



AD ASTRA PER ASPERA
Kansas

Corporation Commission

Overview of the FCC's Reform of the USF and ICC

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Before the Senate Utilities Committee

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Brief History

- In early 2009, through the American Recovery & Reinvestment Act, Congress directed the FCC to develop a National Broadband Plan (NBP) to ensure ubiquitous access to broadband services.
- FCC released NBP on March 16, 2010.

Brief History

The long-term goals of the NBP:

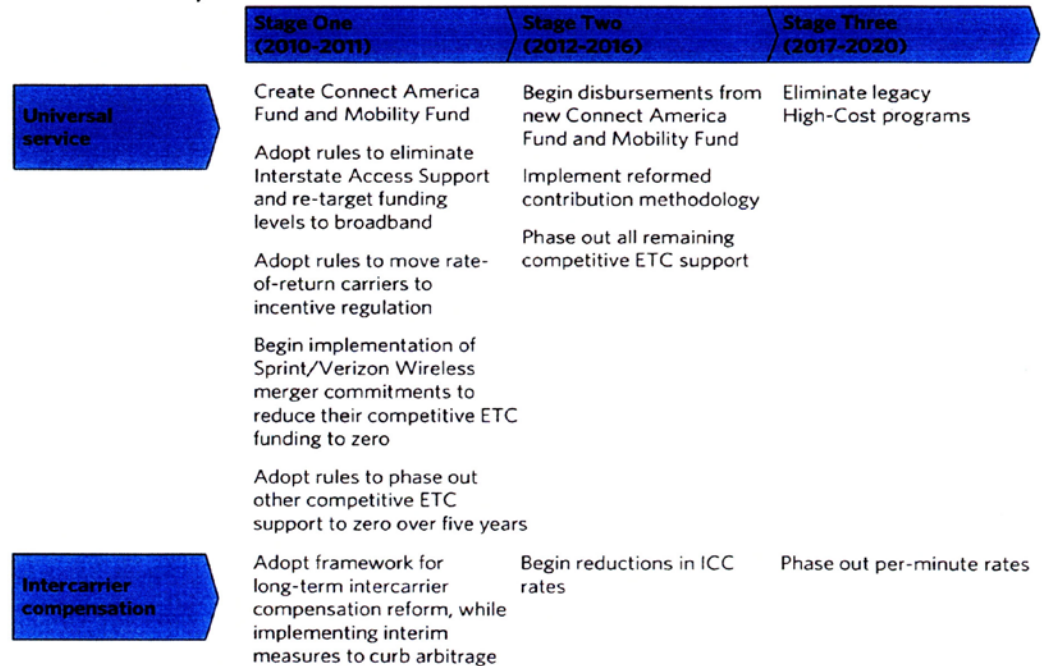
- At least 100 million U.S. homes should have affordable access to actual download speeds of at least 100 mbps and actual upload speeds of at least 50 mbps by the year 2020.
- The U.S. should lead the world in mobile innovation, with the fastest and most extensive wireless networks of any nation.
- Every American should have affordable access to robust broadband service, and the means and skills to subscribe if they so choose.
- Every American community should have affordable access to at least 1 gigabit per second broadband service to anchor institutions such as schools, hospitals, and government buildings.
- To ensure the safety of the American people, every first responder should have access to a nationwide, wireless, interoperable broadband public safety network.
- To ensure that America leads in the clean energy economy, every American should be able to use broadband to track and manage their real-time energy consumption.

