



UNIVERSAL SERVICE MONITORING REPORT

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2015

(Data Received Through September 2015)

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

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Universal Service Monitoring Report

2015

Introduction and Summary

This is the eighteenth report in a series prepared by federal and state staff members for the Federal-State Joint Board on Universal Service (Universal Service Joint Board).¹ This report is generally based on information available to us as of September 2015. 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*.²

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.

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.

¹ The last report was released in December 2014. *Universal Service Monitoring Report*, 2014 (Data Received Through September 2014).

² 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. Former Tables 2.5 and 2.6 from last year's report have been combined into a single Table 2.5 presenting low-income claims by program and by affiliated entities. Table 6.10 now presents high-speed internet penetration by household instead of individual. A new Table 6.12 presents telephone and internet subscribership in low-income households. Figures 4 and 5 presenting accepted offers of Connect America Phase II model-based support by state and carrier respectively have been added to the high-cost appendix. Figure 6 presents information regarding the authorizations of rural broadband experiment support. Figures 15 and 17 presenting fixed connection deployment and fixed connections for Incumbent Local Exchange Carriers of at least 10 Mbps downstream and 768 kbps upstream have also been added to the high-cost appendix. In the 2015 report, we also have eliminated certain tables.³ New files have been added to the supplementary material including "Broadband Penetration by County and Congressional District" and "HC Penalties" (which lists default penalties from failure to meet build-out requirements for the Mobility Fund).

We invite questions or comments on this report via email at IATDreports@fcc.gov with subject: December 2015 Monitoring Report.

³ The following tables have been deleted: former Figures 6 and 10 presenting respectively study areas from the benchmarking ruling and a summary of voice results of the Urban Rates Survey.

2015 Monitoring Report Supplementary Material

This list provides the names of files provided in the 2015 Monitoring Report Supplementary Material zip 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>	Contribution Base Revenues by Program Estimating End-User Revenue by State - 2013 Tables Estimating End-User Revenue by State - 2013 Technical Appendix Revenue Details - 2014				
<u>Low Income</u>	ETCs Receiving Lifeline Support 2014 LI Subscribers and Beneficiaries - by State LI Support - by State LI Support - by Study Area				
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Section 1 - Revenues and Contributions

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: 2004 -2014
(in Millions of Dollars)

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Local Service and Payphone Revenues	Local Exchange and Federal/State USF Support ¹	\$68,238	\$66,506	\$63,264	\$62,790	\$60,721	\$56,839	\$56,993	\$52,718	\$50,598	\$49,016	\$47,495
	Pay Telephone ²	1,002	924	659	470	379	268	197	136	362	359	327
	Local Private Line ³	23,840	25,673	25,448	24,307	26,314	27,098	26,809	28,243	29,101	29,632	31,194
	Other Local ⁴	2,944	3,331	3,884	3,227	3,321	3,531	3,032	3,145	2,408	1,746	1,456
	Subscriber Line Charges ⁵	11,715	11,113	10,827	10,141	9,283	8,363	7,481	6,703	6,195	5,968	5,507
	Access ⁶	12,352	11,822	11,392	10,543	9,776	8,778	8,336	7,368	6,759	6,384	5,016
	Total Local Service and Payphone Revenues	120,091	119,368	115,474	111,478	109,795	104,876	102,847	98,313	95,422	93,105	90,994
Mobile Revenues	Total Mobile Service Revenues⁷	96,450	104,489	112,442	117,939	120,934	114,625	111,643	107,393	105,183	98,160	86,998
Toll Service Revenues	Operator ⁸	6,542	6,631	5,577	5,874	5,444	4,340	3,585	3,162	3,092	3,064	2,785
	Non-Operator Switched Toll ⁹	46,387	44,876	41,570	42,518	39,329	34,943	27,132	27,557	25,340	23,345	22,518
	Long Distance Private Line ¹⁰	13,906	13,264	12,739	12,080	11,683	11,649	14,344	11,443	12,262	12,542	12,362
	Other Long Distance ¹¹	1,801	2,021	2,154	1,661	2,071	2,708	4,945	4,186	3,929	3,886	3,891
	Total Toll Service Revenues	68,637	66,792	62,039	62,133	58,527	53,640	50,006	46,347	44,624	42,837	41,555
Total Local, Mobile, and Toll Revenues		285,177	290,649	289,954	291,549	289,255	273,141	264,496	252,052	245,229	234,102	219,547
	Universal Service Surcharges ^{12,13}	6,557	7,273	7,314	7,902	8,110	7,911	8,662	8,986	10,012	8,986	9,084
Total Telecommunications Revenues¹⁴		291,735	297,921	297,269	299,451	297,365	281,052	273,158	261,038	255,242	243,088	228,631
	Total Non-Telecommunications Revenues ¹⁵	71,493	86,764	101,061	131,615	151,494	158,859	173,228	214,538	224,487	251,892	268,260
Total Reported Revenues		\$363,227	\$384,685	\$398,329	\$431,066	\$448,860	\$439,911	\$446,386	\$475,576	\$479,729	\$494,981	\$496,892

Footnotes to Table 1.1

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

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

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

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

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

⁶ Dollar amounts are calculated using Line 304a from Form 499-A.

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

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

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

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

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

¹² 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.

¹³ Dollar amounts are calculated using Line 403a from Form 499-A.

¹⁴ Subtotal includes surcharge.

¹⁵ Dollar amounts are calculated using Line 418a from Form 499-A.

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

Source: FCC Form 499-A based on filings as of June 3, 2015.

Table 1.2
Filer Revenues¹, Wholesale vs. Retail: 2004-2014
(in Millions of Dollars)

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Wholesale (Carrier's Carrier) Telecommunications Revenues²	Local Service ^{3,4}	\$38,546	\$39,213	\$39,392	\$38,383	\$39,200	\$38,285	\$37,955	\$39,807	\$39,783	\$39,101	\$37,974
	Mobile Service ⁵	4,164	6,334	5,187	5,360	5,630	4,284	5,006	5,512	5,587	5,384	5,334
	Toll Service ⁶	15,703	16,892	15,101	16,093	13,843	13,003	15,549	11,921	11,425	10,911	10,472
	Total Wholesale Revenues	58,413	62,439	59,679	59,836	58,672	55,571	58,510	57,240	56,796	55,396	53,780
	Intrastate ⁷	25,852	27,486	24,848	22,566	21,836	20,173	22,484	20,379	18,860	17,236	16,182
	Interstate and International ^{8,9}	32,561	34,953	34,831	37,270	36,837	35,399	36,026	36,861	37,936	38,160	37,598
Percentage Interstate/International		56%	56%	58%	62%	63%	64%	62%	64%	67%	69%	70%
Retail (End User) Telecommunications Revenues	Local Service ^{3,10}	\$81,545	\$80,155	\$76,082	\$73,095	\$70,598	\$66,591	\$64,892	\$58,506	\$55,639	\$54,004	\$53,020
	Mobile Service ¹¹	92,286	98,156	107,255	112,579	115,304	110,341	106,637	101,881	99,596	92,776	81,664
	Toll Service ¹²	52,934	49,900	46,938	46,040	44,681	40,637	34,457	34,426	33,198	31,927	31,083
	Universal Service Surcharges ¹³	6,557	7,272	7,314	7,902	8,110	7,911	8,662	8,986	10,012	8,986	9,084
	Total Retail Revenues	\$233,322	\$235,482	\$237,589	\$239,615	\$238,693	\$225,481	\$214,648	\$203,798	\$198,446	\$187,693	\$174,851
	Intrastate ¹⁴	153,265	154,310	157,653	158,380	157,737	149,493	142,356	133,475	128,409	119,294	107,909
Percentage Interstate/International		34%	34%	34%	34%	34%	34%	34%	35%	35%	36%	38%
Total Telecommunications Revenues (Wholesale + Retail)	Local Service ³	\$120,091	\$119,368	\$115,474	\$111,478	\$109,798	\$104,876	\$102,847	\$98,313	\$95,422	\$93,105	\$90,994
	Mobile Service	96,450	104,489	112,442	117,939	120,934	114,625	111,643	107,393	105,183	98,160	86,998
	Toll Service	68,637	66,792	62,039	62,133	58,523	53,640	50,006	46,347	44,624	42,837	41,555
	Universal Service Surcharges	6,557	7,272	7,314	7,902	8,110	7,911	8,662	8,986	10,012	8,986	9,084
	Total Telecommunications Revenues	\$291,734	\$297,921	\$297,268	\$299,451	\$297,365	\$281,052	\$273,158	\$261,038	\$255,242	\$243,088	\$228,631
	Intrastate	179,117	181,796	182,501	180,946	179,573	169,666	164,840	153,854	147,269	136,530	124,091
Percentage Interstate/International		39%	39%	39%	40%	40%	40%	40%	41%	42%	44%	46%
Total Non-Telecommunications Revenues		\$71,493	\$86,764	\$101,061	\$131,615	\$151,494	\$158,859	\$173,228	\$214,538	\$224,487	\$251,892	\$268,260
Total Reported Revenues		\$363,227	\$384,685	\$398,329	\$431,066	\$448,859	\$439,911	\$446,386	\$475,576	\$479,729	\$494,981	\$496,892

Footnotes to Table 1.2

- ¹ Data include revenues for de minimis filers as well as for other carriers that are exempt from universal service contribution requirements.
- ² 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.
- ³ Payphone revenues and interconnected Voice over Internet Protocol (VoIP) revenues are included with local service revenues in this table.
- ⁴ Dollar amounts are calculated using the sum of Lines 303a to 308a from Form 499-A.
- ⁵ Dollar amounts are calculated using Line 309a from Form 499-A.
- ⁶ Dollar amounts are calculated using the sum of Lines 310a to 314a from Form 499-A.
- ⁷ 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.
- ⁸ 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.
- ⁹ Dollar amounts are calculated using the sum of Lines 303d to 314d, plus the sum of Lines 303e to 314e from Form 499-A.
- ¹⁰ Dollar amounts are calculated using the sum of Lines 404a to 408a from Form 499-A.
- ¹¹ Dollar amounts are calculated using the sum of Lines 409a and 410a from Form 499-A.
- ¹² Dollar amounts are calculated using the sum of Lines 411a to 417a from Form 499-A.
- ¹³ Dollar amounts are calculated using Line 403a from Form 499-A.
- ¹⁴ 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.
- ¹⁵ 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.

Source: FCC Form 499-A based on filings as of June 3, 2015.

Table 1.3
2014 Filer Revenues by Service Type: Top 5 Affiliated Entities vs. Other Companies
(in Millions of Dollars)

		Top 5 Affiliated Entities¹	Other Companies	Total
Local Service and Payphone Revenues	Local Exchange ²	\$24,337	\$17,371	\$41,708
	Pay Telephone ³	9	318	327
	Local Private Line ⁴	21,618	9,576	31,194
	Other Local ⁵	901	555	1,456
	Federal and State USF Support ⁶	1,689	4,098	5,787
	Subscriber Line Charges ⁷	3,231	2,276	5,507
	Access ⁸	2,689	2,328	5,016
	Total Local Service and Payphone Revenues	54,473	36,522	90,994
Mobile Revenues	Total Mobile Service Revenues⁹	78,056	8,942	86,998
Toll Service Revenues	Operator ¹⁰	427	2,358	2,785
	Non-Operator Switched Toll ¹¹	10,474	12,044	22,518
	Long Distance Private Line ¹²	7,267	5,095	12,362
	Other Long Distance ¹³	582	3,309	3,891
	Total Toll Service Revenues	18,750	22,805	41,555
Total Local, Mobile, and Toll Revenues		151,279	68,269	219,547
	Universal Service Surcharges ¹⁴	6,766	2,318	9,084
Total Telecommunications Revenues		158,045	70,587	228,631
	Total Non-Telecommunications Revenues ¹⁵	184,794	83,466	268,260
Total Reported Revenues		\$342,839	\$154,052	\$496,892

¹ 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, and Verizon Communications. Affiliated entity structure is as of year-end 2014.

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

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

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

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

⁶ Dollar amounts are calculated using Line 308a from Form 499-A.

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

⁸ Dollar amounts are calculated using Line 304a from Form 499-A.

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

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

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

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

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

¹⁴ Dollar amounts are calculated using Line 403a from Form 499-A.

¹⁵ Dollar amounts are calculated using Line 418a from Form 499-A.

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

Source: FCC Form 499-A based on filings as of June 3, 2015.

