97.9	97.6	98.2	98.5
New Mexico	94.7	95.3	94.9	96.5	96.8
New York	97.4	97.2	97.2	97.5	98.0
North Carolina	97.6	97.6	97.5	97.6	97.8
North Dakota	98.0	98.4	98.1	97.3	97.8
Ohio	97.1	97.2	97.1	96.8	97.2
Oklahoma	97.8	97.8	97.5	97.7	97.5
Oregon	97.9	97.7	97.2	97.5	97.6
Pennsylvania	98.2	98.0	97.8	98.0	98.0
Rhode Island	97.9	97.2	97.5	97.9	98.3
South Carolina	96.6	97.1	97.2	97.3	97.7
South Dakota	98.2	98.0	97.3	97.2	97.5
Tennessee	97.6	97.2	97.1	97.3	97.6
Texas	97.7	97.4	97.2	97.4	97.7
Utah	98.3	97.8	97.6	97.6	97.9
Vermont	98.0	97.8	98.2	98.6	98.1
Virginia	97.6	97.4	97.5	97.6	98.2
Washington	98.1	97.8	97.9	97.4	97.9
West Virginia	96.4	96.3	96.0	96.5	97.0
Wisconsin	98.4	98.0	97.7	97.7	97.9
Wyoming	98.0	97.7	97.8	97.7	98.1
Total United States	97.7 %	97.5 %	97.4 %	97.4 %	97.7 %
Puerto Rico	92.4 %	93.5 %	93.8 %	94.2 %	93.8 %

Source: U.S. Census Bureau, American Community Survey. U.S. Total does not include Puerto Rico.

Table 6.6 is the 2014 version of Table 3.6 of the 2013 USF Monitoring Report.

**Table 6.7**  
**Voice Penetration by State, Selected Years**  
**(Percentage of Households with a Telephone in Unit)**

State	1984	1996	2000	2007	2013
Alabama	88.4 %	92.2 %	91.9 %	91.8 %	95.9 %
Alaska	86.5	94.4	94.3	96.5	96.7
Arizona	86.9	93.1	93.9	92.9	94.4
Arkansas	86.6	86.9	88.6	92.0	95.7
California	92.5	95.0	95.8	96.5	95.4
Colorado	93.2	95.5	96.3	96.8	98.1
Connecticut	95.5	97.5	96.4	96.6	98.2
Delaware	94.3	96.1	96.3	94.9	94.5
District of Columbia	94.9	93.0	93.2	91.6	96.0
Florida	88.7	93.1	92.1	93.6	93.5
Georgia	86.2	89.7	91.1	92.6	95.0
Hawaii	93.5	94.8	94.7	96.0	96.4
Idaho	90.7	92.9	93.9	96.4	97.1
Illinois	94.2	93.0	91.5	94.1	95.8
Indiana	91.6	93.7	94.5	90.4	94.5
Iowa	96.2	96.6	96.2	97.0	98.5
Kansas	94.3	93.9	94.8	96.2	97.4
Kentucky	88.1	92.3	93.3	94.4	94.5
Louisiana	89.7	91.1	92.6	94.9	95.9
Maine	93.4	96.5	97.9	96.6	98.1
Maryland	95.7	96.7	95.0	95.5	97.7
Massachusetts	95.9	95.7	94.6	96.3	98.1
Michigan	92.8	95.0	95.0	95.0	97.7
Minnesota	95.8	97.1	97.4	97.9	98.7
Mississippi	82.4	87.5	89.2	90.5	97.5
Missouri	91.5	95.3	95.8	96.1	96.8
Montana	91.0	94.3	94.6	95.4	95.8
Nebraska	95.7	96.0	97.3	93.7	97.3
Nevada	90.4	93.5	94.0	95.2	96.4
New Hampshire	94.3	96.1	97.7	96.8	98.4
New Jersey	94.8	93.6	94.6	95.7	95.7
New Mexico	82.0	86.2	91.2	91.6	93.2
New York	91.8	93.4	95.1	93.4	93.8
North Carolina	88.3	93.5	93.9	94.5	94.1
North Dakota	94.6	96.3	95.8	98.0	97.5
Ohio	92.4	94.5	94.8	95.9	96.3
Oklahoma	90.3	91.3	91.2	94.9	95.4
Oregon	90.6	96.0	94.8	96.7	98.1
Pennsylvania	94.9	96.9	96.6	97.0	97.6
Rhode Island	93.6	95.7	94.9	95.3	96.0
South Carolina	83.7	91.3	93.2	90.6	95.4
South Dakota	93.2	93.3	94.3	97.2	97.7
Tennessee	88.5	94.0	95.5	93.2	94.8
Texas	88.4	91.0	93.5	93.5	96.0
Utah	92.5	96.7	95.9	96.8	97.4
Vermont	92.3	95.9	95.6	97.4	98.3
Virginia	93.1	94.9	95.4	95.3	96.7
Washington	93.0	94.5	94.9	96.8	97.7
West Virginia	87.7	92.9	94.0	94.5	94.6
Wisconsin	95.2	97.0	94.8	96.8	97.6
Wyoming	89.9	95.0	94.7	96.1	98.0
Total United States	91.6 %	93.9 %	94.4 %	94.8 %	95.9 %

Source: U.S. Census Bureau, Current Population Survey.

Table 6.7 is the 2014 version of Table 3.7 of the 2013 USF Monitoring Report.

**Table 6.8**  
**Household Voice Penetration by State and Income, 2014**

State	\$9,999 or Less	\$10,000 to \$19,999	\$19,999 to \$29,999	\$30,000 to \$39,999	\$40,000 or More	All Households
Alabama	93.9 %	94.5 %	95.4 %	100.0 %	94.2 %	95.0 %
Alaska	90.9	98.0	100.0	99.1	99.6	97.8
Arizona	89.5	98.6	95.0	100.0	99.7	96.2
Arkansas	92.4	94.6	98.3	95.1	95.8	94.8
California	91.8	94.5	95.7	96.7	97.9	95.5
Colorado	97.5	95.4	99.2	99.4	99.9	98.4
Connecticut	97.6	98.9	96.7	98.1	98.5	98.1
Delaware	91.6	94.6	95.9	98.9	98.2	95.7
District of Columbia	96.4	93.4	97.2	97.0	99.4	97.1
Florida	91.7	94.6	96.8	96.0	95.9	94.7
Georgia	93.7	97.0	97.6	96.7	99.2	96.7
Hawaii	89.9	95.7	92.8	98.0	99.5	95.6
Idaho	96.0	95.7	97.5	96.7	99.6	97.1
Illinois	92.6	96.2	96.9	98.4	98.3	96.5
Indiana	94.7	95.1	95.8	96.6	98.3	96.1
Iowa	93.0	98.4	99.0	100.0	99.6	98.0
Kansas	99.2	97.0	98.9	100.0	99.0	98.7
Kentucky	90.6	95.4	95.6	98.4	99.1	95.2
Louisiana	93.9	99.8	96.2	100.0	96.8	96.8
Maine	97.8	100.0	99.5	100.0	99.6	99.4
Maryland	96.4	97.4	94.3	99.4	97.6	97.1
Massachusetts	94.7	98.9	98.5	100.0	99.8	98.3
Michigan	95.5	97.7	96.4	100.0	99.3	97.7
Minnesota	97.7	99.1	99.3	99.2	99.6	99.1
Mississippi	96.3	99.3	100.0	100.0	99.7	98.6
Missouri	93.8	94.0	97.5	97.1	96.3	95.4
Montana	91.4	96.9	98.2	97.9	99.8	96.6
Nebraska	96.8	97.3	98.0	98.7	99.1	97.9
Nevada	94.1	96.1	99.1	96.2	99.0	96.7
New Hampshire	96.2	98.2	97.8	99.2	100.0	98.6
New Jersey	90.4	93.5	94.8	100.0	98.4	95.5
New Mexico	87.4	92.6	97.5	96.7	98.1	93.3
New York	90.7	95.4	97.2	96.8	95.9	94.9
North Carolina	95.0	94.5	94.0	92.7	96.7	94.8
North Dakota	94.2	99.4	99.0	97.6	99.0	98.0
Ohio	92.5	96.1	98.2	97.8	100.0	96.6
Oklahoma	90.6	95.8	95.5	99.4	97.0	95.2
Oregon	94.1	93.0	97.4	98.6	98.9	96.3
Pennsylvania	95.5	97.3	97.9	97.6	99.2	97.6
Rhode Island	92.4	98.0	98.1	98.7	97.7	96.8
South Carolina	90.2	96.8	96.5	99.5	98.6	95.6
South Dakota	97.1	97.3	96.9	99.3	98.5	97.7
Tennessee	90.6	91.8	93.8	100.0	97.1	93.6
Texas	93.3	95.1	96.5	97.4	97.8	96.0
Utah	91.6	97.1	98.4	100.0	99.7	97.8
Vermont	93.5	97.8	100.0	98.9	100.0	98.1
Virginia	91.3	97.2	96.0	97.7	98.9	96.7
Washington	97.6	96.5	96.3	99.5	99.5	98.0
West Virginia	89.5	93.8	95.8	97.4	98.4	94.1
Wisconsin	96.5	100.0	98.8	99.5	99.5	98.9
Wyoming	94.5	93.9	97.4	98.5	99.6	96.8
Total United States	93.1 %	95.9 %	96.7 %	97.9 %	98.2 %	96.3 %

Note: Income categories use 1984 dollars. For a conversion to current-year dollars, consult Table 6.2. Source: U.S. Census Bureau, Current Population Survey (March CPS Supplement).

Table 6.8 is the 2014 version of Table 3.8 of the 2013 USF Monitoring Report.

**Table 6.9**  
**Household Internet Use by Selected Characteristics, 2013**

<b>Household Characteristics</b>	<b>Household with Internet Use</b>	
	<b>With some Internet subscription</b>	<b>With high-speed Internet connection</b>
<b>All Households</b>	74.4 %	73.4 %
<b>Household Income</b>		
Less than \$25,000	48.4 %	47.2 %
\$25,000-\$49,999	69.0	67.6
\$50,000-\$99,999	84.9	83.8
\$100,000-\$149,999	92.7	92.1
\$150,000 and more	94.9	94.5
<b>Age of Householder</b>		
15-34 years	77.7 %	77.4 %
35-44 years	82.5	81.9
45-64 years	78.7	77.6
65 years and older	58.3	56.3
<b>Race and Hispanic Origin of Householder</b>		
White alone, non-Hispanic	77.4 %	76.2 %
Black alone, non-Hispanic	61.3	60.6
Asian alone, non-Hispanic	86.6	86.0
Hispanic (of any race)	66.7	65.9
<b>Metropolitan Status</b>		
Metropolitan area	76.1 %	75.2 %
Nonmetropolitan area	64.8	63.1

Note: About 4.2 percent of all households reported household Internet use without paid subscription. These households are not included in this table. Source: Results based on the 2013 American Community Survey as reported in Table 1 in Computer and Internet Use in the United States: 2013 released by the U.S. Census Bureau and available at <http://www.census.gov/content/dam/Census/library/publications/2014/acs/acs-28.pdf>.