Brief History

National Broadband Plan

*Exhibit 8-F:
Roadmap for
USF/ICC Reform*

Roadmap for USF/ICF Reform



Brief History

Proposed 2010 Key Broadband Action Agenda Items*

	Q2 2010 (CY)	Q3 2010 (CY)	Q4 2010 (CY)
Promote World-Leading Mobile Broadband Infrastructure and Innovation	Mobile Roaming Order and FNPRM (WTB)	AWS Bands Analysis (WTB, OET)	AWS Potential Order (WTB, OET)
		D Block Order/NPRM (WTB, PSHSB) [Also in Public Safety]	Secondary Markets Internal Review (WTB)
	Launch Strategic Spectrum Plan and Triennial Assessment (WTB, OET, OGP)	Spectrum Sharing/Wireless Backhaul NPRM/NOI (WTB, OET)	Spectrum Dashboard 2.0 (WTB, OET, PSHSB, MB, IB)
	2.3 GHz WCS/SDARS Order (OET, WTB, IB)	Oppor. Use of Spectrum NPRM (OET, WTB, IB, MB, PSHSB)	Recommendation re: Contiguous Unlicensed Spectrum Proceeding (OET, WTB)
		TV White Spaces Opinion & Order (OET, MB, WTB)	Experimental Licensing NPRM (OET)
		MSS NPRM (OET, IB, WTB)	
Accelerate Universal Broadband Access and Adoption	USF Reform NPRM and NOI (WCB, WTB)		Mobility Fund NPRM (WTB, WCB)
	Lifeline/Low-Income Joint Board Referral Order (WCB, WTB)	Hearing Aid Compat. Second Report & Order/FNPRM (WTB, OET, CGB)	Spectrum on Tribal Lands NPRM (WTB, CGB)
	E-Rate FY2011 NPRM (WCB)		E-Rate FY2011 Order (WCB)
	USF Merger Commitments Order (WCB, WTB)	Rural Health Care Reform NPRM (WCB)	USF Transformation NPRM (WCB, WTB)
	Lifeline Pilot Roundtable (WCB, WTB)	Lifeline Flexibility NPRM (WCB, WTB)	Intercarrier Compensation NPRM (WCB, WTB)
	FCC/FDA Workshop and PN on Converged Devices (OET)	Establish Accessibility and Innovation Forum (COB, WCB, WTB)	USF Contributions NPRM (WCB, WTB)
	Launch FCC Office of Native American Affairs (COB)	Real-Time Text NOI (COB, WCB, WTB, OET)	Real-Time Text NPRM (COB, WCB, WTB, OET)
	FCC-Native Nations Broadband Task Force (COB)		Internet Video and Device Accessibility NOI (COB, WCB, WTB, MB)
Foster Competition and Maximize Consumer Benefits Across the Broadband Ecosystem	Mobile Wireless Competition Report (WTB, OGP)	Interconnection Clarification Order (WCB)	
	Port Attachments Order and ENERM (WCB)		
	Small Business Broadband & Wholesale Comp. PN (WCB)	Rights-of-Way Task Force (COB, WCB)	Small Business Broadband & Wholesale Comp. NOI (WCB)
		Special Access Workshop (WCB, WTB, OGP)	Special Access NPRM (WCB, WTB, OGP)
	CableCARD NPRM (MB, OET)		
	Smart Video Devices NOI (MB, OET)		Smart Video Devices NPRM (MB, OET)
	Launch Tech. Adv. Grp. on Speed & Perf. (COB, OET, WCB)		Transparency & Disclosure NPRM (COB, WCB, WTB, OET)
	Launch Speed and Performance Measurement Program (COB, WTB, WCB, OET)		Broadband Data NPRM (WCB, WTB, OGP)
Advance Robust and Secure Public Safety Communications Networks		Public Safety Roaming & Priority Access NPRM (WTB, PSHSB)	NG 911 NOI (PSHSB, OET, WCB, WTB)
		D Block Order/NPRM (WTB, PSHSB) [Also in Mobile]	Back-Up Power NOI (PSHSB, OET, WTB)
		700 MHz Waiver Petitions (PSHSB, WTB, OET)	Serv. Outage & Homeland Security NPRM (PSHSB, OET, WCB, WTB, IB)
	ERIC Public Safety Interoperability Order (PSHSB)	700 MHz Public Safety Order/FNPRM (PSHSB, WTB, OET)	
	Cybersecurity Certification NOI (PSHSB, WTB, OET, WCB)	Location Accuracy FNPRM (PSHSB, OET, WTB)	
	Survivability NOI (PSHSB, OET, WTB, WCB)		
	Serv. Outage & Homeland Security Workshop (PSHSB, OET, WCB, WTB, IB)		

■ Wireless Telecommunications Bureau (WTB)
 ■ Wireline Competition Bureau (WCB)
 ■ Office of Engineering and Technology (OET)
 ■ Media Bureau (MB)
 ■ Consumer & Governmental Affairs Bureau (COB)
 ■ Public Safety & Homeland Security Bureau (PSHSB)

* This document reflects only proposed FCC actions, not those of other government agencies, and is not exhaustive of all 2010 FCC actions. The location and timing of actions in this document represents a series of targets that may be adjusted to respond to changing conditions as appropriate. Items that span quarters are expected to occur late in the earlier quarter, or early in the later quarter. Does not include initiatives discussed in Agenda from Q1 2010 and earlier (E-rate Community Use Order, Rural Health Care Pilot Program Extension Order, Spectrum Dashboard Beta, and Tower Siting Declaratory Ruling).