Table 1.4
Telecommunications Revenue Reported on FCC Form 499-Q: 2013-2015
(in Millions of Dollars)

Data from FCC Form 499-Q			All Filers	LIRE Exemption ¹	Total Less LIRE
Projected Revenues for 2013	Interstate and International ²	Retail (End User) Billed ³	\$68,884		
		Retail Net of Uncollectibles ⁴	67,975	(2,609)	65,366
		Implied Uncollectible Rate	1.3%		
Historical Revenues Reported for 2013	Intrastate, Interstate, and International	Wholesale (Carrier's Carrier) Billed ⁵	53,543		
		Retail (End User) Billed	188,667		
		Total Revenue	242,210		
Projected Revenues for 2014	Interstate and International	Retail (End User) Billed	68,042		
		Retail Net of Uncollectibles	67,005	(2,868)	64,137
		Implied Uncollectible Rate	1.5%		
Historical Revenues Reported for 2014	Intrastate, Interstate, and International	Wholesale (Carrier's Carrier) Billed	53,148		
		Retail (End User) Billed	174,520		
		Total Revenue	227,668		
Projected Revenues for 2015	Interstate and International	Retail (End User) Billed ⁶	64,691		
		Retail Net of Uncollectibles ^{7,8}	64,066	(2,881)	61,185
		Implied Uncollectible Rate	1.0%		
Historical Revenues Reported for First Half of 2015	Intrastate, Interstate, and International	Wholesale (Carrier's Carrier) Billed ⁹	26,147		
		Retail (End User) Billed ¹⁰	81,833		
		Total Revenue	107,979		
Projected Revenues for 2015	Interstate and International	Retail (End User) Billed ¹¹	31,938		

¹ 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.

² Projected intrastate revenues are not reported on FCC Form 499-Q.

³ Prior to 2014, line was referred to as "Billed to End Users".

⁴ Prior to 2014, line was referred to as "Collected from End Users".

⁵ Prior to 2014, line was referred to as "Billed to Resellers".

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

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

⁸ 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.

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

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

¹¹ 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.

Source: FCC Form 499-Q.

Table 1.5
USF Contribution Base by Year¹: 2004-2014
(in Millions of Dollars)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues Subject to USF Contribution											
Billed interstate and international retail (end-user) revenues (includes Universal Service Surcharge) [Line 403 to Line 417, parts (d) and (e)]	\$80,057	\$81,173	\$79,937	\$81,235	\$80,956	\$75,988	\$72,292	\$70,323	\$70,037	\$68,399	\$66,942
less revenues for international-to-international services [Line 412(e)]	644	873	708	886	862	576	469	452	444	589	673
less international revenues of international-only filers and international revenues that were excluded because of the LIRE Exemption ²	3,118	3,742	3,598	3,978	4,148	3,393	3,326	3,079	2,653	3,086	2,827
less interstate and other international revenues for filers who are de minimis or otherwise exempt from universal service support requirements	66	54	57	50	51	49	34	31	28	31	31
less uncollectible contribution base revenues [Line 422(d) + Line 422(e)] ³	1,574	1,231	1,073	1,301	1,131	1,075	960	787	709	610	527
equals	\$74,654	\$75,272	\$74,499	\$75,020	\$74,764	\$70,895	\$67,503	\$65,971	\$66,203	\$64,083	\$62,884

¹ 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 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 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 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.

² 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.

³ 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 based on filings as of June 3, 2015.

Table 1.6
Universal Service Fund Contribution Factor ¹

Year	Quarter	Factor
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
2015	First Quarter	16.8
	Second Quarter	17.4
	Third Quarter	17.1
	Fourth Quarter	16.7

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

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 Revenues¹ by
Top 5 Affiliated Entities vs. Other Companies: 2012 - First Half 2015
(in Millions of Dollars)

	2012	2013	2014	Preliminary³ First Half 2015
Top 5 Affiliated Entities²	\$49,795	\$48,530	\$46,870	\$21,994
Other Companies	20,242	19,870	20,072	9,944
Total	\$70,037	\$68,399	\$66,942	\$31,938

¹ Revenues for 2012-2014 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.

² 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 2012 are (in alphabetical order): AT&T Inc., CenturyLink, Deutsche Telekom AG, Sprint Nextel Corporation, and Verizon Communications. These companies for 2013 - 2015 are (in alphabetical order): AT&T Inc., CenturyLink, Deutsche Telekom AG, SoftBank Corporation (which acquired Sprint Nextel Corporation in June 2013), and Verizon Communications.

³ 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.

Source: 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 filings as of June 3, 2015. Data for 2015 are based on FCC Form 499-Q.

Table 1.8
End User Telecommunications Revenue by State: 2013
(in Millions of Dollars)

	Interstate and			% Interstate and		
	Intrastate	International	Total	% Intrastate	International	% Total
Alabama	\$1,709	\$1,013	\$2,722	1.43%	1.48%	1.45
Alaska	277	169	445	0.23	0.25	0.24
American Samoa	10	6	16	0.01	0.01	0.01
Arizona	2,195	1,380	3,574	1.84	2.02	1.90
Arkansas	1,031	592	1,623	0.86	0.87	0.86
California	14,478	7,382	21,860	12.14	10.79	11.65
Colorado	1,922	1,257	3,179	1.61	1.84	1.69
Connecticut	1,456	921	2,377	1.22	1.35	1.27
Delaware	378	225	603	0.32	0.33	0.32
District of Columbia	643	392	1,035	0.54	0.57	0.55
Florida	7,280	4,260	11,540	6.10	6.23	6.15
Georgia	3,755	2,253	6,007	3.15	3.29	3.20
Guam	54	34	88	0.05	0.05	0.05
Hawaii	513	368	881	0.43	0.54	0.47
Idaho	513	325	838	0.43	0.48	0.45
Illinois	4,929	2,806	7,735	4.13	4.10	4.12
Indiana	2,244	1,289	3,533	1.88	1.88	1.88
Iowa	1,073	638	1,711	0.90	0.93	0.91
Kansas	1,015	581	1,596	0.85	0.85	0.85
Kentucky	1,517	882	2,399	1.27	1.29	1.28
Louisiana	1,733	945	2,677	1.45	1.38	1.43
Maine	511	309	820	0.43	0.45	0.44
Maryland	2,475	1,470	3,944	2.07	2.15	2.10
Massachusetts	2,784	1,600	4,385	2.33	2.34	2.34
Michigan	3,595	1,957	5,553	3.01	2.86	2.96
Minnesota	2,069	1,205	3,273	1.73	1.76	1.74
Mississippi	948	551	1,499	0.79	0.81	0.80
Missouri	2,167	1,271	3,438	1.82	1.86	1.83
Montana	365	233	599	0.31	0.34	0.32
Nebraska	671	468	1,139	0.56	0.68	0.61
Nevada	1,017	604	1,621	0.85	0.88	0.86
New Hampshire	501	318	819	0.42	0.46	0.44
New Jersey	3,761	2,151	5,912	3.15	3.14	3.15
New Mexico	669	409	1,078	0.56	0.60	0.57
New York	8,205	4,565	12,769	6.88	6.67	6.80
North Carolina	3,548	2,150	5,698	2.97	3.14	3.04
North Dakota	275	163	438	0.23	0.24	0.23
N. Mariana Islands	14	7	22	0.01	0.01	0.01
Ohio	4,345	2,389	6,734	3.64	3.49	3.59
Oklahoma	1,397	761	2,158	1.17	1.11	1.15
Oregon	1,349	799	2,148	1.13	1.17	1.14
Pennsylvania	5,140	2,956	8,096	4.31	4.32	4.31
Puerto Rico	1,012	711	1,723	0.85	1.04	0.92
Rhode Island	407	231	638	0.34	0.34	0.34
South Carolina	1,692	1,011	2,703	1.42	1.48	1.44
South Dakota	312	190	502	0.26	0.28	0.27
Tennessee	2,418	1,372	3,789	2.03	2.01	2.02
Texas	9,037	4,803	13,840	7.58	7.02	7.37
Utah	899	566	1,465	0.75	0.83	0.78
Vermont	247	162	409	0.21	0.24	0.22
Virgin Islands	54	53	107	0.05	0.08	0.06
Virginia	3,278	1,998	5,276	2.75	2.92	2.81
Washington	2,478	1,428	3,905	2.08	2.09	2.08
West Virginia	666	452	1,118	0.56	0.66	0.60
Wisconsin	2,053	1,233	3,286	1.72	1.80	1.75
Wyoming	211	135	346	0.18	0.20	0.18
Total	\$119,294	\$68,399	\$187,693	100.00%	100.00%	100.00%

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 1.9
Universal Service Support Mechanisms by State: 2014
(Annual Payments and Contributions in Thousands of Dollars)

	Payments from USF to Service Providers ¹								Estimated Net Dollar Flow ⁴
	High-Cost Support	Low-Income Support	Schools & Libraries	Rural Health Care ²	Total				
					Amount	% of Total	Amount	% of Total	
Alabama	\$92,015	\$23,978	\$47,347	\$1,119	\$163,612	2.09%	\$117,538	1.48%	\$46,074
Alaska	184,225	16,014	52,387	62,286	313,115	4.01%	19,609	0.25%	293,506
American Samoa	2,749	46	1,132	347	4,324	0.06%	696	0.01%	3,628
Arizona	65,858	60,847	64,611	2,816	193,925	2.48%	160,121	2.02%	33,804
Arkansas	84,227	14,959	25,323	4,087	128,386	1.64%	68,690	0.87%	59,696
California	91,526	134,761	340,582	14,316	583,495	7.46%	856,532	10.79%	-273,037
Colorado	68,093	12,120	21,731	2,845	103,848	1.33%	145,850	1.84%	-42,002
Connecticut	464	11,560	18,611	22	32,209	0.41%	106,863	1.35%	-74,654
Delaware	228	3,734	5,430	0	9,318	0.12%	26,107	0.33%	-16,789
District of Columbia	0	5,273	8,387	0	13,323	0.17%	45,484	0.57%	-32,161
Florida	63,601	106,617	81,541	185	249,840	3.20%	494,287	6.23%	-244,447
Georgia	108,097	59,379	96,278	4,879	266,355	3.41%	261,415	3.29%	4,940
Guam	10,694	209	589	122	11,265	0.14%	3,945	0.05%	7,320
Hawaii	23,307	5,780	5,614	264	35,103	0.45%	42,699	0.54%	-7,596
Idaho	42,059	2,465	7,537	463	53,051	0.68%	37,710	0.48%	15,341
Illinois	73,212	69,021	118,537	5,193	262,346	3.36%	325,580	4.10%	-63,234
Indiana	80,002	27,388	47,715	2,722	157,278	2.01%	149,562	1.88%	7,716
Iowa	126,297	7,004	17,639	1,063	154,453	1.98%	74,027	0.93%	80,426
Kansas	147,033	9,613	19,576	734	179,988	2.30%	67,413	0.85%	112,575
Kentucky	120,269	28,880	36,560	2,351	187,503	2.40%	102,338	1.29%	85,165
Louisiana	80,099	33,693	50,403	821	168,427	2.15%	109,648	1.38%	58,779
Maine	22,721	6,732	8,305	6,720	45,249	0.58%	35,853	0.45%	9,396
Maryland	3,596	27,612	24,657	26	54,230	0.69%	170,564	2.15%	-116,334
Massachusetts	2,216	34,011	32,689	135	67,598	0.86%	185,648	2.34%	-118,050
Michigan	32,753	74,176	47,635	8,402	161,931	2.07%	227,070	2.86%	-65,139
Minnesota	104,053	12,673	28,543	4,700	149,901	1.92%	139,816	1.76%	10,085
Mississippi	188,602	15,290	29,993	3,371	238,124	3.05%	63,932	0.81%	174,192
Missouri	100,969	23,160	30,470	1,891	156,295	2.00%	147,474	1.86%	8,821
Montana	89,422	1,939	5,425	5,129	103,438	1.32%	27,035	0.34%	76,403
Nebraska	74,676	1,316	10,937	1,496	87,902	1.12%	54,302	0.68%	33,600
Nevada	23,922	19,998	9,475	324	52,882	0.68%	70,082	0.88%	-17,200
New Hampshire	9,775	2,238	3,499	62	15,008	0.19%	36,897	0.46%	-21,889
New Jersey	929	29,172	64,758	0	93,602	1.20%	249,580	3.14%	-155,978
New Mexico	72,617	17,345	26,058	3,102	118,276	1.51%	47,456	0.60%	70,820
New York	40,934	130,901	103,462	3,207	271,691	3.48%	529,676	6.67%	-257,985
North Carolina	85,824	44,470	81,973	3,971	213,147	2.73%	249,464	3.14%	-36,317
North Dakota	95,513	2,540	3,648	1,404	101,625	1.30%	18,913	0.24%	82,712
N. Mariana Islands	1,265	204	723	12	2,241	0.03%	812	0.01%	1,429
Ohio	40,708	74,472	71,353	1,189	184,594	2.36%	277,195	3.49%	-92,601
Oklahoma	127,040	132,104	60,066	6,377	322,660	4.13%	88,299	1.11%	234,361
Oregon	71,413	10,285	14,107	4,009	99,232	1.27%	92,708	1.17%	6,524
Pennsylvania	77,519	66,435	68,894	1,090	210,712	2.70%	342,984	4.32%	-132,272
Puerto Rico	115,237	44,316	13,423	0	174,243	2.23%	82,497	1.04%	91,746
Rhode Island	30	6,533	7,200	0	13,614	0.17%	26,803	0.34%	-13,189
South Carolina	99,591	34,872	39,291	1,461	175,130	2.24%	117,306	1.48%	57,824
South Dakota	76,349	895	6,906	1,097	83,504	1.07%	22,046	0.28%	61,458
Tennessee	69,669	42,555	38,671	1,510	148,682	1.90%	159,193	2.01%	-10,511
Texas	222,993	82,306	218,274	8,474	530,602	6.79%	557,291	7.02%	-26,689
Utah	24,253	5,598	18,837	1,447	49,778	0.64%	65,673	0.83%	-15,895
Vermont	17,740	1,662	3,103	77	24,145	0.31%	18,797	0.24%	5,348
Virgin Islands	16,428	326	3,988	15	20,693	0.26%	6,150	0.08%	14,543
Virginia	83,349	22,657	35,788	2,419	139,971	1.79%	231,828	2.92%	-91,857
Washington	68,568	25,543	35,715	334	129,112	1.65%	165,691	2.09%	-36,579
West Virginia	44,244	8,573	21,930	1,736	76,292	0.98%	52,445	0.66%	23,847
Wisconsin	121,984	23,481	28,551	10,603	183,582	2.35%	143,065	1.80%	40,517
Wyoming	42,241	134	3,529	553	46,552	0.60%	15,664	0.20%	30,888
Total	\$3,733,198	\$1,659,869	\$2,269,407	\$192,977	\$7,817,405	100.00%	\$7,936,326	100.00%	-\$118,921