**Table 6.10**  
**High-speed Internet Use for Individuals by State, 2013**

State	Lives in a household with high-speed Internet use
Alabama	68.7 %
Alaska	82.6
Arizona	76.2
Arkansas	65.7
California	80.5
Colorado	83.0
Connecticut	83.9
Delaware	78.1
District of Columbia	75.8
Florida	78.3
Georgia	76.3
Hawaii	83.3
Idaho	78.6
Illinois	79.3
Indiana	75.3
Iowa	78.7
Kansas	78.8
Kentucky	74.8
Louisiana	70.3
Maine	79.2
Maryland	83.4
Massachusetts	85.3
Michigan	76.3
Minnesota	82.6
Mississippi	62.3
Missouri	75.6
Montana	77.6
Nebraska	78.8
Nevada	79.4
New Hampshire	85.7
New Jersey	84.5
New Mexico	68.1
New York	80.6
North Carolina	75.2
North Dakota	79.4
Ohio	77.1
Oklahoma	71.1
Oregon	82.4
Pennsylvania	78.9
Rhode Island	82.9
South Carolina	71.7
South Dakota	76.0
Tennessee	72.2
Texas	74.6
Utah	83.8
Vermont	80.9
Virginia	80.6
Washington	83.0
West Virginia	71.8
Wisconsin	79.0
Wyoming	80.5
Total United States	78.1 %

Source: Results based on the 2013 American Community Survey as reported in Table 4 in Computer and Internet Use in the United States: 2013 released by the U.S. Census Bureau and available at <http://www.census.gov/content/dam/Census/library/publications/2014/acs/acs-28.pdf>.

**Table 6.11**  
**Residential Fixed Connections per Household by Speed Tier as of December 31, 2013**

State	Households	3 Mbps/768 kbps		10 Mbps/768 kbps		25 Mbps/3 Mbps	
		Subscribers	Ratio	Subscribers	Ratio	Subscribers	Ratio
Alabama	1,919,933	774,550	0.40	645,612	0.34	324,220	0.17
Alaska	269,099	127,198	0.47	100,328	0.37	*	*
American Samoa	9,032	0	0.00	0	0.00	0	0.00
Arizona	2,496,095	1,563,120	0.63	1,210,662	0.49	867,111	0.35
Arkansas	1,173,972	417,356	0.36	291,531	0.25	122,074	0.10
California	12,911,989	8,419,078	0.65	6,859,628	0.53	3,260,296	0.25
Colorado	2,053,743	1,409,140	0.69	1,175,494	0.57	*	*
Connecticut	1,386,734	946,650	0.68	840,976	0.61	458,291	0.33
Delaware	355,047	260,043	0.73	237,643	0.67	*	*
District of Columbia	276,024	191,583	0.69	159,584	0.58	*	*
Florida	7,733,292	4,834,783	0.63	4,237,888	0.55	2,303,936	0.30
Georgia	3,738,767	1,940,009	0.52	1,552,291	0.42	1,047,393	0.28
Guam	39,815	*	*	*	*	0	0.00
Hawaii	470,318	379,221	0.81	*	*	*	*
Idaho	604,755	291,027	0.48	193,369	0.32	89,438	0.15
Illinois	4,875,528	2,787,027	0.57	2,181,049	0.45	1,548,069	0.32
Indiana	2,541,873	1,333,727	0.52	1,004,148	0.40	554,873	0.22
Iowa	1,235,525	400,731	0.32	224,315	0.18	32,240	0.03
Kansas	1,129,752	592,511	0.52	453,922	0.40	213,194	0.19
Kentucky	1,752,964	853,462	0.49	631,555	0.36	50,426	0.03
Louisiana	1,743,808	736,325	0.42	626,465	0.36	368,206	0.21
Maine	560,803	375,800	0.67	267,735	0.48	37,429	0.07
Maryland	2,211,006	1,611,674	0.73	1,451,746	0.66	965,669	0.44
Massachusetts	2,574,668	2,036,969	0.79	1,826,724	0.71	1,302,256	0.51
Michigan	3,855,641	2,236,418	0.58	1,856,134	0.48	1,194,464	0.31
Minnesota	2,127,771	1,205,986	0.57	971,867	0.46	691,717	0.33
Mississippi	1,127,391	345,822	0.31	290,451	0.26	170,247	0.15
Missouri	2,412,625	1,129,789	0.47	937,656	0.39	352,315	0.15
Montana	420,133	191,649	0.46	147,170	0.35	14,076	0.03
Nebraska	734,110	431,609	0.59	289,591	0.39	181,562	0.25
Nevada	1,067,847	620,575	0.58	505,382	0.47	*	*
New Hampshire	525,463	402,313	0.77	339,475	0.65	227,933	0.43
New Jersey	3,249,685	2,607,384	0.80	2,425,124	0.75	1,340,161	0.41
New Mexico	817,668	375,945	0.46	274,346	0.34	162,363	0.20
New York	7,363,023	5,677,015	0.77	5,142,186	0.70	1,256,563	0.17
North Carolina	3,910,150	2,286,764	0.58	2,029,014	0.52	337,139	0.09
North Dakota	287,668	167,674	0.58	134,034	0.47	97,580	0.34
Northern Mariana Isl.	10,915	*	*	0	0.00	0	0.00
Ohio	4,612,116	2,804,381	0.61	2,165,201	0.47	186,508	0.04
Oklahoma	1,496,886	651,797	0.44	471,150	0.31	*	*
Oregon	1,566,797	992,597	0.63	836,097	0.53	583,872	0.37
Pennsylvania	5,058,662	3,283,001	0.65	2,589,365	0.51	1,624,059	0.32
Puerto Rico	1,372,831	173,112	0.13	*	*	0	0.00
Rhode Island	412,679	306,791	0.74	270,774	0.66	*	*
South Carolina	1,870,946	1,032,889	0.55	912,059	0.49	283,816	0.15
South Dakota	330,107	191,099	0.58	138,050	0.42	105,969	0.32
Tennessee	2,566,653	1,270,909	0.50	1,094,231	0.43	794,150	0.31
Texas	9,382,733	5,232,528	0.56	4,116,568	0.44	1,029,525	0.11
Utah	923,461	608,638	0.66	467,611	0.51	308,920	0.33
Vermont	257,356	181,712	0.71	116,530	0.45	76,704	0.30
Virgin Islands	40,660	6,695	0.16	*	*	0	0.00
Virginia	3,155,092	2,070,505	0.66	1,755,900	0.56	1,170,460	0.37
Washington	2,723,060	1,845,278	0.68	1,586,227	0.58	1,229,278	0.45
West Virginia	767,271	434,184	0.57	266,956	0.35	67,852	0.09
Wisconsin	2,313,858	1,295,566	0.56	1,078,558	0.47	362,570	0.16
Wyoming	234,899	114,304	0.49	94,616	0.40	7,784	0.03
<b>Total</b>	<b>121,060,699</b>	<b>72,476,313</b>	<b>0.60</b>	<b>59,842,293</b>	<b>0.49</b>	<b>29,368,828</b>	<b>0.24</b>

Mbps = megabits per second and kbps = kilobits per second. \* = Data withheld to maintain firm confidentiality.

Note: Figures may not sum to totals due to rounding.

Sources: FCC Form 477, Part VI (Connections); Geolytics 2013 Block-Level Estimates (Households for U.S. and District of Columbia); Census 2010 (Housing Units for Puerto Rico, American Samoa, Guam, Northern Mariana Islands and U.S. Virgin Islands).

Table 6.11 is the 2014 version of Table 3.11 of the 2013 USF Monitoring Report.



## Section 7 – Price Indices

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### Overview – Price Indices

This section contains information on telephone price indices using data from the Consumer Price Index (CPI) maintained by the Bureau of Labor Statistics (BLS). The BLS collects information on telephone service as part of the CPI.<sup>1</sup> Monthly CPI data can be found on the Internet at [www.bls.gov/cpi/](http://www.bls.gov/cpi/). The monthly price indices represent prices sampled in the middle of the month.

The CPI for telephone services is based on a “market basket” intended to represent the telephone-related expenditures of a typical urban household. It includes both land-line telephone service and wireless telephone service. In January 2010, BLS discontinued collecting four land-line telephone indices, including local charges, long distance charges, interstate toll calls, and intrastate toll calls. These four indices were combined into a single land-line telephone service index, which began in December 2009.

The Producer Price Index (PPI), also published by BLS, continues to release sub-indices for telephone services. We no longer include them in this report because they have become less meaningful as the bundling of telephone services has become more common in the land-line telephone industry.<sup>2</sup>

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<sup>1</sup> BLS publishes two sets of Consumer Price Indices. The CPI-U, used herein, is based on expenditures of all urban consumers. The CPI-W series is based on expenditures of urban wage earners and clerical workers.

<sup>2</sup> PPI data are available on the BLS website at [www.bls.gov/ppi/](http://www.bls.gov/ppi/).

**Table 7.1**  
**Long-Term Changes for Various Price Indices**  
**(Average Annual Rates of Change)**

	1963-2013	2003-2013
CPI All Items (SA0)	4.1 %	2.3 %
CPI All Services (SAS)	4.9	2.7
CPI Telephone Services (SEED)	1.6	0.2
CPI Major Categories:		
- Food & Beverages (SAF)	*	2.7
- Housing (SAH)	*	2.1
- Apparel (SAA)	2.0	0.3
- Transportation (SAT)	4.0	3.4
- Medical Care (SAM)	5.9	3.7
- Recreation (SAR)	*	0.7
- Other Goods & Services (SAG)	*	2.9
CPI Public Transportation (SETG)	5.1	2.8
CPI Utility (Piped) Gas Service (SEHF02)	5.0	3.1
CPI Electricity (SEHF01)	3.9	3.6
CPI Water & Sewerage Maint. (SEHG01)	5.9	5.8
CPI Postage (SEEC01)	5.0	3.4

\* Series not established until after 1963.

Note: The CPI Telephone Services index was revised in December of 1997. To calculate values in this table, Series MUUR0000SE270A is used for periods prior to this revision and CUUR0000SEED is used for periods after the revision. After each row, the series ID is provided and should be preceded by CUUR0000 when referencing the series. Source: Bureau of Labor Statistics.

Table 7.1 is the 2014 version of Table 4.1 of the 2013 USF Monitoring Report.

**Table 7.2**  
**Annual Changes in CPI Telephone Services and All Items Indices**

	<b>All Goods and Services</b>	<b>Telephone Services</b>
2000	3.4	-2.3
2001	1.6	1.3
2002	2.4	0.2
2003	1.9	-2.7
2004	3.3	-2.5
2005	3.4	0.4
2006	2.5	1.7
2007	4.1	2.1
2008	0.1	2.9
2009	2.7	1.0
2010	1.5	-0.9
2011	3.0	-0.3
2012	1.7	0.3
2013	1.5	0.0

Note: Values report the percent change from December of the previous year through December of the year shown. Sources: Bureau of Labor Statistics and Bureau of Economic Analysis.

Table 7.2 is the 2014 version of Table 4.2 of the 2013 USF Monitoring Report.