FCC Order & FNPRM

- Adopted by the FCC during its October 27, 2011 Meeting
- Released November 18, 2011
- 759 pages
- 2,582 footnotes, not including those in the Appendices

FCC Order – USF Reform

1. Principles and Goals

- A. Support for broadband-capable networks as an express universal service principle under Section 254(b)
- B. Set the following performance goals to ensure reforms are achieving intended purposes:
 - Preserve and advance universal availability of voice service;
 - Ensure universal availability of modern networks capable of providing voice and broadband service to homes, businesses and community anchor institutions;
 - Ensure universal availability of modern networks capable of providing advanced mobile and broadband service;
 - Ensure that rates for broadband services and rates for voice services are reasonably comparable in all regions of the nation; and
 - Minimize the universal service contribution.

FCC Order – USF Reform

2. Budget

- A. Initially set at \$4.5 billion over next 6 years with an automatic review trigger if the budget is threatened to be exceeded.
- B. FCC anticipates it may need to revisit and adjust the appropriate size of the programs by the end of the 6 year period based on market developments, efficiencies realized, and further evaluation of the effect of the programs in achieving FCC's goals.

FCC Order – USF Reform

3. Price Cap Reforms – Phase 1

- A. Existing legacy high-cost support frozen at 2011 levels.
- B. Additional \$300 million in CAF support will be made available.
- C. Frozen support will be subject to performance and build-out requirements.
- D. Any carrier that elects to receive additional support will be required to provide broadband with actual speeds of 4/1 and deploy broadband to at least one currently unserved location for each \$775 in additional high-cost support it receives.
- E. Support will be reduced in any areas where a price cap company charges artificially low end-user voice rates.

FCC Order – USF Reform

4. Price Cap Reforms – Phase 2

- A. FCC’s WCB will undertake a public process to develop the model.
- B. Combination of forward-looking cost model and competitive bidding will be used to distribute CAF support.
- C. Support will be provided in areas without an unsubsidized competitor.
- D. In each state, each incumbent price cap carrier will be asked to undertake a “state-level commitment” to provide affordable broadband to all high-cost locations in its service territory in that state.
- E. If the incumbent declines the state-level commitment, CAF support will be distributed through competitive bidding.

FCC Order – USF Reform

5. Rate of Return (RoR) Reforms

- A. RoR carriers receiving legacy high-cost support or CAF support to offset lost ICC revenues must offer broadband service with actual speeds of at least 4/1, upon their customers' reasonable request.
- B. The FCC will adopt new rules to:
 - 1. Establish a framework to limit reimbursements for excessive capital and operating expenses, which will be implemented no later than July 1, 2012, after an additional opportunity for public comment.
 - 2. Encourage efficiencies by extending existing corporate operations expense limits to the existing high-cost loop support and interstate common line support mechanisms, effective January 1, 2012.
 - 3. Reduce high-cost loop support for carriers that maintain artificially low end-user voice rates, with a three-step phase-in beginning July 1, 2012.

FCC Order – USF Reform

5. Rate of Return (RoR) Reforms (cont'd)

B. The FCC will adopt new rules to: (cont'd)

4. Phase out the Safety Net Additive (SNA) component over time.
5. Address Local Switching Support (LSS) as part of comprehensive ICC reform.
6. Phase-out support in study areas that are overlapped completely by an unsubsidized facility-based terrestrial competitor providing voice and fixed broadband throughout ILEC service area.
7. Cap per-line support at \$250/line monthly, with a gradual phase-down to the cap over a 3-year period.
8. Waiver process for loss of support.

FCC Order – USF Reform

6. CAF Mobility Fund

A. Phase 1

1. Up to \$300 million in one-time support will be awarded through a nationwide reverse auction in 3rd quarter 2012.
2. Eligible areas include census blocks unserved today by mobile broadband services, and carriers may not receive support for areas they have previously stated they plan to cover.
3. Winners will be required to deploy 3G service within two years and 4G service within 3 years.
4. Separate Tribal Mobility Fund – one-time funding of \$50 million.

FCC Order – USF Reform

6. CAF Mobility Fund

B. Phase II

1. Will provide up to \$500 million per year in on-going support to ensure universal availability, including \$100 million for Tribal areas.
2. Expect to adopt a proper distribution mechanism for Phase II in 2012 with implementation in 2013.
3. CAF Phase II support recipients are eligible, but carriers will not be allowed to receive redundant support for the same service in the same areas.
4. Mobility Fund recipients will be subject to public interest obligations, including data roaming and collocation requirements.