Notes: Figures may not add due to rounding. USF is an abbreviation for the Universal Service Fund.

¹ Data are from USAC.

² Includes both the primary and pilot programs.

³ Contributions include administrative cost of approximately \$119 million, as shown in USAC's Annual Report. Allocation of contributions among states is an FCC estimate. See the Technical Appendix at <http://www.fcc.gov/encyclopedia/federal-state-joint-board-monitoring-reports>.

⁴ Net dollar flow is positive when payments from USF to carriers exceed contributions to USF. Total is negative because of administrative expenses.

Table 1.10
Universal Service Disbursements 2001-2014
(in Millions of Dollars)

Year	High-Cost Support	Low-Income Support	Rural Health Care	Schools and Libraries	Total
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
2014	3,733	1,660	193	2,269	7,855

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).

Table 1.11
Universal Service Program Requirements and Contribution Factors for 2015
(in Millions of Dollars)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
All Support Mechanisms					
Projections of demand and administrative expenses at the time the contribution factors were adopted					
High Cost					
High Cost Loop Support	\$183.63	\$185.34	\$186.29	\$186.62	\$741.88
Interstate Common Line Support	\$224.32	\$223.30	\$231.95	\$231.95	\$911.52
Connect America Fund - Frozen Price Cap Carrier Support ¹	\$258.10	\$260.11	\$260.08	\$260.34	\$1,038.63
Frozen Competitive ETC Support ²	\$150.59	\$148.95	\$148.81	\$148.83	\$597.18
Connect America Fund - Intercarrier Compensation Support	\$103.07	\$102.80	\$103.16	\$103.16	\$412.19
Connect America Fund Reserve Pursuant to FCC 11-1612 ³	\$205.29	\$204.50	\$194.71	\$194.10	\$798.60
Prior Period Adjustment ³	-\$7.14	\$4.85	\$9.07	-\$17.41	-\$10.63
USAC Administrative Costs	\$7.69	\$8.21	\$8.22	\$5.61	\$29.73
Interest Income ⁴	-\$1.94	-\$2.82	-\$2.98	-\$2.74	-\$10.48
Program Total	\$1,123.61	\$1,135.24	\$1,139.31	\$1,110.46	\$4,508.62
Low Income					
Lifeline Assistance	\$408.89	\$401.07	\$363.48	\$376.83	\$1,550.27
Link-Up	\$0.21	\$0.16	\$0.11	\$0.10	\$0.58
Broadband Pilot	\$0.02	\$0.01	\$0.00	\$0.00	\$0.03
Prior Period Adjustment	-\$15.04	\$6.52	-\$25.83	-\$52.05	-\$86.40
USAC Administrative Costs	\$4.58	\$6.76	\$7.00	\$1.68	\$20.02
Interest Income ⁴	-\$0.16	-\$0.14	-\$0.15	-\$0.15	-\$0.60
Program Total	\$398.50	\$414.38	\$344.61	\$326.41	\$1,483.90
Rural Health					
Rural Health Care Support	\$59.81	\$64.29	\$65.17	\$73.13	\$262.40
Prior Period Adjustment	-\$1.72	\$0.25	-\$0.09	-\$1.07	-\$2.63
USAC Administrative Costs	\$2.99	\$3.36	\$3.44	\$2.93	\$12.72
Interest Income ⁴	-\$0.37	-\$0.52	-\$0.50	-\$0.43	-\$1.82
Program Total	\$60.71	\$67.38	\$68.02	\$74.56	\$270.67
Schools & Libraries					
Schools and Libraries Support	\$580.98	\$580.33	\$603.45	\$603.45	\$2,368.21
Prior Period True-ups	-\$0.29	\$1.40	\$0.19	-\$8.88	-\$7.58
Interest Income ⁴	-\$5.08	-\$6.68	-\$6.67	-\$5.76	-\$24.19
Administrative expenses	\$22.47	\$23.12	\$21.95	\$21.42	\$88.96
Program Total	\$598.08	\$598.17	\$618.92	\$610.23	\$2,425.40
Grand Total	\$2,180.90	\$2,215.17	\$2,170.86	\$2,121.66	\$8,688.59
Applicable interstate and international end-user revenues					
Reported contribution base revenues	\$15,305.30	\$15,148.44	\$15,046.10	\$15,000.90	
Circularity Adjustment					
Amount carriers will contribute to USF in this quarter	-2,180.90	-2,215.17	-2,170.86	-2,121.66	
Subtotal	\$13,124.40	\$12,933.27	\$12,875.24	\$12,879.24	
Adjustment factor for uncollectibles	1.0%	1.0%	1.0%	1.0%	
Contribution base at the time the factor was calculated	\$12,993.16	\$12,803.94	\$12,746.48	\$12,750.45	
Contribution factor	16.8%	17.4%	17.1%	16.7%	
Contribution factor times contribution base	\$2,181.55	\$2,227.89	\$2,179.65	\$2,129.32	

¹ 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.

² 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.

³ 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.

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

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 (2015 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	\$3.34	\$1.25	\$0.07	\$1.75	\$6.41	\$2.88	\$3.52
2012	\$3.28	\$1.74	\$0.09	\$1.74	\$6.85	\$3.08	\$3.77
2013	\$3.12	\$1.12	\$0.12	\$1.62	\$5.98	\$2.69	\$3.29
2014	\$3.04	\$1.12	\$0.16	\$1.60	\$5.93	\$2.67	\$3.26
2015	\$2.99	\$0.98	\$0.18	\$1.61	\$5.77	\$2.59	\$3.17

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 Forms 477 and 499, Access filings with the FCC and a third party report, estimates that contributions based on services typically sold to residential users represent roughly one-half of overall contributions; the third party data source used in creating these estimates is the 2015 Telecommunications Industry Association (TIA) Market Forecast and Review. FCC staff believe that the residential portion of the total contribution is between 45% (low estimate) and 55% (high estimate).

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)

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. In 2015, the Commission built on existing reforms to prevent waste, fraud, and abuse in the program in addition to seeking comment on restructuring Lifeline to better support 21st Century technologies.

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 September 15, 2015.

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 ¹			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	761	17,169	1,228	180	1,408
2013	13,853	650	14,503	0	17	17
2014	12,945	503	13,448	0	29	29

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 2015. Data for 2009-2013 were revised.

¹ 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 ²	TLS ³	PICC ⁴	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 ¹	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	1,920,203	210,393	6,646	0	2,137,242	34,770	11,940	46,710	2,183,952
2013	1,609,389	179,894	2,693	0	1,791,981	0	567	567	1,792,548
2014	1,492,533	137,492	0	0	1,630,026	0	640	640	1,630,666

Note: Data for 2009-2013 were updated to account for true-ups.

¹ 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.

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

³ TLS is an abbreviation for toll limitation service.

⁴ 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: 2014
(in Thousands of Dollars)

State or Jurisdiction	Lifeline		Link Up		TLS	Total
	General	Additional Tribal	Non-Tribal	Tribal		
Alabama	\$24,122	\$36	\$0	\$0	\$0	\$24,158
Alaska	4,538	11,016	0	32	0	15,587
American Samoa	34	0	0	0	0	34
Arizona	43,764	16,218	0	256	0	60,238
Arkansas	14,820	2	0	0	0	14,822
California	136,993	48	0	0	0	137,041
Colorado	11,482	16	0	0	0	11,498
Connecticut	13,127	0	0	0	0	13,127
Delaware	3,664	0	0	0	0	3,664
District of Columbia	4,979	0	0	0	0	4,979
Florida	103,974	0	0	0	0	103,974
Georgia	59,212	0	0	0	0	59,212
Guam	203	0	0	0	0	203
Hawaii	2,959	2,489	0	0	0	5,448
Idaho	2,125	166	0	0	0	2,291
Illinois	68,164	0	0	0	0	68,164
Indiana	26,654	0	0	0	0	26,654
Iowa	6,784	0	0	0	0	6,784
Kansas	9,609	16	0	0	0	9,625
Kentucky	28,119	0	0	0	0	28,119
Louisiana	32,891	0	0	0	0	32,891
Maine	6,456	18	0	0	0	6,474
Maryland	26,055	0	0	0	0	26,055
Massachusetts	32,595	0	0	0	0	32,595
Michigan	73,543	69	0	0	0	73,613
Minnesota	11,049	1,260	0	0	0	12,309
Mississippi	15,928	1	0	0	0	15,930
Missouri	23,469	2	0	0	0	23,471
Montana	821	1,087	0	18	0	1,927
Nebraska	1,213	51	0	0	0	1,264
Nevada	19,400	487	0	0	0	19,887
New Hampshire	2,163	0	0	0	0	2,163
New Jersey	27,926	0	0	0	0	27,926
New Mexico	10,051	6,863	0	164	0	17,079
New York	124,158	1	0	0	0	124,159
North Carolina	42,827	71	0	0	0	42,898
North Dakota	1,176	1,198	0	5	0	2,379
Northern Mariana Islands	241	0	0	0	0	241
Ohio	73,984	0	0	0	0	73,984
Oklahoma	37,893	92,932	0	151	0	130,975
Oregon	9,557	28	0	0	0	9,585
Pennsylvania	63,426	0	0	0	0	63,426
Puerto Rico	46,142	0	0	0	0	46,142
Rhode Island	6,389	0	0	0	0	6,389
South Carolina	34,006	65	0	1	0	34,072
South Dakota	658	222	0	1	0	881
Tennessee	41,276	0	0	0	0	41,276
Texas	79,921	0	0	0	0	79,922
Utah	5,055	282	0	9	0	5,346
Vermont	1,588	0	0	0	0	1,588
Virgin Islands	276	0	0	0	0	276
Virginia	21,771	0	0	0	0	21,771
Washington	22,092	2,186	0	0	0	24,277
West Virginia	8,505	0	0	0	0	8,505
Wisconsin	22,585	652	0	2	0	23,239
Wyoming	121	8	0	0	0	129
Total	\$1,492,533	\$137,492	\$0	\$640	\$0	\$1,630,666

Notes: These dollars represent submitted claims to USAC for the time period January 2014 through December 2014, including true-ups reported through August 2015. 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.

Source: Universal Service Administrative Company.

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

	ILECs	CETCs	Total	Percent CETCs
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	450,656	1,733,296	2,183,952	79.4
2013	296,051	1,496,498	1,792,548	83.5
2014	223,972	1,406,694	1,630,666	86.3

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.

Source: Universal Service Administrative Company.