**Table 7.3**  
**Monthly Consumer Price Indices**  
**(December 2009 = 100)**

	<b>All Goods and Services</b>	<b>Telephone Services</b>	<b>Land-line Telephone Services</b>	<b>Wireless Telephone Services</b>
<b>BLS Series ID</b>	<b>CUUR0000SA0</b>	<b>CUUR0000SEED</b>	<b>CUUR0000SEED04</b>	<b>CUUR0000SEED03</b>
2011 January	102.0	98.7	103.0	95.2
February	102.5	98.6	103.0	95.0
March	103.5	98.6	103.1	94.8
April	104.1	98.5	102.9	94.9
May	104.6	98.5	102.9	94.8
June	104.5	98.5	103.0	94.8
July	104.6	98.3	103.3	94.1
August	104.9	98.3	103.4	94.1
September	105.1	98.4	103.6	94.1
October	104.8	98.6	103.9	94.1
November	104.8	98.6	103.9	94.1
December	104.5	98.7	104.1	94.2
2012 January	105.0	99.0	104.9	94.2
February	105.4	99.0	105.0	94.2
March	106.2	99.1	105.2	94.2
April	106.5	99.2	105.4	94.2
May	106.4	99.3	105.5	94.3
June	106.3	99.4	105.7	94.3
July	106.1	98.9	105.6	93.6
August	106.7	98.6	105.9	92.9
September	107.2	98.7	105.7	93.2
October	107.1	98.9	105.8	93.5
November	106.6	99.0	106.1	93.4
December	106.3	99.0	106.1	93.4
2013 January	106.6	99.3	107.1	93.3
February	107.5	99.3	107.6	93.0
March	107.8	99.2	107.6	92.9
April	107.7	98.6	107.4	92.1
May	107.9	98.6	107.6	92.1
June	108.1	98.6	107.5	92.0
July	108.2	98.7	108.2	91.8
August	108.3	98.6	108.1	91.7
September	108.4	98.8	108.8	91.7
October	108.1	99.0	109.3	91.7
November	107.9	98.9	109.2	91.6
December	107.9	99.0	109.4	91.5
2014 January	108.3	99.3	111.1	91.4
February	108.7	98.9	110.8	90.9
March	109.4	98.9	110.8	90.8
April	109.8	99.0	110.8	91.0
May	110.2	98.9	111.1	90.7
June	110.4	98.8	111.0	90.6
July	110.3	98.8	111.1	90.6

Notes: Series values for All Goods and Services are converted from the 1982-1984 base index series reported by the Bureau of Labor Statistics (BLS). Series values for Telephone Services and Wireless Telephone Services are converted from the December 1997 base index series reported by BLS. Series are not seasonally adjusted. Series may be referenced via the BLS website with the Series ID listed at the top of each column.

Table 7.3 is the 2014 version of Table 4.3 of the 2013 USF Monitoring Report.

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## Introduction

The Federal Communications Commission's (Commission) 2011 *USF/ICC Transformation Order* comprehensively reformed and modernized the high-cost program within the universal service fund to support networks capable of providing voice and broadband services.<sup>1</sup> Among other actions taken in that Order, the Commission adopted a framework, known as the Connect America Fund (CAF), to provide ongoing support to areas served by price cap carriers while maintaining existing support mechanisms for rate-of-return carriers, with some modifications. The Commission's goals are to: "(1) preserve and advance universal availability of voice service; (2) ensure universal availability of modern networks capable of providing voice and broadband service to homes, businesses, and community anchor institutions; (3) ensure universal availability of modern networks capable of providing mobile voice and broadband service where Americans live, work, and travel; (4) ensure that rates are reasonably comparable in all regions of the nation, for voice as well as broadband services; and (5) minimize the universal service contribution burden on consumers and businesses."<sup>2</sup>

This appendix of the Monitoring Report provides a summary of the actions taken to date to implement the high-cost program reforms and updates the data previously published in the March 2014 Universal Service Implementation Report.<sup>3</sup>

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<sup>1</sup> See *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform—Mobility Fund*; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC 17663 (2011) (*USF/ICC Transformation Order and/or FNPRM*), *aff'd In re: FCC 11-161*, 753 F.3d 1015 (10th Cir. 2014).

<sup>2</sup> *USF/ICC Transformation Order*, 26 FCC Rcd at 17680, para. 48 (footnote omitted).

<sup>3</sup> Universal Service Implementation Progress Report, WC Docket No. 10-90 (rel. Mar. 18, 2014) available at <http://www.fcc.gov/document/universal-service-implementation-progress-report>.

## Connect America Phase I

Phase I of the Connect America Fund implementation consisted primarily of two parts. First, the Commission froze support under existing high-cost support mechanisms for price cap carriers and their rate-of-return affiliates and required that frozen support during Phase I be used to build and operate voice and broadband-capable networks used to offer the provider's own retail broadband service in areas substantially unserved by an unsubsidized competitor.<sup>4</sup> Second, to spur the deployment of voice and broadband-capable infrastructure to unserved locations while the Wireline Competition Bureau (Bureau) developed a forward-looking cost model to calculate the offer of Phase II support to price cap carriers, the Commission decided to offer additional, incremental support to price cap carriers.<sup>5</sup>

In the first round of Connect America Phase I, support to extend broadband-capable infrastructure was made available for areas lacking Internet access with speeds of at least 768 kbps downstream/200 kbps upstream. In July 2012, price cap carriers elected nearly \$115 million in Phase I incremental support, committing to bring broadband-capable infrastructure to nearly 400,000 previously unserved Americans by 2015.<sup>6</sup> A map of states where carriers plan to use first round Phase I funding is available at <http://www.fcc.gov/maps/connect-america-fund-caf-phase-i>.

In May 2013, the Commission adopted rules for a second round of Connect America Phase I incremental support.<sup>7</sup> The Commission expanded the eligible locations to include areas lacking Internet access with 3 Mbps downstream and 768 kbps upstream<sup>8</sup> and concluded that parties could challenge whether a location was in fact served by an existing provider and thus ineligible for support.<sup>9</sup>

Over 80 interested parties participated in the Phase I challenge process, either challenging the status of a block as shown on the National Broadband Map or responding to the challenge of another party.<sup>10</sup> On January 10, 2014, the Bureau issued an Order adjudicating these challenges.<sup>11</sup> As of March 14, 2014, the Bureau had authorized nearly \$324 million in second round Phase I support for deployment

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<sup>4</sup> *Id.* at 17712, para. 128; *see also* 47 C.F.R. § 54.313(c). A price cap carrier recipient of frozen support must certify that an increasing portion of its frozen support was used to build and operate broadband-capable networks used to offer the provider's own retail broadband service in areas substantially unserved by an unsubsidized competitor. Recipients must certify that 1/3 of frozen support received in 2013 was used for such purposes, increasing to 2/3 of frozen support in 2014, and all frozen support in 2015 and beyond. However, the use of frozen support is not limited to new capital investment occurring in 2013 and beyond. In calculating the amount of frozen support used to build and operate such networks, carriers are permitted to include the funds used to maintain and operate existing networks in areas substantially unserved by an unsubsidized competitor, as well as funds used to recover the costs of past network upgrades to extend broadband-capable networks in areas substantially unserved by an unsubsidized competitor. *Connect America Fund et al.*, WC Docket No. 10-90 et al., Order, 28 FCC Rcd 14887, 14890, para. 10 (Wireline Comp. Bur. 2013).

<sup>5</sup> *USF/ICC Transformation Order*, 26 FCC Rcd at 17715-17, paras. 133-38.

<sup>6</sup> Press Release, FCC, FCC Kicks-Off 'Connect America Fund' with Major Announcement: Nearly 400,000 Unserved Americans in Rural Communities in 37 States Will Gain Access to High-Speed Internet Within Three Years (July 25, 2012) (available at [http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/DOC-315413A1.pdf](http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-315413A1.pdf)).

<sup>7</sup> *Connect America Fund*, WC Docket No. 10-90, Report and Order, 28 FCC Rcd 7766 (2013) (*Phase I Order*).

<sup>8</sup> *Id.* at 7771-72, paras. 15-16.

<sup>9</sup> *Id.* at 7776-79, paras. 28-33.

<sup>10</sup> *Connect America Fund*, WC Docket No. 10-90, Order, 29 FCC Rcd 181, para. 1 (Wireline Comp. Bur. 2014) (*Phase I Challenge Process Resolution Order*).

<sup>11</sup> *Id.*

of broadband-capable infrastructure to over 1.2 million Americans.<sup>12</sup> Included in this 1.2 million are 650,000 Americans who will receive access to broadband-capable infrastructure due to the Commission's decision to expand the eligible areas to include areas lacking 3 Mbps downstream and 768 kbps upstream. A map of areas where carriers plan to use second round Phase I funding is available at <http://www.fcc.gov/maps/connect-america-fund-phase-i-round-two>.

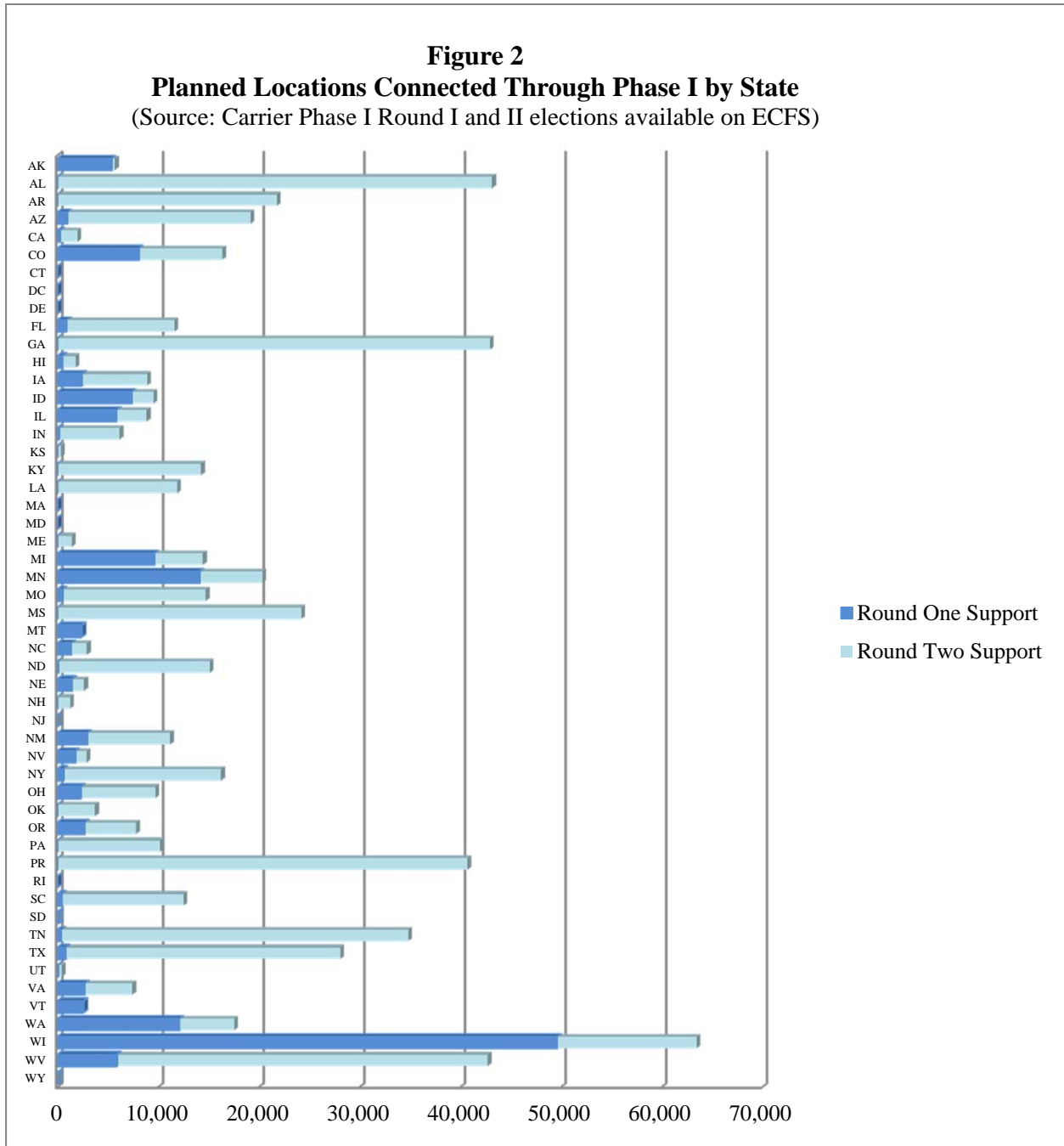
**Figure 1**  
**Phase I Election Results**  
(Source: Carrier Phase I Round I and II elections available on the Electronic Comment Filing System as of March 14, 2014)