FCC Order – USF Reform

7. Identical Support Rule for CETCs

- A. Identical support will be frozen per study area as of year-end 2011 and existing support will be phased-down over a 5-year period beginning on July 1, 2012.
- B. The phase down, in conjunction with the new funding provided by Mobility Fund Phase I and II, will provide an average of \$900 million to mobile carriers for each of the first 4 years of the reform.
- C. The phase-down of CETC support will end if Mobility Phase II is not operational by June 30, 2014.

FCC Order – USF Reform

8. Remote Areas Fund

- A. The FCC will allocate at least \$100 million per year for service through alternative technology platforms, including satellite and unlicensed wireless.
- B. Expects to be implemented in 2013.

FCC Order – ICC Reform

9. Immediate ICC Reforms

- A. Access Stimulation – New rules require competitive carriers and RoR ILECs to re-file their interstate switched access tariffs at lower rates if the following two conditions are met:
 - 1. a LEC has a revenue sharing agreement and
 - 2. the LEC either has (i) a three-to-one ratio of terminating-to-originating traffic in any month or (ii) experiences more than a 100% increase in traffic volume in any month measured against the same month the previous year.
- B. Phantom Traffic – New rules require telecommunications carriers and providers of interconnected VoIP to include the calling party's telephone number in all call signaling, and intermediate carriers are required to pass along the signaling information, unaltered, to the next provider in the call path.

FCC Order – ICC Reform

10. Comprehensive ICC Reform

- A. Bill-and-keep methodology for all ICC traffic as the end state.
- B. Multi-year transition
 1. Initial reforms focus on terminating switched access.
 2. Carriers are required to cap most rates as of the effective date of the Order.
 3. Transition to parity with interstate in 2 steps by July 1, 2013.
 4. Thereafter, carriers are required to reduce rates to bill-and-keep within 6 years for price cap carriers and 9 years for RoR carriers.

FCC Order – ICC Reform

11. New Recovery Mechanism

A. Access Recovery Charge (ARC)

1. Incumbent carriers allowed to charge ARC on wireline service, with a maximum annual increase of \$.50 per month for consumers and small businesses and \$1 for multi-line businesses to partially offset ICC revenue declines.
2. Ceiling prevents carriers from assessing any ARC for any consumer whose total monthly rate for local telephone service, inclusive of various rate-related fees, is at or above \$30.
3. Carriers prevented from charging ARC on Lifeline customers.
4. ARC plus SLC cannot exceed \$12.20 per line for multi-line business customers.

FCC Order – ICC Reform

11. New Recovery Mechanism (cont'd)

- B. Carriers may receive CAF support for otherwise-eligible revenue not recovered by ARC.
 - 1. Price cap carriers baseline recovery amounts begin at 90%, subject to a 10% annual decline. All price cap CAF recovery will phase out over a 3-year period beginning in 6th year of reform.
 - 2. RoR carriers recovery reduced by 5% annually.

FCC Order – ICC Reform

12. VoIP Traffic

- A. Default charges for “toll” VoIP-PSTN traffic will be equal to interstate rates applicable to non-VoIP traffic.
- B. Default charges for other VoIP-PSTN traffic will be the applicable reciprocal compensation rates.

13. Intercarrier Compensation for Wireless Traffic

- A. Bill-and-keep is the default.
- B. Traffic between a LEC and a CMRS provider that originates and terminates within the same Major Trading Area (MTA) is subject to recip. comp rather than access charges.

FCC FNPRM

FCC requested comments and reply comments on the FNPRM issues as follows:

1. Universal Service Issues

- Comments due January 18, 2012
- Reply Comments due February 17, 2012

2. Intercarrier Compensation Issues

- Comments due February 24, 2012
- Reply Comments due March 30, 2012

FCC FNPRM

Universal service reform questions in FNPRM include:

1. Broadband public interest obligations
2. Interstate rate-of-return %
3. Eliminating support for areas with an unsubsidized carrier
4. Limits on reimbursable capital and operating costs for RoR carriers.
5. ETC service obligations
6. Ensuring accountability
7. Auction process framework
8. Annual reporting requirements for mobile service providers
9. Competitive bidding process

FCC FNPRM

ICC questions in FNPRM include:

1. Transitioning all rate elements to bill-and-keep
2. Bill-and-keep implementation
3. Reform of end-user charges and CAF ICC support
4. IP-to-IP interconnection issues
5. Further call signaling rules for VoIP
6. New intercarrier compensation rules

Thank you. Questions?