Table 2.5
Low-Income Claims by Program and by Affiliated Entities: 2014
(in Thousands of Dollars)

Rank	Affiliated Entity Name ¹	Lifeline Support	Link Up Support	Total Low-Income Support	Percent of Total	Cumulative Percent of Total
1	América Móvil ²	\$436,487	\$0	\$436,487	26.8%	26.8%
2	SoftBank Corp. ³	272,437	0	272,437	16.7	43.5
3	AT&T Inc.	164,030	1	164,031	10.1	53.5
4	Budget Prepay Inc.	102,625	29	102,653	6.3	59.8
5	I-Wireless, LLC	94,200	0	94,200	5.8	65.6
6	Telrite Corporation	75,738	0	75,738	4.6	70.3
7	Verizon Communications Inc.	47,438	0	47,438	2.9	73.2
8	Nexus Communications, Inc.	41,141	0	41,141	2.5	75.7
9	Assist Wireless, LLC	36,405	0	36,405	2.2	77.9
10	TerraCom/YourTel America	27,811	0	27,811	1.7	79.6
11	KDDI America, Inc.	26,707	0	26,707	1.6	81.3
12	Smith Bagley, Inc.	23,722	412	24,134	1.5	82.7
13	CenturyLink, Inc.	21,836	0	21,836	1.3	84.1
14	Quadrant Holdings Group LLC	19,659	0	19,659	1.2	85.3
15	Easy Telephone Services Company	19,276	0	19,276	1.2	86.5
16	True Wireless, LLC	18,046	0	18,046	1.1	87.6
17	Blue Jay Wireless, LLC	16,282	0	16,282	1.0	88.6
18	Global Connection Inc. of America	12,326	0	12,326	0.8	89.3
19	Cox Communications, Inc.	12,282	0	12,282	0.8	90.1
20	Boomerang Wireless, LLC	11,076	0	11,076	0.7	90.8
21	General Communication, Inc.	11,050	2	11,053	0.7	91.4
22	TSC Acquisition Corporation	10,435	0	10,435	0.6	92.1
23	American Broadband and Telecommunications Company	9,697	0	9,697	0.6	92.7
24	Frontier Communications Corporation	9,643	2	9,646	0.6	93.3
25	PlatinumTel Communications LLC	8,420	0	8,420	0.5	93.8
26	Amvensys Telecom Holdings	8,198	0	8,198	0.5	94.3
27	Windstream Corporation	7,019	0	7,019	0.4	94.7
28	PR Wireless LLC	6,336	0	6,336	0.4	95.1
29	Air Voice Wireless	4,789	0	4,789	0.3	95.4
30	UTphone	4,781	0	4,781	0.3	95.7
	Other Carriers	70,133	194	70,327	4.3	83.9
	All Affiliated Entities	\$1,630,026	\$640	\$1,630,666	100.0%	100.0%

¹ Affiliated entities include all commonly-controlled or commonly-owned affiliates as of year-end 2014.

² América Móvil owns TracFone Wireless.

³ SoftBank Corp. owns Virgin Mobile USA.

Source: Universal Service Administrative Company.

Table 2.6
Total Monthly Lifeline Subscribers Since January 2012

Month	Tribal Lifeline Subscribers	Non-Tribal Lifeline Subscribers	Total Lifeline Subscribers
January-12	549,258	15,908,572	16,457,830
February-12	575,873	16,238,084	16,813,957
March-12	662,135	16,534,059	17,196,194
April-12	722,144	16,848,842	17,570,986
May-12	782,131	17,317,870	18,100,001
June-12	815,448	17,321,765	18,137,213
July-12	846,735	16,866,507	17,713,242
August-12	843,864	16,518,258	17,362,122
September-12	842,986	16,238,775	17,081,761
October-12	831,010	16,027,321	16,858,331
November-12	858,420	15,789,941	16,648,361
December-12	804,793	15,287,332	16,092,125
January-13	687,500	13,314,341	14,001,841
February-13	717,866	12,958,185	13,676,051
March-13	740,955	13,122,244	13,863,199
April-13	717,869	13,245,660	13,963,529
May-13	708,103	13,618,668	14,326,771
June-13	695,699	14,029,333	14,725,032
July-13	628,293	14,238,952	14,867,245
August-13	611,198	14,465,697	15,076,895
September-13	576,375	14,545,107	15,121,482
October-13	578,044	14,522,967	15,101,011
November-13	577,602	14,319,659	14,897,261
December-13	555,242	13,856,931	14,412,173
January-14	534,304	13,473,884	14,008,188
February-14	534,523	13,536,682	14,071,205
March-14	521,065	13,490,951	14,012,016
April-14	518,210	13,397,307	13,915,517
May-14	496,137	13,237,563	13,733,700
June-14	497,078	12,967,058	13,464,136
July-14	500,884	12,749,459	13,250,343
August-14	499,539	12,734,452	13,233,991
September-14	493,073	12,825,363	13,318,436
October-14	491,905	12,708,541	13,200,446
November-14	483,224	12,320,122	12,803,346
December-14	467,018	11,894,426	12,361,444
January-15	430,135	11,038,685	11,468,820
February-15	422,656	11,081,131	11,503,787
March-15	420,674	11,223,480	11,644,154
April-15	414,159	11,372,941	11,787,100
May-15	405,074	11,637,717	12,042,791
June-15	408,872	11,826,257	12,235,129

Source: Univeral Service Administration Company.

Table 2.7
Lifeline De-Enrollments or Scheduled to be De-Enrolled by State in 2014
(in Thousands)

State	Due to Non-Response or Customer Reporting Ineligibility ¹	Due to a Finding of Ineligibility by State Administrator, ETC Access to Eligibility Data or USAC ²	Total
Alabama	38	1	39
Alaska	13	1	14
American Samoa	0	1	1
Arizona	86	12	98
Arkansas	30	4	34
California	181	1,075	1,256
Colorado	29	0	29
Connecticut	26	0	26
Delaware	5	1	6
District of Columbia	9	1	10
Florida	142	92	235
Georgia	93	10	104
Guam	1	0	1
Hawaii	4	0	4
Idaho	6	10	16
Illinois	110	57	167
Indiana	56	4	60
Iowa	12	2	14
Kansas	20	2	22
Kentucky	55	14	69
Louisiana	60	7	67
Maine	11	0	11
Maryland	31	67	98
Massachusetts	72	29	101
Michigan	121	34	154
Minnesota	22	7	29
Mississippi	25	2	27
Missouri	47	1	48
Montana	3	1	3
Nebraska	1	7	8
Nevada	46	3	49
New Hampshire	3	0	3
New Jersey	64	36	100
New Mexico	22	1	23
New York	259	176	435
North Carolina	90	4	93
North Dakota	3	4	7
Northern Mariana Islands	1	0	1
Ohio	130	11	141
Oklahoma	91	21	112
Oregon	8	79	86
Pennsylvania	125	73	198
Puerto Rico	43	72	115
Rhode Island	16	9	24
South Carolina	74	7	81
South Dakota	1	1	2
Tennessee	68	13	81
Texas	77	274	352
Utah	9	9	18
Vermont	1	15	15
Virgin Islands	1	1	1
Virginia	40	3	42
Washington	33	74	107
West Virginia	15	5	20
Wisconsin	28	49	77
Wyoming	1	1	1
Total	2,555	2,379	4,934

Note: Zero indicates fewer than 500 de-enrollments.

¹ Column N of FCC Form 555.

² Column K of FCC Form 555.

Source: Universal Service Administrative Company.

Table 2.8
Non-Facilities Based Low-Income Subscribers by State in 2014

State	Non-Tribal			Tribal			All		
	Facilities-Based		Total	Facilities-Based		Total	Facilities-Based		Total
	No	Yes		No	Yes		No	Yes	
Alabama	139,989	68,313	217,185	113	17	130	140,102	68,329	217,314
Alaska	0	0	0	0	40,893	40,893	0	40,893	40,893
American Samoa	0	304	304	0	0	0	0	304	304
Arizona	237,169	100,239	337,408	12,154	42,414	56,857	249,323	142,653	394,265
Arkansas	103,502	25,636	133,486	0	28	28	103,502	25,664	133,513
California	246,265	982,592	1,233,891	0	278	278	246,265	982,869	1,234,168
Colorado	54,206	49,163	103,393	52	0	52	54,258	49,163	103,445
Connecticut	78,538	38,545	118,264	0	0	0	78,538	38,545	118,264
Delaware	21,806	11,202	33,007	0	0	0	21,806	11,202	33,007
District of Columbia	30,231	14,623	44,854	0	0	0	30,231	14,623	44,854
Florida	636,061	278,512	936,699	0	3	3	636,061	278,515	936,702
Georgia	436,105	82,324	533,438	0	0	0	436,105	82,324	533,438
Guam	0	1,826	1,833	0	0	0	0	1,826	1,833
Hawaii	14,628	3,711	18,338	8,143	176	8,319	22,770	3,887	26,657
Idaho	261	18,283	18,544	0	601	601	261	18,884	19,144
Illinois	551,753	49,728	614,091	0	0	0	551,753	49,728	614,091
Indiana	155,011	79,473	240,122	0	0	0	155,011	79,473	240,122
Iowa	29,429	31,635	61,114	0	0	0	29,429	31,635	61,114
Kansas	57,135	23,067	86,509	52	5	56	57,187	23,072	86,565
Kentucky	169,575	79,178	253,320	0	0	0	169,575	79,178	253,320
Louisiana	256,222	34,676	296,312	0	0	0	256,222	34,676	296,312
Maine	36,597	21,462	58,059	0	100	100	36,597	21,562	58,159
Maryland	185,683	49,058	234,745	0	0	0	185,683	49,058	234,745
Massachusetts	176,780	116,871	293,651	0	0	0	176,780	116,871	293,651
Michigan	556,126	90,956	662,197	105	214	352	556,231	91,170	662,549
Minnesota	49,108	45,961	95,068	3,949	518	4,467	53,056	46,479	99,535
Mississippi	98,919	35,261	143,495	0	4	4	98,919	35,265	143,499
Missouri	160,829	39,177	211,417	0	15	15	160,829	39,191	211,432
Montana	0	3,090	3,090	0	4,310	4,310	0	7,399	7,399
Nebraska	603	10,073	10,677	0	250	250	603	10,324	10,927
Nevada	136,228	33,876	172,989	1,079	671	1,784	137,307	34,548	174,773
New Hampshire	12,677	6,809	19,486	0	0	0	12,677	6,809	19,486
New Jersey	107,113	144,471	251,584	0	0	0	107,113	144,471	251,584
New Mexico	19,969	45,156	65,125	0	24,949	25,424	19,969	70,106	90,549
New York	544,537	573,999	1,118,537	0	7	7	544,537	574,006	1,118,543
North Carolina	198,452	179,774	385,443	0	387	387	198,452	180,160	385,829
North Dakota	205	5,374	5,751	2,731	2,114	4,845	2,936	7,488	10,596
Northern Mariana Isl.	0	2,172	2,172	0	0	0	0	2,172	2,172
Ohio	458,361	176,901	666,522	0	0	0	458,361	176,901	666,522
Oklahoma	132	179	1,467	243,844	87,313	341,272	243,975	87,492	342,739
Oregon	14,204	71,576	85,780	0	368	368	14,204	71,943	86,147
Pennsylvania	375,677	195,674	571,409	0	0	0	375,677	195,674	571,409
Puerto Rico	306,773	108,925	415,698	0	0	0	306,773	108,925	415,698
Rhode Island	36,005	21,549	57,554	0	0	0	36,005	21,549	57,554
South Carolina	227,100	69,350	306,088	202	71	273	227,302	69,421	306,361
South Dakota	564	3,964	4,528	0	1,402	1,402	564	5,366	5,930
Tennessee	221,813	140,424	371,856	0	0	0	221,813	140,424	371,856
Texas	366,612	352,854	720,089	0	3	3	366,612	352,857	720,092
Utah	25,671	18,867	44,538	0	956	1,002	25,671	19,823	45,539
Vermont	47	14,255	14,302	0	0	0	47	14,255	14,302
Virgin Islands	1	1,682	2,488	0	0	0	1	1,682	2,488
Virginia	106,354	89,751	196,135	0	0	0	106,354	89,751	196,135
Washington	68,495	123,183	191,678	4,036	3,314	7,350	72,531	126,497	199,028
West Virginia	60,647	15,949	76,623	0	0	0	60,647	15,949	76,623
Wisconsin	148,588	45,548	201,248	1,741	465	2,215	150,329	46,013	203,463
Wyoming	53	1,003	1,056	0	37	37	53	1,040	1,093
Total	7,918,803	4,828,203	12,944,651	278,200	211,880	503,080	8,197,004	5,040,084	13,447,731

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)

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). As in the 2015 Report, all support dollar values in these tables are for claims¹ as opposed to disbursements.² 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. 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, 2015.