<u>Round</u>	<u>Persons Served</u>	<u>Locations Served</u>	<u>Funding</u>	<u>States Served</u>
Round One (2012)	385,085	147,542	\$114,343,753	37
Round Two (2013-14)	1,278,229	489,743	\$323,948,319	43 plus PR
Total	1,663,314	637,285	\$438,292,072	45 plus PR

<sup>12</sup> *Id.*; Over \$32 Million of Connect America Funding Authorized to Connect Unserved Homes and Businesses in Alaska, Hawaii, and Puerto Rico, WC Docket No. 10-90, Public Notice, 28 FCC Rcd 14896 (Wireline Comp. Bur. 2013); Over \$255 Million of Connect America Funding Authorized to Connect Unserved Homes and Businesses in 41 States, WC Docket No. 10-90, Public Notice, 28 FCC Rcd 16450 (Wireline Comp. Bur. 2013). Price cap carriers that made conditional elections were given the opportunity to modify their elections, specifying additional locations in already authorized Census blocks. *Phase I Challenge Process Resolution Order*, 29 FCC Rcd at 238, para. 299. Windstream and AT&T subsequently revised their elections in light of the resolution of the challenges. On March 14, 2014, the Bureau authorized an additional \$16,713,875 in Phase I incremental support for a further 20,045 locations. See *Additional \$16.7 Million in Connect America Phase I Support Authorized*, WC Docket No. 10-90, Public Notice, DA 14-353 (Wireline Comp. Bur. rel. Mar. 14, 2014).



The following chart shows the number of locations, by state, where price cap carriers have indicated that they plan to deploy broadband-capable infrastructure using Connect America Phase I support.<sup>13</sup>

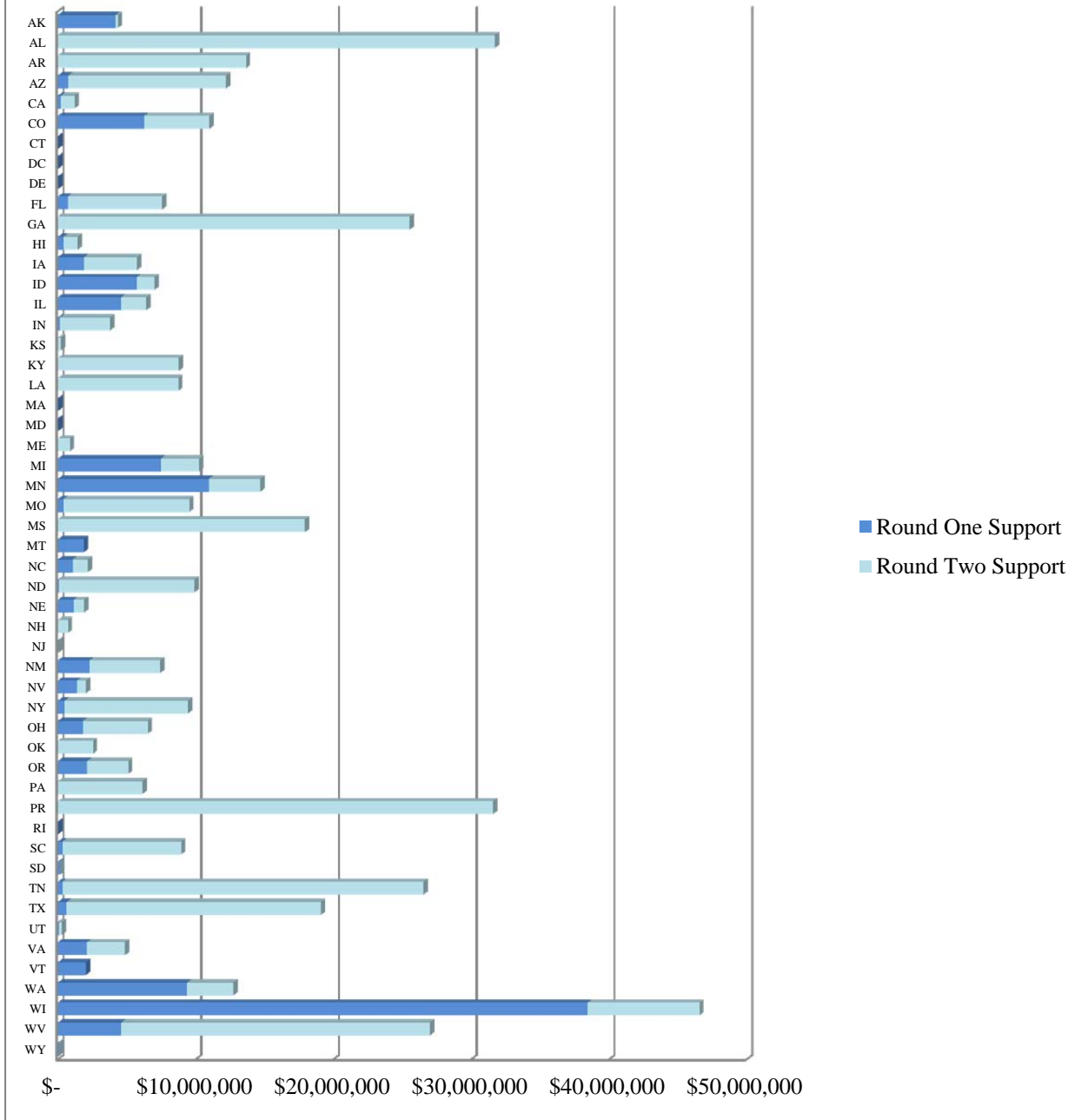


<sup>13</sup> After providing the Commission with notice, carriers have the ability to alter deployment plans to other unserved Census blocks, which could result in deployment to more or fewer locations in any given state. *Phase I Order*, 28 FCC Rcd at 7777, para. 31 n.60; *Connect America Fund*, WC Docket No. 10-90, Order on Reconsideration, 28 FCC Rcd 10488, 10489-91, paras. 4-7 (2013) (*Phase I Sua Sponte Reconsideration*).

The table below shows dollars of funding, by state, where price cap carriers have committed to deploy broadband-capable infrastructure using Connect America Phase I support.<sup>14</sup>

**Figure 3**  
**Planned Phase I Support by State**

(Source: Carrier Phase I Round I and II elections available on ECF)



<sup>14</sup> After providing the Commission with notice, carriers have the ability to alter deployment plans to other unserved Census blocks, which could result in more or less funding being allocated to any given state. *Phase I Order*, 28 FCC Rcd at 7777, para. 31 n.60; *Phase I Sua Sponte Reconsideration*, 28 FCC Rcd at 10489-91, paras. 4-7.

## Connect America Phase II

In the *USF/ICC Transformation Order*, the Commission determined that it would provide support in Phase II through a combination of “a new forward-looking model of the cost of constructing modern multi-purpose networks” and a competitive bidding process.<sup>15</sup> Using the cost model to “estimate the support necessary to serve areas where costs are above a specified benchmark, but below a second ‘extremely high-cost’ benchmark,” the Commission will offer each price cap carrier “a model-derived support amount in exchange for a commitment to serve all locations in its service territory in a state that, based on the model, fall within the high-cost range and are not served by an competing, unsubsidized provider.”<sup>16</sup>

The Commission delegated to the Bureau “the task of selecting a specific engineering cost model and associated inputs that meet the criteria specified” by the Commission.<sup>17</sup> The Commission also directed the Bureau to consider “whether the model ultimately adopted adequately accounts for the costs faced by carriers serving [areas outside of the United States].”<sup>18</sup>

In April 2013, the Bureau adopted a platform for the Connect America Cost Model (CACM or CAM), which is the basic framework for the model consisting of key assumptions about the design of the network and network engineering, and also addressing certain framework issues relating to inputs.<sup>19</sup> In April 2014, the Bureau released an order finalizing decisions regarding the engineering assumptions in the CAM and adopting the inputs necessary for the model to calculate the cost of serving Census blocks in price cap areas, which will be used to determine the offer of model-based support to price cap carriers.<sup>20</sup>

The Bureau subsequently commenced the Phase II challenge process to determine the final list of Census blocks eligible for the offer of model-based support.

On June 20, 2014, the Bureau released a Public Notice providing guidance on how the challenge process would be conducted.<sup>21</sup> The Bureau articulated what it meant for a provider to serve an area, what types of evidence parties could file, and how confidential filings would be handled.<sup>22</sup>

On June 30, 2014, the Bureau commenced the Phase II challenge process.<sup>23</sup> The Bureau released a list of Census blocks that had been deemed initially eligible for Phase II support, and parties

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<sup>15</sup> *USF/ICC Transformation Order*, 26 FCC Rcd at 17725, para. 156.

<sup>16</sup> *Id.* For all states for which price cap carriers decline to make the service commitment, the Commission will award ongoing support through a competitive process.

<sup>17</sup> *Id.* at 17725, para. 157; *see also id.* at 17737, para. 192.

<sup>18</sup> *Id.* at 17737, para. 193. These “non-contiguous areas” are Alaska, Hawaii, Puerto Rico, the U.S. Virgin Islands, and the Northern Marianas Islands. *See id.*

<sup>19</sup> *See Connect America Fund; High-Cost Universal Service Support*, WC Docket Nos. 10-90, 05-337, Report and Order, 28 FCC 5301 (Wireline Comp. Bur. 2013).

<sup>20</sup> *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order, 29 FCC Rcd 3964 (Wireline Comp. Bur. 2014).

<sup>21</sup> *Wireline Competition Bureau Provides Guidance Regarding Phase II Challenge Process*, WC Docket No. 10-90, Public Notice, 29 FCC Rcd 7505 (Wireline Comp. Bur. 2014).

<sup>22</sup> *Id.* at 7506-13, paras. 8-28.

had 45 days to challenge that initial list, claiming either that Census blocks should be added to or removed from that list. Nearly 150 parties submitted over 175,000 challenges. On September 26, 2014, the Bureau released a list of challenges that merited responses, giving parties 45 days to reply.<sup>24</sup> The Bureau concluded that 24,225 challenges made a valid prima facie case that a Census block should be treated as served, while 70,868 challenges made a valid prima facie case that a Census block should be treated as unserved. Responses to the prima facie challenges were due November 10. The Bureau will weigh the evidence presented in the challenges and replies to determine which Census blocks should be deemed eligible or ineligible for Phase II support.

In addition to its work on the Connect America Cost Model, the Bureau has taken further actions to implement Phase II. In October 2013, the Bureau released the *Phase II Service Obligations Order*, which specified performance metrics for price cap carriers accepting Phase II model-based support in exchange for a state-level commitment.<sup>25</sup> The Bureau adopted requirements for latency, usage allowance, and pricing for such carriers.<sup>26</sup> The Bureau also articulated how those requirements would apply to determine whether an area would be considered to be served by an unsubsidized competitor.<sup>27</sup>

On October 16, 2014, the Wireline Competition Bureau, Wireless Telecommunications Bureau, and the Office of Engineering and Technology sought comment to further develop the record on a proposed methodology for high-cost recipients to measure and report speed and latency performance to fixed locations.<sup>28</sup>

(Continued from previous page) \_\_\_\_\_

<sup>23</sup> *Wireline Competition Bureau Commences Connect America Phase II Challenges Process*, WC Docket No. 14-93 et al., Public Notice, 29 FCC Rcd 7986 (Wireline Comp. Bur. 2014) (*Challenge Process Commencement Public Notice*).