¹ 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 positive values with the possible exceptions of CAF Inter-carrier Compensation (CAF ICC) support and Connect America Cost Model (CACM) support*. CAF ICC claims can be negative when a study area’s actual access recovery charge revenues in the prior two years substantially exceed the forecasted amount. Some CACM initial claims were negative as a result of true-ups when Frozen High Cost support exceeded CACM support.

² 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. Some negative disbursements are penalties (see the file “HC Penalties” in the Supplementary Material). Penalties are not included in claims.

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 Common Line Support	Interstate Access Support	Local Switching Support	Frozen High-Cost Support ¹	CAF Phase I Incremental Support	CAF Intercarrier Compensation Support	Mobility Fund Phase I Support	CAF Phase II Cost Model	Total Support
2009	\$1,398	\$51	\$5	\$329	\$1,594	\$566	\$389	\$0	\$0	\$0	\$0	\$0	\$4,332
2010	1,320	77	7	311	1,631	549	383	0	0	0	0	0	4,278
2011	1,213	97	9	291	1,640	521	370	0	0	0	0	0	4,142
2012	824	49	6	0	881	0	121	1,926	114	213	0	0	4,134
2013	800	32	6	0	911	0	11	1,663	307	429	74	0	4,234
2014	778	29	5	0	923	0	12	1,560	17	425	4	0	3,752
2015*	743	21	5	0	926	0	12	1,531	0	412	14	248	3,911

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

¹ Includes Phase I Frozen Support for price cap carriers and for competitive ETCs.

* Estimate for 2015 extrapolated from claims through June 2015. Claims for CAF Phase I Incremental Support and Mobility Fund Phase I Support were not extrapolated.

The 2012-2015 High Cost Loop, Interstate Common Line, Local Switching, and Safety Net Additive support includes CETC support that was frozen on a per-line basis in the USF/ICC Transformation Order. Further details are provided in Table 3.2.

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	CAF Phase II Cost Model	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	\$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	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	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	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	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	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	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	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	0.0	4,141.5
2012	ILEC	791.6	48.4	6.3	0.0	845.8	0.0	109.9	1,037.5	114.3	212.6	0.0	0.0	3,166.4
	CETC	32.1	0.5	0.0	0.0	34.7	0.0	11.1	888.9	0.0	0.0	0.0	0.0	967.4
	Total	823.8	48.9	6.3	0.0	880.6	0.0	121.0	1,926.4	114.3	212.6	0.0	0.0	4,133.8
2013	ILEC	767.3	31.4	6.1	0.0	876.8	0.0	0.0	1,033.8	307.2	429.0	0.0	0.0	3,451.6
	CETC	32.8	0.5	0.0	0.0	34.1	0.0	11.3	629.2	0.0	0.0	74.1	0.0	782.0
	Total	800.0	31.9	6.1	0.0	910.9	0.0	11.3	1,663.0	307.2	429.0	74.1	0.0	4,233.7
2014	ILEC	745.4	28.2	5.5	0.0	888.9	0.0	0.0	1,034.8	16.7	425.1	0.0	0.0	3,144.6
	CETC	32.4	0.5	0.0	0.0	34.0	0.0	11.7	525.4	0.0	0.0	3.6	0.0	607.5
	Total	777.8	28.7	5.5	0.0	922.9	0.0	11.7	1,560.2	16.7	425.1	3.6	0.0	3,752.1
2015*	ILEC	711.0	20.4	4.8	0.0	891.7	0.0	0.0	1,014.5	0.0	412.1	0.0	247.9	3,302.5
	CETC	31.5	0.5	0.0	0.0	34.1	0.0	12.1	516.9	0.0	0.0	13.8	0.0	608.9
	Total	742.5	20.9	4.8	0.0	925.8	0.0	12.1	1,531.4	0.0	412.1	13.8	247.9	3,911.3

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

CETCs are competitive eligible telecommunications carriers.

* Estimate for 2015 extrapolated from claims through June 2015. Claims for CAF Phase I Incremental Support and Mobility Fund Phase I Support were not extrapolated.

The 2012-2015 CETC High Cost Loop, Interstate Common Line, Local Switching, and Safety Net Additive support is for 11 study areas in Alaska and one in North Dakota. In 2011, the Commission decided that carriers in these areas would have their support per line frozen. Consequently, the sum of CETC support for these mechanisms in each of the years 2012-2015 represents their per-line frozen high-cost support. Details on support for these areas may be found in the Supplementary Material file "High Cost Claims – by Study Area".

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 Intercarrier Compensation Support	Mobility Fund Phase I Support	CAF Phase II Cost Model	Total 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	\$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	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	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	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	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	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	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	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	0.0	2,985.8
2012	Price Cap	0.0	0.0	0.0	0.0	3.0	0.0	0.0	1,037.5	114.3	44.2	0.0	0.0	1,199.0
	Rate of Return	791.6	48.4	6.3	0.0	842.9	0.0	109.9	0.0	0.0	168.4	0.0	0.0	1,967.4
	Total	791.6	48.4	6.3	0.0	845.8	0.0	109.9	1,037.5	114.3	212.6	0.0	0.0	3,166.4
2013	Price Cap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,033.8	307.2	86.2	0.0	0.0	1,427.3
	Rate of Return	767.3	31.4	6.1	0.0	876.8	0.0	0.0	0.0	0.0	342.8	0.0	0.0	2,024.3
	Total	767.3	31.4	6.1	0.0	876.8	0.0	0.0	1,033.8	307.2	429.0	0.0	0.0	3,451.6
2014	Price Cap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,034.8	16.7	68.1	0.0	0.0	1,119.6
	Rate of Return	745.4	28.2	5.5	0.0	888.9	0.0	0.0	0.0	0.0	356.9	0.0	0.0	2,024.9
	Total	745.4	28.2	5.5	0.0	888.9	0.0	0.0	1,034.8	16.7	425.1	0.0	0.0	3,144.6
2015*	Price Cap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,014.5	0.0	50.6	0.0	247.9	1,313.1
	Rate of Return	711.0	20.4	4.8	0.0	891.7	0.0	0.0	0.0	0.0	361.5	0.0	0.0	1,989.4
	Total	711.0	20.4	4.8	0.0	891.7	0.0	0.0	1,014.5	0.0	412.1	0.0	247.9	3,302.5

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 2015 extrapolated from claims through June 2015. Claims for CAF Phase I Incremental Support and Mobility Fund Phase I Support were not extrapolated.

Source: Universal Service Administrative Company.

Table 3.4
High-Cost Support Fund Claims - by Mechanism and State: 2014
(in Thousands of Dollars)

State	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
Alabama	\$9,461	\$550	\$0	\$0	\$14,289	\$0	\$0	\$50,416	\$5,454	\$12,055	\$0	\$92,225
Alaska*	56,968	553	0	0	59,065	0	11,683	47,041	0	9,146	814	185,270
American Samoa	0	0	0	0	953	0	0	1,619	0	244	0	2,817
Arizona	22,982	384	0	0	14,802	0	0	20,668	0	6,173	1,036	66,046
Arkansas	16,258	429	0	0	14,347	0	0	41,799	826	10,959	0	84,617
California	24,663	165	0	0	21,282	0	0	43,016	0	2,814	0	91,941
Colorado	12,460	307	0	0	8,736	0	0	44,454	0	2,050	0	68,007
Connecticut	0	0	0	0	0	0	0	464	0	0	0	464
Delaware	0	0	0	0	0	0	0	228	0	0	0	228
District of Columbia	0	0	0	0	0	0	0	0	0	0	0	0
Florida	1,556	94	0	0	3,955	0	0	47,805	208	9,699	0	63,319
Georgia	19,473	2,061	0	0	29,459	0	0	35,712	2,563	18,106	0	107,374
Guam	0	0	0	0	5,183	0	0	5,405	0	85	0	10,673
Hawaii	7,019	61	0	0	4,064	0	0	7,132	0	5,233	0	23,509
Idaho	10,179	0	0	0	9,368	0	0	18,363	0	5,100	0	43,009
Illinois	15,076	829	0	0	19,328	0	0	27,204	0	9,455	0	71,893
Indiana	29,962	1,945	0	0	27,577	0	0	15,981	0	4,967	0	80,432
Iowa	27,887	3,538	133	0	40,596	0	0	38,848	528	17,503	0	129,033
Kansas	64,430	873	5,220	0	43,987	0	0	28,812	0	7,082	0	150,404
Kentucky	19,108	178	0	0	27,151	0	0	42,416	871	31,174	0	120,897
Louisiana	13,345	32	0	0	13,225	0	0	55,117	0	2,087	0	83,807
Maine	978	44	0	0	5,919	0	0	14,499	0	2,341	0	23,781
Maryland	0	0	0	0	968	0	0	2,303	0	302	0	3,573
Massachusetts	0	0	0	0	216	0	0	1,467	0	529	0	2,212
Michigan	4,486	264	0	0	10,737	0	0	13,204	0	4,453	0	33,144
Minnesota	25,005	2,441	0	0	43,745	0	0	14,740	0	18,311	0	104,242
Mississippi	5,746	33	0	0	6,719	0	0	170,677	288	6,095	0	189,559
Missouri	25,685	296	0	0	24,217	0	0	36,771	376	14,148	0	101,493
Montana	32,579	535	0	0	30,128	0	0	20,966	0	5,868	1,005	91,082
Nebraska	20,839	936	0	0	21,079	0	0	20,340	133	11,193	0	74,520
Nevada	3,978	648	0	0	5,031	0	0	11,477	0	2,287	0	23,420
New Hampshire	46	372	0	0	4,782	0	0	1,554	0	2,414	0	9,168
New Jersey	0	0	0	0	358	0	0	258	0	326	0	943
New Mexico	30,322	513	0	0	18,567	0	0	17,166	180	4,834	697	72,278
New York	1,614	0	0	0	10,317	0	0	22,591	377	6,445	0	41,345
North Carolina	4,340	728	0	0	22,479	0	0	36,596	1,446	19,721	0	85,310
North Dakota*	23,759	1,350	100	0	33,507	0	8	26,112	0	10,237	0	95,074
Northern Mariana Islands	0	0	0	0	0	0	0	1,265	0	0	0	1,265
Ohio	4,878	104	0	0	10,283	0	0	12,664	278	12,604	0	40,810
Oklahoma	36,303	65	0	0	37,147	0	0	39,142	258	16,443	0	129,358
Oregon	15,473	432	0	0	16,080	0	0	30,995	0	9,035	0	72,014
Pennsylvania	276	45	0	0	7,002	0	0	55,106	795	14,250	0	77,474
Puerto Rico	0	0	0	0	0	0	0	115,237	0	0	0	115,237
Rhode Island	0	0	0	0	0	0	0	30	0	0	0	30
South Carolina	22,554	1,254	0	0	45,064	0	0	13,189	238	19,614	0	101,914
South Dakota	30,460	1,243	0	10	30,261	0	0	2,840	0	10,874	0	75,687
Tennessee	8,836	681	0	0	32,224	0	0	15,457	0	11,109	0	68,307
Texas	81,187	2,539	0	0	60,735	0	0	66,467	1,896	12,806	0	225,631
Utah	4,904	81	0	0	12,389	0	0	3,007	0	3,788	8	24,178
Vermont	505	26	0	0	5,722	0	0	8,597	0	4,666	0	19,514
Virgin Islands	0	0	0	0	0	0	0	16,428	0	0	0	16,428
Virginia	1,017	0	0	0	9,520	0	0	48,911	0	20,378	0	79,827
Washington	5,718	60	0	0	8,861	0	0	47,983	0	6,471	0	69,094
West Virginia	1,406	81	0	0	3,263	0	0	37,393	0	2,083	0	44,226
Wisconsin	24,318	1,872	0	0	38,158	0	0	43,554	0	13,998	0	121,900
Wyoming	9,758	94	0	0	10,019	0	0	18,720	0	3,517	0	42,108
Total	\$777,798	\$28,735	\$5,453	\$10	\$922,867	\$0	\$11,691	\$1,560,209	\$16,714	\$425,071	\$3,561	\$3,752,109

* The High Cost Loop, Interstate Common Line, Local Switching, and Safety Net Additive support for Alaska and North Dakota includes CETC support that was frozen on a per-line basis in the USF/ICC Transformation Order. Further details are provided in Table 3.2.

Source: Universal Service Administrative Company.

Table 3.5
Annual High-Cost Claims by Year-End 2014 Affiliate Structure: 2012-2014

Rank	Affiliate Name ¹	2012	2013	2014	Total	CETC Share of 3 -Year Total ²
1	AT&T Inc.	\$429,750,354	\$465,890,920	\$347,000,821	\$1,242,642,095	49.7 %
2	CenturyLink, Inc. ⁴	392,344,920	399,214,150	347,934,216	1,139,493,286	0.0
3	Frontier Communications Corporation	235,408,860	230,598,032	162,232,614	628,239,506	0.0
4	Telephone and Data Systems, Inc.	232,123,590	212,869,300	181,971,058	626,963,948	57.7
5	Windstream Corporation	125,833,740	229,806,000	163,623,251	519,262,991	0.1
6	Verizon Communications Inc. ³	213,197,783	140,517,106	133,800,516	487,515,405	31.1
7	América Móvil	76,588,848	99,151,420	63,077,184	238,817,452	41.5
8	Telapex, Inc. ⁵	77,018,166	61,452,402	51,986,717	190,457,285	89.6
9	General Communication, Inc.	53,341,587	52,913,193	54,426,593	160,681,373	89.7
10	FairPoint Communications, Inc.	42,868,956	45,928,644	43,799,514	132,597,114	0.0
11	Alaska Communications Systems Holdings, Inc.	45,738,405	40,681,063	38,934,798	125,354,266	49.4
12	Rural Telephone Service/Golden Belt	44,342,070	38,221,761	31,652,563	114,216,394	36.3
13	Consolidated Communications, Inc.	37,560,303	36,677,742	39,587,297	113,825,342	0.0
14	Deutsche Telekom AG	33,114,348	34,902,469	21,473,088	89,489,905	100.0
15	Smithville Holding Company, Inc.	27,492,681	24,809,850	24,768,793	77,071,324	0.0

¹ 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.

² 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.

³ 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.

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

⁵ Telapex, Inc. owns C Spire Wireless.

Source: Universal Service Administrative Company.

Table 3.6
High-Cost Support Fund Claims by Affiliate: 2014 (in Thousands of Dollars)

Rank	Affiliate Name ¹	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	CAF Intercarrier Compensation Support	CAF Phase I Frozen Support	CAF Phase I Incremental Support ²	CETC Frozen High-Cost Support	Mobility Fund Phase I Support	Total Support	CETC Share of Total Support ³
(in Thousands of Dollars)															
1	CenturyLink, Inc.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,577	\$345,357	\$0	\$0	\$0	\$347,934	0.0 %
2	AT&T Inc.	0	0	0	0	0	0	0	0	175,781	5,248	165,972	0	347,001	47.8
3	Telephone and Data Systems, Inc.	4,839	1,264	0	0	51,007	0	0	29,379	0	0	95,483	0	181,971	52.5
4	Windstream Corporation	0	0	0	0	0	0	0	51,909	100,163	11,466	85	0	163,623	0.1
5	Frontier Communications Corporation	0	0	0	0	0	0	0	6,605	155,627	0	0	0	162,233	0.0
6	Verizon Communications Inc.	0	0	0	0	0	0	0	0	111,894	0	21,907	0	133,801	16.4
7	América Móvil	0	0	0	0	0	0	0	0	36,054	0	27,023	0	63,077	42.8
8	General Communication, Inc.	15,272	199	0	0	21,159	0	7,406	2,324	0	0	7,304	763	54,427	88.1
9	Telapex, Inc.	2,064	0	0	0	2,304	0	0	1,713	0	0	45,906	0	51,987	88.3
10	FairPoint Communications, Inc.	0	0	0	0	0	0	0	4,533	39,267	0	0	0	43,800	0.0
11	Consolidated Communications, Inc.	135	0	0	0	2,470	0	0	5,809	31,173	0	0	0	39,587	0.0
12	Alaska Communications Systems Holdings, Inc.	6,443	98	0	0	7,579	0	1,142	0	19,690	0	3,983	0	38,935	49.4
13	Rural Telephone Service/Golden Belt	10,058	0	2,582	0	6,649	0	0	1,068	0	0	11,295	0	31,653	35.7
14	Smithville Holding Company, Inc.	13,425	1,474	0	0	9,049	0	0	821	0	0	0	0	24,769	0.0
15	Triangle Telephone Cooperative Assn., Inc.	12,459	425	0	0	8,963	0	0	959	0	0	0	217	23,022	0.9
16	Golden West Telecommunications Cooperative, Inc.	10,485	154	0	0	9,902	0	0	1,895	0	0	0	0	22,436	0.0
17	Valley Telephone Cooperative, Inc.	13,253	172	0	0	7,369	0	0	1,253	0	0	28	0	22,075	0.1
18	Deutsche Telekom AG	0	0	0	0	0	0	0	0	0	0	21,473	0	21,473	100.0
19	Copper Valley Telephone Cooperative	13,368	116	0	0	5,678	0	577	386	0	0	0	51	20,175	42.9
20	Comporium, Inc.	3,345	428	0	0	11,582	0	0	4,335	0	0	0	0	19,690	0.0
21	Nemont Telephone Cooperative, Inc.	7,223	0	0	0	7,075	0	0	1,234	0	0	4,114	0	19,646	20.9
22	Farmers Telephone Cooperative, Inc. (SC)	6,643	0	0	0	7,782	0	0	3,626	0	0	1,579	0	19,631	8.0
23	Lumos Networks Corp.	58	0	0	0	2,778	0	0	15,355	0	0	740	0	18,931	3.9
24	Tri County Telephone Association, Inc.	11,915	141	0	0	5,797	0	0	515	0	0	0	0	18,368	0.0
25	Hargray Communications Group, Inc.	5,519	0	0	0	8,563	0	0	3,936	0	0	0	0	18,018	0.0

¹ 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.

² Phase I incremental support provides a one-time injection of funding to spur the deployment of broadband-capable networks to areas that currently lack broadband service. The Phase I incremental support amounts are subject to recovery to the extent carriers do not deploy consistent with Phase I rules.

³ 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.

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

Source: Universal Service Administrative Company.

Section 4 – E-rate (Schools and Libraries)

Overview – Schools and Libraries Program

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

Eligible schools, school districts and libraries may apply individually or as part of a consortium. Funding may be requested under two categories of service: category one services to a school or library (telecommunications, telecommunications services and Internet access), and category two services that deliver Internet access within schools and libraries (internal connections, basic maintenance of internal connections, and managed internal broadband services). 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 \$3.9 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/>.

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 ¹	Other Consortia	Total Disbursements	Libraries	Schools	School Districts	Statewide Contract ¹	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	1,650,144	47,457	140,255	1,265,909	0	196,523
2000	2,078,777	65,879	110,857	1,692,230	0	209,810	1,647,025	43,566	88,518	1,384,119	0	130,821
2001	2,176,523	57,824	164,598	1,739,612	0	214,490	1,695,761	41,940	117,489	1,400,665	0	135,668
2002	2,201,025	62,941	167,229	1,720,920	0	249,935	1,598,207	42,697	106,200	1,286,711	0	162,599
2003	2,638,690	63,310	200,601	2,112,878	0	261,902	1,940,232	44,325	136,108	1,587,322	0	172,477
2004	2,194,507	54,303	158,786	1,726,470	0	254,947	1,536,420	39,723	107,113	1,210,052	0	179,532
2005	2,134,442	54,434	153,425	1,711,601	0	214,983	1,625,594	48,598	111,162	1,287,868	0	177,965
2006	1,977,796	59,710	129,414	1,528,008	0	260,664	1,568,811	46,138	96,378	1,222,707	0	203,587
2007	2,439,576	60,627	174,816	1,960,810	0	243,324	1,955,527	47,964	135,913	1,563,382	0	208,267
2008	2,564,643	75,770	148,916	2,080,566	0	259,391	1,912,798	58,118	113,557	1,519,684	0	221,439
2009	2,879,798	84,709	193,604	2,331,475	0	270,010	2,293,002	68,630	151,455	1,846,422	0	226,496
2010	3,110,937	91,103	211,101	2,519,367	0	289,367	2,409,029	71,574	156,499	1,940,810	0	240,147
2011	2,671,438	95,075	216,029	2,040,038	0	320,296	2,096,577	73,394	159,544	1,614,943	0	248,695
2012	2,888,829	96,271	279,030	2,212,404	6,467	294,657	2,181,817	77,205	197,797	1,665,924	4,018	236,873
2013	2,163,417	91,124	133,922	1,639,412	14,007	284,952	1,677,572	74,609	93,502	1,279,550	5,945	223,966
2014	2,230,494	92,368	154,373	1,698,696	26,966	258,090	862,033	39,983	63,594	678,190	2,657	77,609

Note: Activity through June 30, 2015. Funding Year 2015 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 2015 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.

¹ 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

Table 4.2
Schools and Libraries Funding Commitments and Disbursements from Program Inception through June 30, 2015
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	\$13,385	\$10,648	\$19,747	\$14,542	\$555,807	\$460,430	\$86	\$1	\$87,175	\$66,256	\$676,200	\$551,877
Alaska	9,574	6,414	3,995	3,002	447,815	369,658	0	0	13,759	9,946	475,143	389,019
American Samoa	0	0	0	0	0	0	0	0	36,744	29,851	36,744	29,851
Arizona	17,568	20,002	141,549	94,147	835,890	617,290	0	0	25,750	15,864	1,020,756	747,302
Arkansas	4,967	3,811	7,367	5,937	229,736	166,657	8,898	1,732	148,697	94,025	399,663	272,162
California	97,314	63,198	264,918	182,204	5,380,435	3,924,197	106	46	201,967	137,782	5,944,739	4,307,428
Colorado	12,971	9,063	19,829	14,347	327,918	253,067	0	0	21,554	15,128	382,272	291,606
Connecticut	4,990	3,543	47,509	33,628	257,396	204,078	0	0	110,524	91,902	420,419	333,151
Delaware	1,380	1,180	3,139	2,071	14,419	11,875	39	0	16,297	11,688	35,274	26,815
District of Columbia	7,106	4,324	25,466	15,921	164,835	107,390	0	0	17,916	8,589	215,322	136,223
Florida	55,040	40,406	151,810	113,962	1,040,030	829,511	0	0	98,403	81,128	1,345,283	1,065,006
Georgia	82,394	68,797	37,088	29,772	1,034,059	821,083	0	0	183,222	152,582	1,336,763	1,072,233
Guam	118	13	246	128	27,020	19,229	0	0	0	0	27,384	19,371
Hawaii	2,724	1,498	57,516	27,227	26,965	14,158	457	311	920	446	88,582	43,639
Idaho	4,096	3,121	7,231	4,689	88,158	66,331	0	0	23,193	13,811	122,678	87,952
Illinois	39,062	27,493	138,099	103,403	1,506,410	1,135,762	0	0	72,950	52,047	1,756,520	1,318,705
Indiana	50,369	35,537	35,559	24,580	419,742	308,400	0	0	93,859	42,079	599,529	410,596
Iowa	4,513	2,916	14,196	9,973	138,696	98,455	0	0	68,272	57,349	225,677	168,693
Kansas	11,279	8,246	9,837	6,924	243,871	186,845	0	0	23,842	19,169	288,829	221,183
Kentucky	14,940	10,655	6,166	3,725	523,005	373,249	0	0	105,062	75,565	649,173	463,194
Louisiana	59,535	48,472	51,671	36,917	691,970	559,525	0	0	32,275	23,951	835,451	668,866
Maine	1,494	1,038	15,475	11,254	58,690	40,238	0	0	56,760	45,934	132,419	98,464
Maryland	17,413	12,598	26,809	17,728	301,431	230,779	0	0	31,457	22,908	377,110	284,014
Massachusetts	42,073	28,932	56,588	40,688	413,869	322,288	11	0	49,186	25,146	561,727	417,054
Michigan	32,364	23,088	53,363	35,352	789,941	589,689	0	0	119,518	90,222	995,186	738,352
Minnesota	24,100	17,151	37,265	25,323	273,222	203,119	0	0	117,528	99,527	452,115	345,121
Mississippi	29,775	21,071	19,818	13,942	438,098	329,701	50	38	102,622	74,802	590,362	439,555
Missouri	19,581	15,559	44,407	32,000	464,657	362,184	0	0	163,611	117,942	692,256	527,684
Montana	1,579	1,085	4,635	3,445	70,982	56,621	0	0	593	431	77,789	61,582
Nebraska	4,155	3,127	7,454	5,769	111,619	92,701	0	0	30,802	27,952	154,030	129,549
Nevada	4,044	2,512	5,765	4,056	105,774	69,916	0	0	0	0	115,583	76,484
New Hampshire	385	211	7,220	4,997	34,180	23,674	0	0	1,269	919	43,055	29,802
New Jersey	26,855	17,916	128,973	91,903	832,424	594,735	0	0	15,282	10,478	1,003,534	715,032
New Mexico	5,773	3,516	78,201	52,298	488,054	367,162	0	0	84,577	31,929	656,604	454,906
New York	188,603	130,159	539,586	393,616	3,224,161	1,967,111	0	0	528,162	384,477	4,480,511	2,875,363
North Carolina	28,643	22,812	42,333	32,781	894,931	699,612	23,568	0	49,436	38,634	1,038,912	793,838
North Dakota	194	144	9,595	7,265	23,074	17,432	0	0	37,191	31,984	70,052	56,825
Northern Mariana Isl.	172	86	160	136	16,149	13,513	0	0	0	0	16,481	13,734
Ohio	47,524	38,002	125,117	89,235	1,057,507	788,104	0	0	83,377	66,884	1,313,525	982,226
Oklahoma	32,520	24,919	46,711	32,685	790,187	613,059	0	0	13,652	4,917	883,070	675,581
Oregon	5,490	3,264	11,465	8,152	200,081	159,961	0	0	37,574	22,584	254,610	193,962
Pennsylvania	42,392	34,108	157,746	104,751	970,030	788,783	0	0	130,888	111,996	1,301,056	1,039,638
Puerto Rico	63,203	34,194	84,852	55,293	154,090	120,773	0	0	113,484	56,653	415,629	266,913
Rhode Island	2,027	1,645	7,791	5,647	69,694	53,806	8	8	42,405	37,410	121,925	98,516
South Carolina	5,779	4,060	25,049	16,302	483,256	360,468	0	0	261,703	199,909	775,787	580,739
South Dakota	374	179	19,934	14,652	38,991	28,756	2,745	0	33,260	22,604	95,303	66,191
Tennessee	17,160	12,041	15,971	12,654	649,804	487,219	0	0	218,775	178,467	901,710	690,380
Texas	54,342	35,104	177,163	131,567	3,629,965	2,782,573	0	0	171,442	116,696	4,032,912	3,065,940
Utah	2,294	1,048	4,089	2,207	89,844	69,725	0	0	212,441	117,547	308,667	190,527
Vermont	1,059	618	13,030	8,113	24,629	17,134	0	0	1,671	1,190	40,388	27,055
Virgin Islands	255	107	13,724	10,345	10,665	9,412	0	0	59,985	53,687	84,629	73,551
Virginia	29,092	22,321	24,938	19,681	491,616	393,344	0	0	13,331	11,494	558,977	446,841
Washington	26,167	19,569	18,597	14,513	365,642	279,659	78	78	79,335	59,197	489,820	373,017
West Virginia	4,001	3,035	3,660	2,080	167,012	116,092	19,735	8,814	49,499	35,276	243,906	165,297
Wisconsin	14,967	10,800	40,440	27,823	312,287	230,413	0	0	155,903	115,993	523,597	385,029
Wyoming	654	437	4,329	3,076	24,325	17,075	3,432	1,591	29,409	23,809	62,149	45,988
Totals	\$1,269,826	\$915,792	\$2,915,188	\$2,058,427	\$32,025,054	\$23,824,020	\$59,212	\$12,620	\$4,478,506	\$3,238,760	\$40,747,786	\$30,049,619