<sup>24</sup> *Replies Sought in Connect America Phase II Challenge Process*, WC Docket Nos. 10-90, 14-93, DA 14-1397, Public Notice (Wireline Comp. Bur. rel. Sept. 26, 2014).

<sup>25</sup> *Connect America Fund*, WC Docket No. 10-90, Report and Order, 28 FCC Rcd 15060 (Wireline Comp. Bur. 2013) (*Phase II Service Obligations Order*).

<sup>26</sup> *Id.* at 15062-76, paras. 6-38.

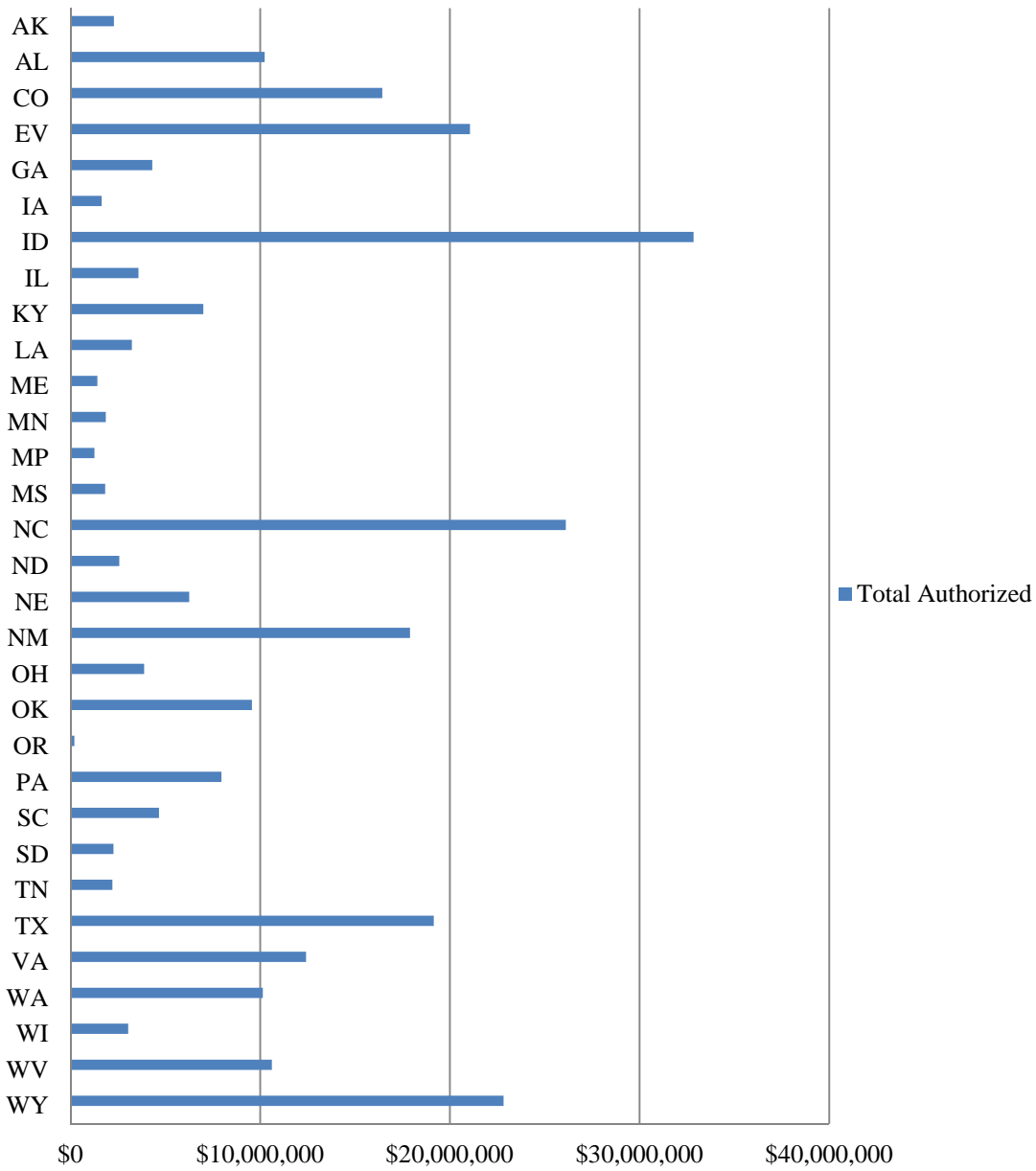
<sup>27</sup> *Id.* at 15076-80, paras. 39-47.

<sup>28</sup> *Wireline Competition Bureau, Wireless Telecommunications Bureau and the Office of Engineering and Technology Seek Comment on Proposed Methodology for Connect America High-Cost Universal Service Support Recipients to Measure and Report Speed and Latency Performance to Fixed Locations*, WC Docket No. 10-90, Public Notice, DA 14-1499 (rel. Oct. 16, 2014).

## **Mobility Fund**

For the first time, in the *USF/ICC Transformation Order*, the Commission established a universal service support mechanism dedicated exclusively to mobile services – the Mobility Fund. Initial Mobility Fund Phase I support was awarded through a nationwide reverse auction, Auction 901, held in September 2012. This auction made available up to \$300 million in one-time support to accelerate deployment of networks for mobile voice and broadband services in areas unserved by current generation or 3G networks. In this auction, there were a total of 33 winning bidders. The winning bidders are eligible to receive a total of \$299,998,632 in one-time Mobility Fund Phase I universal service support to provide 3G or better mobile voice and broadband services covering up to approximately 83,000 road miles in 795 biddable geographic areas located in 31 states and 1 territory. Since April 2013, the Wireless Telecommunications and Wireline Competition Bureaus have authorized initial disbursements for over \$270 million in winning bids, and announced over \$27 million in auction defaults. Of the authorized winning bids, three winning bidders subsequently defaulted on their performance obligations for bids totaling over \$53 million. A performance default by Allied Wireless Communications Corporation (Allied), accounted for over 86 percent of the total performance default amount and occurred because Allied's parent company assigned to AT&T the licenses that Allied needed to meet its performance requirements. The Bureaus are actively processing the remaining application for support.

**Figure 4**  
**Mobility Fund Phase I Authorized Support to Auction 901 Winning Bidders**  
 (Source: Authorized Public Notices available on FCC Auctions website)



## **Tribal Mobility Fund Phase I**

The Commission set aside \$50 million in one-time (Phase I) support to accelerate immediately deployment of networks for mobile voice and broadband services in unserved Tribal land areas to be awarded through a separate complementary one-time Tribal Mobility Fund Phase I auction. This auction, designated Auction 902, was completed on February 25, 2014. The five winning bidders are eligible to receive a total of up to \$49,806,874 in one-time Tribal Mobility Fund Phase I universal service support to provide 3G or better mobile voice and broadband services covering a population of 56,932 in 80 biddable areas. These areas include 18 biddable areas on five Reservations or Tribal lands in Arizona, Montana, New Mexico, and Utah; and 62 biddable areas in 49 Alaska Native Village Statistical Areas and 13 bidding areas otherwise in Alaska Native Regions. The Bureaus have authorized or announced they are ready to authorize the \$49,806,874 in support.

## **Rural Broadband Experiments**

Taking further steps to implement the Connect America Fund, in July 2014, the Commission adopted a \$100 million budget for rural broadband experiments and established an objective methodology for selecting projects among formal applications from those carriers that would deploy new, robust broadband to consumers in price cap areas.<sup>29</sup> The \$100 million available for the experiments is divided into three groups as follows:

- \$75 million to test competitive interest in building networks that are capable of delivering 100 Mbps downstream and 25 Mbps upstream for the same or lower amounts of support than will be offered to incumbent price carriers in Phase II of the Connect America Fund;
- \$15 million to test interest in delivering service at 10 Mbps downstream/1 Mbps upstream speeds in high cost areas; and
- \$10 million for 10 Mbps downstream/1 Mbps upstream service in areas that are extremely costly to serve.

Applications were due on November 7, 2014.

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<sup>29</sup> *Connect America Fund, ETC Annual Reports and Certifications, Report and Order and Further Notice of Proposed Rulemaking*, 29 FCC Rcd 8769 (2014).

### Phase Out of Safety Net Additive

In the *USF/ICC Transformation Order*, the Commission decided to phase out a high-cost universal service support mechanism known as the Safety Net Additive (SNA) because it was generally providing support for carriers based on line loss rather than new investment.<sup>30</sup> The Commission determined that carriers that qualified for SNA support due to a 14 percent or greater increase in investment over the prior year would continue to receive support, while carriers qualifying for SNA based on line loss would have their SNA support eliminated in 2013.<sup>31</sup> In 2014, the Commission modified this decision to provide SNA support to carriers that would have qualified under the prior rules based on significant network investments made in 2010 and 2011.<sup>32</sup>

Figure 5 below demonstrates the change in total SNA support for price cap and rate-of-return carriers following the reforms adopted in the *USF/ICC Transformation Order*.

<b>Figure 5</b>				
<b>Safety Net Claims</b>				
<b>(in \$millions)</b>				
(Source: Table 3.3; *2014 is based on annualized January 2014-June 2014 data)				
	<u><b>2011</b></u>	<u><b>2012</b></u>	<u><b>2013</b></u>	<u><b>2014*</b></u>
<b>Rate-of-Return Carriers</b>	65.5	41.6	19.4	16.4
<b>Price Cap Carriers</b>	10.7	-	-	-
<b>Total</b>	76.2	41.6	19.4	16.4

<sup>30</sup> *USF/ICC Transformation Order*, 26 FCC Rcd at 17758, para. 252. In 2001, the Commission created SNA to provide further support to incumbent carriers that made significant investment in their infrastructure. The rule provided additional support for the qualifying year and four subsequent years. See *Federal-State Joint Board on Universal Service; Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket No. 96-45, and Report and Order in CC Docket No. 00-256, 16 FCC Rcd 11244, 11276-81, paras. 77-90 (2001) (*Rural Task Force Order*).

<sup>31</sup> *USF/ICC Transformation Order*, 26 FCC Rcd at 17758, para. 252.

<sup>32</sup> *Connect America Fund*, et al., WC Docket Nos. 10-90, 10-208, 14-58, 07-135, 01-92, , Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, 29 FCC Rcd 7051, 7088-90, paras. 109-115 (2014) (*April 2014 Connect America Order*).



## Benchmarking Rule

In the *USF/ICC Transformation Order*, the Commission adopted a benchmarking rule to place limits on capital and operating expenses eligible for reimbursement through high-cost loop support (HCLS) and redistribute available HCLS to carriers that stay within these limits.<sup>33</sup> The Bureau initially implemented this rule in April 2012.<sup>34</sup> On February 27, 2013, the Commission reconsidered some aspects of the rule, directing the Bureau to develop a regression methodology to generate a single total loop cost cap for each study area beginning in 2014 and modify the phase-in of the benchmarks for 2013 to provide carriers additional time to adjust to the changes.<sup>35</sup> On July 26, 2013, the Bureau adopted an order maintaining the 2013 regression methodology for 2014 to provide predictability for carriers while the Bureau incorporated new geographic data and obtained public input on the development of the single cap.<sup>36</sup> The order also exempted Alaska from the benchmark rule for 2014.<sup>37</sup> In April 2014, the Commission eliminated the benchmarking rule, determining that the rule may have unintentionally encouraged carriers that were not subject to the benchmarks to believe that they needed to limit investment in broadband-capable networks, and stated that HCLS support would be distributed as it had been prior to the *USF/ICC Transformation Order*.<sup>38</sup> This order became effective on August 1, 2014. Figure 6 below demonstrates the number of carriers affected and the amount of support redistributed by the benchmarking rule between July 2012 and July 2014.<sup>39</sup> The approximately \$41 million redistributed accounts for a small percentage of the \$1.5 billion in HCLS awarded during the same two-year period.