Note: Activity through June 30, 2015. Unlike in Table 4.1, all commitments and disbursements have been included, including those in funding year 2015. 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

Overview – Rural Health Care Program

The Rural Health Care Program provides funding to eligible health care providers (HCPs) for broadband and telecommunications 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 broadband and telecommunications 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 three programs: the Healthcare Connect Fund, the Rural Health Care Pilot Program, and the Telecommunications Program. In 2012, the Commission created the new Healthcare Connect Fund to reform, expand, and modernize the Rural Health Care Program. The Healthcare Connect Fund provides support for high-capacity broadband connectivity to eligible health care providers (HCPs), and encourages the formation of state and regional broadband HCP networks. The Commission established the Rural Health Care Pilot Program in September 2006 to provide funding for state or regional broadband networks designed to bring the benefits of telehealth and telemedicine services to areas of the country where the need for those benefits was most acute. Many of the lessons learned during the Pilot Program were used in establishing the Healthcare Connect Fund. While new participants are no longer accepted into the Pilot Program, there is some remaining funding already committed that existing participants are using. Established in 1997, the Telecommunications Program ensures that eligible rural HCPs pay no more than their urban counterparts for telecommunications services. 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/>.

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

Funding Year	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
1998	\$3,388	\$3,369	\$0	\$0	\$0	\$0	\$3,388	\$3,369
1999	4,653	4,291	0	0	0	0	4,653	4,291
2000	10,711	10,196	0	0	0	0	10,711	10,196
2001	19,582	18,477	0	0	0	0	19,582	18,477
2002	23,344	21,366	0	0	0	0	23,344	21,366
2003	27,908	25,726	0	0	0	0	27,908	25,726
2004	32,124	30,959	0	0	0	0	32,124	30,959
2005	41,347	39,999	0	0	0	0	41,347	39,999
2006	46,244	45,074	0	0	0	0	46,244	45,074
2007	56,210	54,820	467	467	0	0	56,677	55,287
2008	67,765	66,661	14,721	14,285	0	0	82,486	80,946
2009	72,379	71,309	351,066	254,572	0	0	423,444	325,881
2010	91,670	87,005	0	0	0	0	91,670	87,005
2011	103,845	100,812	0	0	0	0	103,845	100,812
2012	117,097	116,527	0	0	0	0	117,097	116,527
2013	133,057	121,347	0	0	49,147	23,794	182,203	145,141
2014	122,620	68,423	0	0	58,854	5,990	181,474	74,414

Note: Activity through June 30, 2015. Funding Year 2015 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 2015 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: 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, 2015
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	\$6,083	\$4,505	\$2,749	\$2,746	\$1,798	\$397	\$10,629	\$7,649
Alaska	519,534	465,672	1,882	209	293	35	521,709	465,916
American Samoa	1,512	1,419	0	0	0	0	1,512	1,419
Arizona	21,366	19,282	7,511	3,043	400	94	29,277	22,419
Arkansas	14,193	11,367	4,218	3,931	9,109	233	27,520	15,532
California	37,600	32,708	22,911	8,581	18,176	5,629	78,687	46,918
Colorado	3,251	2,760	10,884	10,702	8,373	3,746	22,508	17,208
Connecticut	12	12	0	0	33	18	46	30
Delaware	1	1	0	0	0	0	1	1
District of Columbia	18	0	0	0	0	0	18	0
Florida	4,785	4,088	82	34	134	60	5,001	4,182
Georgia	24,543	22,536	2,233	2,166	5,429	1,475	32,205	26,177
Guam	767	762	89	83	3	0	859	845
Hawaii	2,435	2,376	4,653	2,097	0	0	7,088	4,473
Idaho	4,223	3,821	0	0	618	133	4,840	3,954
Illinois	15,879	14,569	21,071	19,724	1,524	530	38,473	34,823
Indiana	6,933	6,511	15,458	11,284	1,545	514	23,936	18,309
Iowa	6,163	5,872	17,370	17,102	2,218	237	25,751	23,211
Kansas	7,110	6,619	0	0	1,344	428	8,454	7,047
Kentucky	10,172	9,297	2,945	727	2,037	759	15,154	10,783
Louisiana	3,398	2,947	15,570	375	800	324	19,769	3,646
Maine	571	451	13,821	10,951	61	13	14,453	11,416
Maryland	133	108	0	0	57	45	190	153
Massachusetts	929	923	87	0	1,080	274	2,096	1,197
Michigan	18,475	17,614	19,449	18,954	1,500	403	39,424	36,970
Minnesota	30,083	27,813	5,717	4,854	732	160	36,532	32,827
Mississippi	13,166	9,801	0	0	784	245	13,950	10,046
Missouri	8,138	6,915	2,538	2,079	3,167	946	13,843	9,941
Montana	9,943	9,400	15,413	14,361	304	94	25,660	23,855
Nebraska	18,869	17,890	18,010	18,010	234	30	37,113	35,930
Nevada	1,730	1,502	0	0	222	35	1,952	1,537
New Hampshire	218	202	5,569	5,306	135	74	5,922	5,583
New Jersey	0	0	0	0	0	0	0	0
New Mexico	9,038	7,678	11,737	6,979	1,257	244	22,032	14,901
New York	1,754	1,544	15,492	11,680	1,967	757	19,214	13,982
North Carolina	5,592	5,035	12,169	10,238	1,564	633	19,325	15,907
North Dakota	13,203	11,924	912	666	276	8	14,392	12,598
Northern Mariana Is.	43	21	46	44	0	0	89	65
Ohio	6,088	5,522	27,209	26,434	1,433	494	34,730	32,451
Oklahoma	20,290	16,491	0	0	8,006	1,058	28,296	17,550
Oregon	2,950	2,612	18,122	17,129	9,395	2,081	30,467	21,822
Pennsylvania	1,378	1,246	6,805	5,686	3,496	638	11,679	7,570
Puerto Rico	0	0	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0	0	0
South Carolina	556	520	8,826	8,282	4,294	1,558	13,676	10,360
South Dakota	10,222	9,574	4,586	4,482	2,304	1,484	17,112	15,540
Tennessee	4,744	4,273	6,834	0	602	211	12,180	4,484
Texas	38,608	26,307	15,503	0	3,016	930	57,127	27,237
Utah	8,232	7,871	8,815	7,090	2	0	17,049	14,961
Vermont	805	770	5,959	5,011	115	36	6,879	5,818
Virgin Islands	852	846	0	0	0	0	852	846
Virginia	14,923	12,076	2,709	291	811	354	18,443	12,722
Washington	2,017	1,687	118	117	653	207	2,788	2,011
West Virginia	2,386	2,158	7,070	4,792	728	321	10,184	7,271
Wisconsin	59,778	55,573	2,312	2,303	6,502	1,737	68,592	59,612
Wyoming	3,041	2,889	797	779	244	100	4,082	3,767
Totals	998,732	886,362	366,254	269,323	108,776	29,784	1,473,761	1,185,470

Note: Disbursements through June 30, 2015. Unlike in Table 5.1, all commitments and disbursements have been included, including those in funding year 2015. 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

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.¹

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 2014 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

¹ 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.² 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.

² 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, 1983-2015

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
November	2014	124.8	119.9	96.1	4.9	3.9
March	2015	125.5	121.1	96.5	4.4	3.5
July	2015	125.8	121.7	96.3	4.1	3.5

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

Table 6.2
Household Voice Penetration by Income, 1997-2015

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
2015	93.2	96.0	97.1	97.7	98.1	96.4

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	23,031	46,061	69,092	92,122
2015	23,014	46,027	69,041	92,054

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

Table 6.4
Historical Voice Penetration Estimates

Year	Percentage of Occupied Housing Units with Telephone Service¹	Percentage of Households with Telephone Service²
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 ³	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	97.6	96.1
2015	NA ⁴	96.3

¹ 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 - 2014).

² Household penetration data (1990 - 2014) are annual averages from the U.S.

³ 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.

⁴ ACS statistics for 2015 are not available.

Table 6.5
Voice Penetration by Selected Demographic Characteristics, 2012-2015
(Percentage of Households with Voice Service)

Characteristic	2012	2013	2014	2015
<i>Persons in Household</i>				
1	93.8%	94.0%	94.2%	94.3%
2 - 3	96.7	96.7	96.8	97.0
4 - 5	97.0	96.8	97.1	97.1
6 +	96.1	95.8	96.4	97.1
<i>Age of Householder</i>				
15 - 24 Yrs Old	94.1	93.8	94.6	96.3
25 - 54 Yrs Old	95.7	95.6	95.9	96.1
55 - 59 Yrs Old	96.2	96.6	96.5	97.0
60 - 64 Yrs Old	96.4	96.4	96.4	96.4
65 - 69 Yrs Old	96.9	97.1	97.1	96.8
70 - 99 Yrs Old	96.4	96.6	96.6	96.1
<i>Race of Householder</i>				
White	96.4	96.4	96.6	96.8
Black	93.2	93.0	93.7	93.9
Hispanic Origin	93.1	93.1	93.5	94.7
Total United States	95.9	95.9	96.1	96.3

Source: U.S. Census Bureau, Current Population Survey. Note that 2011 to 2014 values are annual averages. For 2015, values are July 2015 figures since complete 2015 figures were unavailable at the time of publication.