<b>Figure 6</b>		
<b>Study Areas Affected by Benchmarking Rule</b>		
<b>July 2012 through July 2014</b>		
<b>(in \$millions)</b>		
(Source: Supplemental Material File “HCL Benchmarks.xlsx”)		
	<b><u>Study Areas Affected</u></b>	<b><u>Amount</u></b>
	<b><u>Number</u></b>	
<b>HCLS Increase</b>	781	40.7
<b>HCLS No Change</b>	216	-
<b>HCLS Decrease</b>	102	(40.5)

<sup>33</sup> *Id.* at 17741-47, paras. 210-26.

<sup>34</sup> *Connect America Fund; High-Cost Universal Service Support*, WC Docket Nos. 10-90, 05-337, Order, 27 FCC Rcd 4235 (2012) (*HCLS Benchmarks Implementation Order*).

<sup>35</sup> *See Sixth Order on Reconsideration*.

<sup>36</sup> *Connect America Fund; High-Cost Universal Service Support*, WC Docket Nos. 10-90, 05-337, Order, 28 FCC Rcd 10999 (Wireline Comp. Bur. 2013).

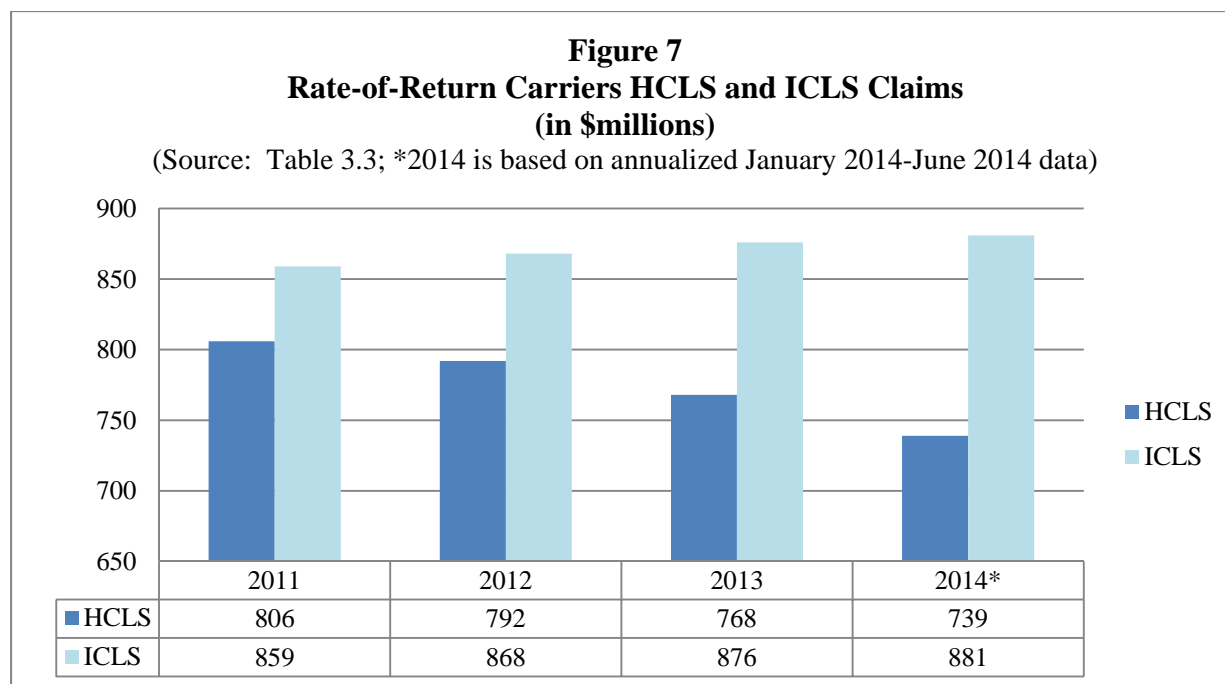
<sup>37</sup> *Id.* at para 1.

<sup>38</sup> *CAF Omnibus Order*, 29 FCC Rcd at 7097-99, paras. 130-136.

<sup>39</sup> Federal Communications Commission Response to United States House of Representatives Committee on Energy and Commerce Universal Service Fund Data Request of August 2, 2013, Requests 9, 10 *available at* <http://democrats.energycommerce.house.gov/sites/default/files/documents/FCC-Response-to-USF-Data-Request-2014-1-14.pdf>.

We note that support for rate-of-return carriers has been subject to the HCLS cap and rural growth factor for more than a decade, which were not altered in the *USF/ICC Transformation Order*.<sup>40</sup> In 2001, the Commission modified the distribution of HCLS by re-basing the fund for rural telephone companies and retaining an indexed cap.<sup>41</sup> Specifically, the Commission concluded that the total cap on HCLS would be adjusted annually by a rural growth factor equal to annual changes in gross domestic product (GDP) and the consumer price index (CPI) and changes in the total number of working loops.<sup>42</sup> Given decreases in working loops in rate-of-return areas in recent years, the indexed cap has limited HCLS for many rate-of-return carriers.

Figure 7 displays information regarding the amounts of HCLS and interstate common line support (ICLS) disbursed to incumbent rate-of-return providers from 2011-2014.<sup>43</sup>



<sup>40</sup> See *Rural Task Force Order*, 16 FCC Rcd 11244.

<sup>41</sup> See *id.* at 11249, para. 12.

<sup>42</sup> *Id.*

<sup>43</sup> Prior to the *USF/ICC Transformation Order*, some price cap carriers received HCLS. Companies received support depending on whether they were classified as either “rural” or “non-rural” under the Commission’s rules (rural companies received high-cost loop support, while non-rural companies received high-cost model support) and how they were regulated at the interstate level (rate-of-return carriers received ICLS, while price cap carriers received interstate access support). See *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Inter-carrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up*, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, GN Docket No. 09-51, CC Docket Nos. 01-92, 96-45, Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, 26 FCC Rcd 4554, 4610, para. 164 (2011). For example, if a price cap carrier was classified as a “rural” carrier, it would have been eligible to receive HCLS. Thus, one cannot directly compare the total HCLS support amounts for the period pre-2012 to the amounts received by rate-of-return carriers post-2012.

## Elimination of Local Switching Support

Local Switching Support (LSS) allowed rural incumbent local exchange carriers (LECs) serving 50,000 access lines or fewer to allocate a larger percentage of their switching costs (including related overhead costs) to the interstate jurisdiction and recover those costs through the federal universal service fund.<sup>44</sup> Effective July 1, 2012, the Commission eliminated LSS as a stand-alone support program.<sup>45</sup> It also allowed for recovery of some of the costs previously covered by LSS through the Connect America Fund ICC recovery mechanism.<sup>46</sup>

### \$250 per Line Cap

In the *USF/ICC Transformation Order*, the Commission adopted a new rule establishing a presumptive per-line cap of \$250 per month on total high-cost universal service support, exclusive of Connect America Fund ICC support for all ETCs.<sup>47</sup> The Commission concluded that support in excess of that amount should not be provided without further justification.<sup>48</sup> Incumbent ETCs were subject to a phase-down to bring their support to the \$250 cap between July 1, 2012 and June 30, 2014. The cap became fully effective on July 1, 2014.

Figure 8 shows total high-cost support per line for 2013 for the companies receiving the highest amounts per line and which of those companies have requested a waiver of the presumptive cap. Some study areas still received legacy support above \$3,000 per line annually because the \$250 per-month, per-line cap on support was not fully implemented until July 1, 2014, while others, as noted, have been granted a waiver of this cap. In addition, some study areas with legacy support below \$3,000 annually are included because the sum of legacy and Connect America Fund ICC support is in excess of \$3,000 per year.

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<sup>44</sup> *USF/ICC Transformation Order*, 26 FCC Rcd at 17758, para. 253.

<sup>45</sup> *Id.* at 17760, para. 257.

<sup>46</sup> *Id.* at 17967, para. 867.

<sup>47</sup> 47 C.F.R. § 54.302.

<sup>48</sup> *USF/ICC Transformation Order*, 26 FCC Rcd at 17765, para. 274.

**Figure 8**  
**Incumbent Study Areas with Annual High-Cost Support per Line Exceeding \$3,000 in 2013**

(Source: Supplementary Material in file named *HC RoR Claims per Line - by Study Area.xlsx*)

<b>Study Area Name</b>	<b>State</b>	<b>Waiver Disposition</b>	<b>Legacy High Cost Per Line</b>	<b>Total High Cost (Legacy + CAF/ICC) Support Per Line</b>
Accipiter Comm.	AZ	Granted	\$3,693	\$3,798
Adak Tel Utility	AK	Interim Granted	\$9,402	\$10,906
Agate Mutual Tel Co.	CO		\$3,757	\$4,038
Allband Communications Cooperative	MI	Granted	\$7,511	\$7,674
Baca Valley Tel Co.	NM		\$3,098	\$3,230
Beaver Creek Telephone Company	WA		\$2,329	\$3,277
Beehive Tel Co. - NV	NV		\$3,203	\$5,619
Beehive Tel Co. - UT	UT		\$3,141	\$4,653
Big Bend Tel Co. Inc.	TX	Withdrawn	\$2,953	\$3,067
Border To Border	TX	Dismissed	\$8,856	\$9,671
Cunningham Tel Co.	KS		\$2,975	\$3,048
Dell Tel. Co-Op - TX	TX	Dismissed	\$4,173	\$4,466
Hartman Tel Exch Inc.	NE		\$2,958	\$3,444
Kanokla Tel Assn-OK	OK		\$3,041	\$3,142
La Harpe Tel Co. Inc.	KS		\$3,236	\$3,597
Lakeside Tel. Co.	MS		\$3,008	\$3,176
Leaco Rural Tel Coop	NM		\$2,894	\$3,227
Midvale-AZ	AZ		\$2,895	\$3,140
Mutual Tel Co.	KS		\$3,362	\$3,566
North State Tel Co.	OR		\$3,294	\$3,424
Oregon Tel Corp.	OR		\$2,406	\$3,055
Oregon-Idaho Util.	OR		\$3,090	\$3,872
Pine Tel System Inc.	OR		\$3,971	\$4,697
S. Central Tel – OK	OK	Dismissed	\$3,851	\$3,963
Sandwich Isles Comm.	HI	Denied	\$4,911	\$7,043
South Park Tel Co.	CO	Withdrawn	\$3,929	\$4,438
Southern Montana Tel.	MT		\$2,987	\$3,251
St John Tel Co.	WA		\$3,016	\$3,176
Summit Tel & Tel –AK	AK		\$3,252	\$3,638
Terral Tel Co.	OK		\$4,061	\$4,953
Westgate Communications LLC d/b/a Weavtel	WA		\$7,096	\$11,259
XIT Rural Tel Co-Op	TX		\$2,875	\$3,046

Figure 9 shows total support reductions from 2012-2014 as a result of implementation of the \$250 per-month, per-line cap. The legacy support per-line figures in Figure 8 would have been higher without these reductions.

<b>Figure 9</b>				
<b>High-Cost Support Reductions As Result of \$250 per-month Cap</b>				
(Source: USAC Claims Data; *2014 is based on annualized January 2014-June 2014 data)				
<b>Study Area Name</b>	<b>State</b>	<b>2012</b>	<b>2013</b>	<b>2014*</b>
Accipiter Comm.	AZ	344,358	0	0
Adak Tel Utility	AZ	225,420	545,280	818,412
Agate Mutual Tel Co.	CO	24,480	80,292	108,720
Baca Valley Tel Co.	NM	0	74,703	192,480
Beaver Creek Telephone Company	WA	60,600	0	0
Beehive Tel Co. - NV	NV	5,976	34,962	166,428
Beehive Tel Co. - UT	UT	12,564	108,390	0
Big Bend Tel Co. Inc.	TX	70,788	0	0
Blue Valley Tele-Com	KS	52,782	0	0
Border To Border	TX	200,568	550,254	704,184
Cunningham Tel Co.	KS	0	4,965	91,932
Dell Tel. Co-Op - TX	TX	383,544	849,516	960,960
Kanokla Tel Assn-OK	OK	0	36,291	0
La Harpe Tel Co. Inc.	KS	27,816	73,881	161,364
Lakeside Tel. Co.	MS	0	2,259	0
Mutual Tel Co.	KS	38,346	152,101	184,944
North State Tel Co.	OR	59,262	129,006	225,840
Oregon-Idaho Util.	OR	0	51,297	43,236
Pine Tel System Inc.	OR	232,872	898,938	1,302,252
S. Central Tel - OK	OK	115,932	247,656	298,350
Sacred Wind	NM	206,244	176,334	0
Sandwich Isles Comm.	HI	2,208,306	5,403,759	5,171,964
South Park Tel. Co.	CO	67,362	151,908	152,928
Southern Montana Tel.	MT	0	26,064	110,424
St John Tel Co.	WA	10,584	7,086	0
Summit Tel & Tel -AK	AK	28,464	61,167	66,540
Terral Tel Co.	OK	81,564	232,056	348,636
Tri-County Tel Assn	KS	0	0	438,084
Westgate Communications LLC	WA	50,622	136,185	184,752
Zenda Tel Company	KS	0	0	72,600
<b>Total</b>		<b>4,508,454</b>	<b>10,034,350</b>	<b>11,805,030</b>

## Petitions for Waiver

In the *USF/ICC Transformation Order*, the Commission stated that any carrier negatively affected by the universal service reforms could file a petition for waiver to demonstrate that good cause exists for exempting the carrier from some or all of those reforms.<sup>49</sup> In the *Fifth Order on Reconsideration*, the Commission clarified that it would consider the impact of reforms not only on voice service alone, but also on the continued operation of a broadband-capable network and on consumer rates.<sup>50</sup>

Fourteen rate-of-return carriers (including CETC affiliates) requested waivers of support reductions, including several who requested a waiver of the \$250 per-line, per-month cap.<sup>51</sup> The Bureau worked to gather information and act upon these and other *USF/ICC Transformation Order* waiver requests as expeditiously as possible. The supplementary material describes the disposition of all such waiver requests.<sup>52</sup>

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<sup>49</sup> *Id.* at 17840, para. 539.

<sup>50</sup> It further stated that it envisioned granting relief only in those circumstances in which a carrier could demonstrate that consumers face a significant risk of losing access to a broadband-capable network that provides both voice as well as broadband, at reasonably comparable rates, in areas where there are no alternative providers of voice or broadband. *Connect America Fund et al.*, WC Docket No. 10-90 et al., Fifth Order on Reconsideration, 27 FCC Rcd 14549, 14556-57, paras. 20-21 (2012) (*Fifth Order on Reconsideration*).

<sup>51</sup> See Allband Communications Cooperative Petition for Waiver of Part 54.302 and the Framework to Limit Reimbursable Capital and Operating Costs, WC Docket No. 10-90, WT Docket No. 10-208 (filed Feb. 3, 2012); Accipiter Communications, Inc. Petition for Temporary Waiver of the Commission's Rules, WC Docket No. 10-90 et al. (filed Apr. 18, 2012); Big Bend Telephone Company, Inc. Petition for Waiver of Section 54.302 of the Commission's Rules and the Impact of Limiting Corporate Operations Expenses on Receipt of High Cost Universal Support, WC Docket No. 10-90 and WT Docket No. 10-208 (filed Feb. 6, 2012); Border to Border Communications, Inc. Petition for Waiver of Section 54.302 of the Commission's Rules and the Impact of Limiting Capital and Corporate Operations Expenses on Receipt of High Cost Universal Support, WC Docket No. 10-90 and WT Docket No. 10-208 (filed June 29, 2012); Central Texas Telephone Cooperative, Inc. Petition for Waiver, WC Docket Nos. 10-90 and 05-337 (filed Sept. 4, 2012); Petition for Waiver of Dell Telephone Cooperative, WC Docket No. 10-90 et al. (filed June 7, 2012); Adak Eagle Enterprises, LLC Petition for Waiver of Section 54.302 of the Commission's Rules, WC Docket No. 10-90 and WT Docket No. 10-208 (filed May 22, 2012); Windy City Cellular, LLC Petition for Waiver of Section 54.307(e) of the Commission's Rules, WC Docket No. 10-90 and WT Docket No. 10-208 (filed Apr. 3, 2012); Sandwich Isles Communications, Inc. Petition for Waiver of Section 54.302 of the Commission's Rules, WC Docket No. 10-90 and WT Docket No. 10-208 (filed Dec. 30, 2011); Matanuska Telephone Association Petition for Waiver, WC Docket Nos. 10-90 and 05-337 (filed Aug. 28, 2012); South Park, L.L.C. d/b/a South Park Telephone Company Petition for Waiver, WC Docket Nos. 10-90 and 05-337 (filed Nov. 27, 2012); South Central Telephone Association, Inc. Petition for Waiver, WC Docket Nos. 10-90 and 05-337 (filed Apr. 1, 2013); North Central Telephone Cooperative, Inc. Petition for Waiver, WC Docket No. 10-90 (filed Dec. 20, 2012); Petition for Waiver of Cordova Wireless Communications, Inc., WC Docket No. 10-90 et al. (filed Oct. 1, 2012). Those carriers that requested a waiver of the \$250 per line per month cap were Allband Communications Cooperative, Accipiter Communications, Inc., Big Bend Telephone Company, Inc., Border to Border Communications, Inc., Dell Telephone Cooperative, Adak Eagle Enterprises, Sandwich Isles Communications, Inc., South Park Telephone Company and South Central Telephone Association, Inc.

<sup>52</sup> See Supplemental Material File "Petitions Seeking Waiver of Support Reductions.docs."

## Study Area Boundary Collection

In November 2012, the Bureau adopted an order requiring incumbent LECs to submit study area boundary data necessary to implement universal service reforms, including elimination of support where an unsubsidized competitor offers voice and broadband service that 100 percent overlaps an incumbent LEC's study area.<sup>53</sup> In December 2013, the Bureau published a study area boundary map and requested that carriers resolve overlaps and submit and certify revised boundary data no later than January 13, 2014.<sup>54</sup> Shortly thereafter, an industry petition was filed requesting a stay, or in the alternative, a six-month extension of the January 2014 deadline.<sup>55</sup> In response, the Bureau extended the deadline to March 17, 2014.<sup>56</sup> The Bureau has received study area boundary maps from all incumbent LECs and is continuing to address overlaps and gaps among study areas.

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<sup>53</sup> *Connect America Fund; High-Cost Universal Service Support*, WC Docket Nos. 10-90, 05-337, Report and Order, 27 FCC Rcd 13528, 13529, para. 2 (Wireline Comp. Bur. 2012).

<sup>54</sup> *See Wireline Competition Bureau Publishes Online Map of Submitted Study Area Boundaries, Announces Procedures for Filing Revised Data*, WC Docket Nos. 10-90, 05-337, Public Notice, 28 FCC Rcd 16315 (Wireline Comp. Bur. 2013) (*Study Area Boundaries Public Notice*).

<sup>55</sup> NTCA—The Rural Broadband Association, the United States Telecom Association, the Independent Telephone and Telecommunications Alliance, WTA, and the Eastern Rural Telecom Association, Petition for Stay, or in the Alternative for Extension of Time to Reconcile Study Area Boundaries, WC Docket Nos. 10-90, 05-337 (filed Dec. 17, 2013).

<sup>56</sup> *See Study Area Boundaries Public Notice*, 28 FCC Rcd at 16315, para. 2.

## Pricing of Services

Section 254(b) of the Act requires that “[c]onsumers in all regions of the Nation . . . should have access to telecommunications and information services . . . that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.”<sup>57</sup> In the *USF/ICC Transformation Order*, the Commission adopted a rule to limit high-cost support where end-user rates do not meet an urban rate floor representing the national average of local rates plus state regulated fees.<sup>58</sup> To the extent a carrier’s end-user rates for local service do not meet the rate floor, dollar-for-dollar reductions in HCLS or frozen support are made.<sup>59</sup> The Commission determined it was inappropriate to use limited federal high-cost support to subsidize local rates beyond what is necessary to ensure reasonable comparability.<sup>60</sup> The Commission’s rule phased in the rate floor in three steps, beginning with an initial rate floor of \$10 for the period July 1, 2012 through June 30, 2013; \$14 for the period July 1, 2013 through June 30, 2014; and an amount to be established through the annual rate survey for the years beginning July 1, 2014, and thereafter.<sup>61</sup>

On April 3, 2013, the Bureau adopted the form and content for the survey of urban rates for fixed voice and fixed broadband residential services.<sup>62</sup> From December 2013-January 2014, the Bureau collected the rates offered by providers of fixed services identified using then most current FCC Form 477 data in 500 Census tracts. Completed surveys were due on January 17, 2014.<sup>63</sup> The following table summarizes some of the results of the 2014 survey, depicting the average for flat rate local and all distance voice services by type of provider.

<b>Figure 10</b>		
<b>Summary of Voice Results of the Urban Rates Survey</b>		
(Source: 2014 Urban Rates Survey data)		
<u>Voice Service Provider Type</u>	<u>Unlimited Flat-Rate Local Voice Service</u>	<u>Unlimited All-Distance Voice Service</u>
All	\$26.85	\$46.64
Incumbent LEC	\$20.46	\$48.91
Non-Incumbent LEC	\$31.09	\$45.40
Incumbent LEC Circuit Switched	\$20.24	\$53.54
Incumbent LEC VoIP	\$29.95	\$35.15
Non-Incumbent LEC Circuit Switched	\$29.37	\$45.94
Non-Incumbent LEC VoIP	\$31.38	\$44.13

<sup>57</sup> 47 U.S.C. § 254(b)(3).

<sup>58</sup> *USF/ICC Transformation Order*, 26 FCC Rcd at 17749, 17751, paras. 235, 238; see also 47 C.F.R § 54.318.

<sup>59</sup> *USF/ICC Transformation Order*, 26 FCC Rcd at 17752, para. 240.

<sup>60</sup> *Id.* at 17751, para. 237.

<sup>61</sup> *Id.* at para. 239.

<sup>62</sup> *Connect America Fund*, WC Docket No. 10-90, Order, 28 FCC Rcd 4242 (Wireline Comp. Bur. and Wireless Telecom. Bur. 2013).

<sup>63</sup> See *Wireline Competition Bureau Announces Timeline for Completion of Urban Rates Survey*, WC Docket No. 10-90, Public Notice, 28 FCC Rcd 16753 (Wireline Comp. Bur. 2013).



The *USF/ICC Transformation Order* defined the average urban rate to include local end-user rates plus state regulated fees (specifically, state subscriber line charges (SLCs), state USF, and mandatory extended area service charges) and excluded the federal SLC.<sup>64</sup> Because the Bureau found that recurring monthly rates collected in the survey from non-incumbent LEC providers typically were higher than incumbent LEC reported recurring monthly rates (possibly because non-incumbent LEC providers charged rates similar to the incumbent LECs' monthly charge plus the federal SLC), the Bureau calculated the average using only urban incumbent LEC rates. As noted in the figure above, the Bureau calculated that the average local end-user rates plus state regulated fees of the surveyed incumbent LECs in urban areas is \$20.46.

Because the survey average was more than four dollars higher than the Commission anticipated in 2011, in April 2014, the Commission adopted a phase-in of support reductions associated with the rate floor such that reductions cannot increase more than \$2 annually.<sup>65</sup> In addition, the Commission determined that there should be no support reductions associated with lines provided to customers enrolled in the Lifeline program.<sup>66</sup> It postponed implementation of the support reductions associated with the 2014 rate floor until January 1, 2015. Accordingly, for calendar year 2014, support reductions only occurred for those lines with rates below \$14. Based on annualized data through July 2014, 153,185 price cap lines and 36,280 rate-of-return lines will be subject to support reductions.

Figure 11 below shows the amount of reduced high-cost support as a result of the rate floor for 2012-2014.

**Figure 11**  
**Reduction in High-Cost Loop Claims and Frozen Support Claims due to the Rate Floor**

(Source: Supplementary Material in file named *HC Rate Floor Reductions - by Study Area.xlsx*; \*2014 is based on annualized January 2014-June 2014 data)

<u>Carrier</u>	<u>2012</u>	<u>2013</u>	<u>2014*</u>
<b>Price Cap</b>	\$128,454	\$1,242,294	\$2,582,844
<b>Rate of Return</b>	\$534,414	\$1,295,892	\$1,122,312
<b>Total</b>	\$662,868	\$2,538,186	\$3,705,156

In the *USF/ICC Transformation Order*, the Commission also determined that “ETCs must offer voice telephony service, including voice telephone service offered on a standalone basis, at rates that are reasonably comparable to urban rates”<sup>67</sup> and adopted a presumption that “a voice rate is within a reasonable range if it falls within two standard deviations above the national average.”<sup>68</sup> Based on the survey responses, the Bureau calculated the reasonable comparability benchmark for voice services to be

<sup>64</sup> *USF/ICC Transformation Order*, 26 FCC Rcd at 17751, para. 238.

<sup>65</sup> *April 2014 Connect America Order*, 29 FCC Rcd at 7077-80, paras. 77-81.

<sup>66</sup> *Id.* at 7081-82, para. 86.

<sup>67</sup> *USF/ICC Transformation Order*, 26 FCC Rcd at 17693, para. 81.

<sup>68</sup> *Id.* at 17694, para. 88.

\$46.96.<sup>69</sup> For purposes of the reasonable comparability benchmark, the Bureau concluded that the rates of all local flat-rate providers (both incumbent LEC and non-incumbent LEC providers) should be included when computing the average, and, consistent with existing precedent, that federal SLCs should be included.<sup>70</sup>

In the *USF/ICC Transformation Order*, the Commission also required that as a condition of receiving high-cost or Connect America Fund support, recipients must offer broadband services in supported areas at rates that are reasonably comparable to rates for similar services in urban areas.<sup>71</sup> The Commission concluded that rural broadband rates would be deemed “reasonably comparable” to urban rates under section 254(b)(3) if they fell within a reasonable range of urban rates for reasonably comparable broadband service and directed the Wireline Competition Bureau and Wireless Telecommunications Bureau to develop a specific methodology for defining that reasonable range.<sup>72</sup>

In June 2014, the Wireline Competition Bureau solicited comment on a Staff Report discussing potential methodologies for determining the average urban rate for fixed broadband services.<sup>73</sup> On October 29, 2014, the Bureau adopted a weighted linear regression method to obtain an average rate based on download speed, upload speed, and usage allowance.<sup>74</sup> The benchmark for a service was calculated by adding twice the standard deviation to the average rate.<sup>75</sup> Examples of the average rate and reasonable comparability benchmark for a range of broadband service offerings are below.

<b>Figure 12</b>			
<b>Summary of Broadband Results of the Urban Rates Survey</b>			
(Source: 2014 Urban Rates Survey data)			
<b>Upload Speed/ Download Speed</b>	<b>Usage Allowance</b>	<b>Average Urban Rate</b>	<b>Reasonable Comparability Benchmark</b>
4/1 Mbps	100 GB	\$34.57	\$57.20
4/1 Mbps	Unlimited	\$51.67	\$74.31
10/1 Mbps	100 GB	\$39.61	\$68.35
10/1 Mbps	250 GB	\$49.87	\$78.61
10/1 Mbps	Unlimited	\$56.71	\$85.45
25/5 Mbps	250 GB	\$68.23	\$96.97
25/5 Mbps	Unlimited	\$75.07	\$103.81

The Bureau is conducting the next urban rates survey during the fourth quarter of 2014.

<sup>69</sup> *Id.* at para. 84.

<sup>70</sup> *Id.*

<sup>71</sup> *USF/ICC Transformation Order*, 26 FCC at 17693, 17695, paras. 81, 86. *See also* 47 U.S.C. § 254(b).

<sup>72</sup> *Id.* at 17704, para. 113.

<sup>73</sup> *Wireline Competition Bureau Announces Posting of Broadband Data from Urban Rate Survey and Seeks Comment on Calculation of Reasonable Comparability Benchmark for Broadband Services*, WC Docket No. 10-90, Public Notice, 29 FCC Rcd 7992, Staff Report at 5-6 (Wireline Comp. Bur 2014).

<sup>74</sup> *Connect America Fund*, Report and Order, WC Docket No. 10-90, DA 14-1569 (Wireline Comp. Bur. rel. Oct. 29, 2014).

<sup>75</sup> *Id.* at 3.

## Oversight and Accountability

In the *USF/ICC Transformation Order*, the Commission established a uniform national framework for information that ETCs must report to their respective states and the Commission, while affirming that states will continue to play a critical role overseeing ETCs that they designate.<sup>76</sup> The Commission modified and extended existing federal reporting requirements to all ETCs, whether designated by a state or the Commission, to reflect the new public interest obligations.<sup>77</sup> Specific changes include extending voice reporting requirements to all ETCs, adopting requirements to reflect new broadband obligations, and requiring all ETCs subject to new broadband obligations to file five-year plans.<sup>78</sup>

In 2013, ETCs began filing their annual reports on a standardized form – FCC Form 481 – with the Commission, USAC, the relevant state commissions, relevant authority in a U.S. Territory, or Tribal governments, as appropriate.<sup>79</sup> Based in part on those filings, state commissions and ETCs not subject to the jurisdiction of a state commission certified to the Commission that high-cost support received was used and will be used for the intended purposes.<sup>80</sup> In the coming months, we anticipate making available on the Commission’s website certain aggregated carrier information collected via FCC Form 481.

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<sup>76</sup> *Id.* at 17854, para. 587.

<sup>77</sup> *See* 47 C.F.R. § 54.313.

<sup>78</sup> *Id.* In May 2013, the Bureau granted a limited waiver of its rule requiring rate-of-return carriers to submit a five-year plan in 2013 and instead allowed those plans to be filed at the same time as ETC 2014 annual reports. *See Connect America Fund*, WC Docket No. 10-90, Order, 28 FCC Rcd 7227, 7229, para. 8 (Wireline Comp. Bur. 2013).

<sup>79</sup> *Wireline Competition Bureau Announces Filing Deadline of October 15, 2013 for Eligible Telecommunications Carriers to File High-Cost and Low-Income Annual Reports, and Announces Filing Deadline of December 16, 2013 for States and ETCs to File Annual Use Certifications*, WC Docket Nos. 10-90, 11-42, Public Notice, 28 FCC Rcd 11252 (Wireline Comp. Bur. 2013).

<sup>80</sup> *Id.*; *see also* 47 C.F.R. § 54.314.

## Broadband Deployment and Adoption

Since adoption of the *USF/ICC Transformation Order*, there has been steady progress in the extent of broadband deployment by both price cap and rate-of-return carriers. The following chart shows that rate-of-return carriers have continued to extend broadband availability nationwide since 2011, with a 20 percent increase in the number of Census blocks with fixed connections of at least 3 Mbps/768 kbps. In addition, as shown below, between 2012 and 2013, price cap carriers reported a 5 percent increase in the number of Census blocks with fixed connections of at least 3 Mbps/768 kbps.

<b>Figure 13</b>			
<b>Fixed Connection Deployment of at Least 3 Mbps/768 kbps</b>			
(Source: State Broadband Initiative (SBI) Data)			
Data do not include any increase in deployment within a Census block.			
<b>Rate-of-Return Carriers</b>			
	<b>Number of Deployed Census Blocks</b>	<b>Population in Deployed Census Blocks</b>	<b>Housing Units in Deployed Census Blocks</b>
December 2011	664,467	8,152,645	3,788,325
December 2012	733,245	8,643,910	4,093,190
December 2013	796,335	9,177,702	4,369,181
<b>Price Cap Carriers</b>			
	<b>Number of Deployed Census Blocks</b>	<b>Population in Deployed Census Blocks</b>	<b>Housing Units in Deployed Census Blocks</b>
December 2011	*	*	*
December 2012	4,190,839	231,604,811	98,149,245
December 2013	4,423,276	244,303,771	104,413,417
*Data for price cap carriers for 2011 cannot be used because of substantial carrier changes in reporting.			

Similarly, there have been substantial increases in the number of fixed broadband service customer subscriptions, for both rate-of-return and price cap carriers. As shown below, between 2010 and 2013, rate-of-return carriers had a 176 percent increase in subscription to fixed services of at least 3 Mbps/768 kbps, while subscription for price cap carriers increased by 115 percent.

**Figure 14**

**Fixed Connections at Least 3 Mbps Downstream and 768 kbps Upstream for Incumbent Local Exchange Carriers (connections in thousands)**

(Source: FCC Form 477 Submissions)

<b>Rate-of-Return Carriers</b>	<b>Total</b>	<b>Residential</b>	<b>Business</b>
December 2010	423	372	51
December 2011	584	512	72
December 2012	910	810	100
December 2013	1,169	1,038	130
<b>Price Cap Carriers</b>			
December 2010	11,183	10,215	968
December 2011	14,911	13,691	1,221
December 2012	18,115	16,519	1,596
December 2013	24,041	22,017	2,024

In contrast, as shown below, over the same period the number of switched access lines and interconnected VoIP subscriptions served by incumbent LECs has decreased.

**Figure 15**

**Switched Access Lines and Interconnected VoIP Subscriptions for Incumbent Local Exchange Carriers**

(Source: FCC Form 477 Submission)

	<b>Rate of Return Carriers</b>	<b>Price Cap Carriers</b>
December 2010	4,635,487	90,455,882
December 2011	4,495,067	82,425,106
December 2012	4,268,100	75,223,664
December 2013	4,122,993	68,208,022