Table 6.6
Voice Penetration by State, 2010-2014
(Percentage of Occupied Housing Units with Voice Service)

State	2010	2011	2012	2013	2014
Alabama	97.4 %	97.2 %	97.3 %	97.4 %	97.4 %
Alaska	98.3	98.1	97.7	98.0	98.1
Arizona	97.0	97.0	97.2	97.3	97.5
Arkansas	96.9	96.6	96.2	97.2	97.3
California	97.9	97.9	97.9	98.0	97.9
Colorado	97.7	97.5	97.7	97.7	97.9
Connecticut	98.3	98.5	98.5	98.6	98.5
Delaware	98.2	98.2	97.8	98.1	97.9
District of Columbia	96.7	96.7	97.0	97.2	97.6
Florida	97.2	96.6	96.5	97.0	97.1
Georgia	96.9	96.4	96.0	97.6	97.3
Hawaii	97.5	97.4	97.4	97.7	97.7
Idaho	97.4	96.5	97.1	97.1	97.3
Illinois	97.7	97.7	97.7	97.7	97.4
Indiana	97.1	96.6	96.7	97.4	97.5
Iowa	97.4	96.9	97.4	97.9	97.6
Kansas	97.5	97.6	97.3	97.4	97.4
Kentucky	96.9	96.9	96.8	97.2	97.1
Louisiana	96.8	97.2	97.4	97.3	97.0
Maine	97.8	98.2	98.2	97.6	98.1
Maryland	97.6	97.5	97.8	98.1	97.6
Massachusetts	98.4	98.3	98.4	98.4	98.2
Michigan	97.2	97.0	97.2	97.4	97.6
Minnesota	98.2	98.0	98.0	98.1	97.9
Mississippi	96.9	96.9	97.2	96.8	97.2
Missouri	97.3	97.3	97.1	97.6	97.1
Montana	97.0	97.1	97.4	96.9	97.0
Nebraska	98.0	97.8	97.6	97.5	97.7
Nevada	97.7	97.8	97.5	97.9	96.5
New Hampshire	98.3	98.2	98.0	97.9	98.3
New Jersey	97.9	97.6	98.2	98.5	98.5
New Mexico	95.3	94.9	96.5	96.8	97.2
New York	97.2	97.2	97.5	98.0	97.8
North Carolina	97.6	97.5	97.6	97.8	97.7
North Dakota	98.4	98.1	97.3	97.8	98.1
Ohio	97.2	97.1	96.8	97.2	97.3
Oklahoma	97.8	97.5	97.7	97.5	97.1
Oregon	97.7	97.2	97.5	97.6	97.6
Pennsylvania	98.0	97.8	98.0	98.0	98.2
Rhode Island	97.2	97.5	97.9	98.3	97.8
South Carolina	97.1	97.2	97.3	97.7	97.6
South Dakota	98.0	97.3	97.2	97.5	97.2
Tennessee	97.2	97.1	97.3	97.6	97.5
Texas	97.4	97.2	97.4	97.7	97.7
Utah	97.8	97.6	97.6	97.9	98.0
Vermont	97.8	98.2	98.6	98.1	98.1
Virginia	97.4	97.5	97.6	98.2	98.1
Washington	97.8	97.9	97.4	97.9	97.6
West Virginia	96.3	96.0	96.5	97.0	96.9
Wisconsin	98.0	97.7	97.7	97.9	97.7
Wyoming	97.7	97.8	97.7	98.1	97.9
Total United States	97.5 %	97.4 %	97.4 %	97.7 %	97.6 %
Puerto Rico	93.5 %	93.8 %	94.2 %	93.8 %	94.3 %

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

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

State	1984	1996	2000	2007	2014
Alabama	88.4 %	92.2 %	91.9 %	91.8 %	95.0 %
Alaska	86.5	94.4	94.3	96.5	96.7
Arizona	86.9	93.1	93.9	92.9	95.8
Arkansas	86.6	86.9	88.6	92.0	95.2
California	92.5	95.0	95.8	96.5	95.2
Colorado	93.2	95.5	96.3	96.8	98.2
Connecticut	95.5	97.5	96.4	96.6	97.9
Delaware	94.3	96.1	96.3	94.9	94.1
District of Columbia	94.9	93.0	93.2	91.6	96.2
Florida	88.7	93.1	92.1	93.6	94.1
Georgia	86.2	89.7	91.1	92.6	95.8
Hawaii	93.5	94.8	94.7	96.0	95.7
Idaho	90.7	92.9	93.9	96.4	96.6
Illinois	94.2	93.0	91.5	94.1	95.9
Indiana	91.6	93.7	94.5	90.4	95.7
Iowa	96.2	96.6	96.2	97.0	98.4
Kansas	94.3	93.9	94.8	96.2	98.7
Kentucky	88.1	92.3	93.3	94.4	94.8
Louisiana	89.7	91.1	92.6	94.9	96.2
Maine	93.4	96.5	97.9	96.6	98.3
Maryland	95.7	96.7	95.0	95.5	96.7
Massachusetts	95.9	95.7	94.6	96.3	97.9
Michigan	92.8	95.0	95.0	95.0	97.3
Minnesota	95.8	97.1	97.4	97.9	98.9
Mississippi	82.4	87.5	89.2	90.5	96.5
Missouri	91.5	95.3	95.8	96.1	96.6
Montana	91.0	94.3	94.6	95.4	96.0
Nebraska	95.7	96.0	97.3	93.7	98.1
Nevada	90.4	93.5	94.0	95.2	95.9
New Hampshire	94.3	96.1	97.7	96.8	98.8
New Jersey	94.8	93.6	94.6	95.7	94.3
New Mexico	82.0	86.2	91.2	91.6	92.2
New York	91.8	93.4	95.1	93.4	95.2
North Carolina	88.3	93.5	93.9	94.5	95.9
North Dakota	94.6	96.3	95.8	98.0	97.3
Ohio	92.4	94.5	94.8	95.9	96.9
Oklahoma	90.3	91.3	91.2	94.9	95.4
Oregon	90.6	96.0	94.8	96.7	97.6
Pennsylvania	94.9	96.9	96.6	97.0	97.9
Rhode Island	93.6	95.7	94.9	95.3	96.6
South Carolina	83.7	91.3	93.2	90.6	96.0
South Dakota	93.2	93.3	94.3	97.2	97.7
Tennessee	88.5	94.0	95.5	93.2	93.7
Texas	88.4	91.0	93.5	93.5	96.2
Utah	92.5	96.7	95.9	96.8	98.3
Vermont	92.3	95.9	95.6	97.4	98.5
Virginia	93.1	94.9	95.4	95.3	96.5
Washington	93.0	94.5	94.9	96.8	98.0
West Virginia	87.7	92.9	94.0	94.5	94.6
Wisconsin	95.2	97.0	94.8	96.8	98.2
Wyoming	89.9	95.0	94.7	96.1	96.4
Total United States	91.6 %	93.9 %	94.4 %	94.8 %	96.1 %

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

Table 6.8
Household Voice Penetration by State and Income, 2015

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	93.8 %	94.5 %	98.5 %	97.3 %	99.1 %	96.2 %
Alaska	94.7	96.6	97.1	98.6	98.4	97.2
Arizona	91.3	96.2	94.1	98.6	97.6	95.2
Arkansas	91.4	92.5	97.6	95.4	98.1	94.5
California	92.3	95.3	95.7	96.8	97.6	95.7
Colorado	92.0	95.9	99.6	98.6	99.1	97.3
Connecticut	95.2	97.8	99.6	99.3	99.6	98.5
Delaware	93.1	94.4	95.6	95.1	97.5	95.4
District of Columbia	93.5	95.3	95.9	98.4	98.6	96.6
Florida	91.4	92.3	95.4	96.4	95.8	93.8
Georgia	89.3	96.9	97.0	98.8	97.2	95.4
Hawaii	89.2	93.3	97.7	96.0	96.5	94.9
Idaho	94.6	96.2	97.6	99.4	99.5	97.4
Illinois	92.1	96.1	96.6	97.5	97.5	95.9
Indiana	91.8	94.2	95.0	95.9	98.0	94.9
Iowa	98.0	98.3	98.3	99.1	99.6	98.7
Kansas	94.5	96.5	98.5	100.0	96.8	96.9
Kentucky	91.7	92.8	98.3	100.0	97.4	95.1
Louisiana	94.2	98.3	96.9	99.6	99.3	97.2
Maine	96.9	95.7	98.5	99.2	99.3	97.8
Maryland	95.5	97.5	96.8	99.2	99.1	98.0
Massachusetts	94.3	97.5	97.7	98.1	99.2	97.4
Michigan	95.5	95.8	96.5	96.2	98.6	96.6
Minnesota	97.5	98.9	100.0	99.1	99.2	99.0
Mississippi	93.1	96.7	97.7	97.7	97.6	95.9
Missouri	95.0	96.1	97.2	96.2	98.3	96.7
Montana	92.6	97.3	99.1	97.3	99.1	97.1
Nebraska	94.9	96.1	98.6	95.4	99.1	97.0
Nevada	93.2	96.9	95.6	95.5	96.1	95.5
New Hampshire	94.0	98.6	97.1	99.4	100.0	98.3
New Jersey	87.5	92.9	94.9	98.7	96.6	94.3
New Mexico	87.8	92.6	93.0	94.9	95.6	92.3
New York	94.4	96.1	97.0	98.4	97.5	96.5
North Carolina	94.7	96.3	95.7	97.8	98.7	96.5
North Dakota	93.5	98.0	98.2	97.6	98.4	97.3
Ohio	94.1	95.7	98.4	99.4	97.9	96.8
Oklahoma	94.7	96.9	96.9	96.0	96.1	96.1
Oregon	95.7	98.2	99.6	99.0	98.9	98.2
Pennsylvania	97.1	98.8	99.1	99.1	99.5	98.8
Rhode Island	91.3	98.0	99.6	96.1	98.1	96.7
South Carolina	93.4	98.0	97.1	97.0	98.0	96.6
South Dakota	97.9	99.3	97.7	100.0	99.2	98.7
Tennessee	89.8	91.6	95.6	96.0	96.8	93.3
Texas	95.3	96.8	98.1	96.9	98.1	97.1
Utah	94.0	97.4	97.9	97.5	99.5	97.6
Vermont	95.4	98.8	98.9	99.6	99.2	98.5
Virginia	92.4	98.7	98.9	97.6	98.3	97.4
Washington	94.0	98.1	97.4	99.7	99.4	97.9
West Virginia	88.0	96.7	95.8	99.2	99.6	94.6
Wisconsin	97.2	98.1	99.6	98.9	99.5	98.7
Wyoming	86.8	96.3	97.5	100.0	97.7	95.6
Total United States	93.3 %	96.0 %	97.1 %	97.7 %	98.1 %	96.4 %

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 6.9
Internet Use by Selected Characteristics, 2014

	With some Internet subscription	With high-speed Internet connection ¹
All Households	75.8 %	75.1 %
Household Income		
Less than \$20,000	47.6 %	46.8 %
\$20,000-\$49,999	67.9	67.0
\$50,000-\$75,000	83.1	82.3
\$75,000 or more	92.6	92.1
Metropolitan Status		
Metropolitan area	NA	75.9 %
Nonmetropolitan area	NA	61.9
All Individuals	79.9 %	79.3 %
Age		
Under 18	82.3 %	81.9 %
18-64	82.3	81.8
65+	65.8	64.5
Race and Hispanic Origin		
White alone, non-Hispanic	83.4 %	82.7 %
Black alone, non-Hispanic	68.4	67.9
Asian alone, non-Hispanic	90.7	90.2
Hispanic (of any race)	72.6	72.0
American Indian	63.1	62.3

¹ High-speed service includes all internet service other than dial-up.

NA indicates that data are not available.

Source: Results based on the 2014 American Community Survey 1-year estimates, data are available through the American Community Survey Fact-Finder Download Center

Table 6.10
High-Speed Internet Penetration for Households by State ¹

State	2013		2014	
	Percent	Margin of Error	Percent	Margin of Error
Alabama	63.5%	+/-0.6	65.8%	+/-0.5
Alaska	79.0	+/-1.3	81.4	+/-1.0
Arizona	73.9	+/-0.4	75.5	+/-0.4
Arkansas	60.9	+/-0.7	63.5	+/-0.8
California	77.9	+/-0.2	80.0	+/-0.2
Colorado	79.4	+/-0.5	81.2	+/-0.4
Connecticut	77.5	+/-0.6	80.5	+/-0.5
Delaware	74.5	+/-1.1	75.5	+/-1.2
District of Columbia	73.4	+/-1.4	73.4	+/-1.1
Florida	74.3	+/-0.2	75.8	+/-0.3
Georgia	72.2	+/-0.4	73.4	+/-0.3
Hawaii	78.6	+/-1.0	80.6	+/-0.8
Idaho	73.2	+/-1.0	73.6	+/-1.0
Illinois	74.0	+/-0.3	75.5	+/-0.3
Indiana	69.7	+/-0.4	71.4	+/-0.4
Iowa	72.2	+/-0.6	74.2	+/-0.5
Kansas	73.0	+/-0.6	74.5	+/-0.6
Kentucky	68.5	+/-0.5	68.9	+/-0.5
Louisiana	64.8	+/-0.6	66.6	+/-0.6
Maine	72.9	+/-0.7	74.9	+/-0.8
Maryland	78.9	+/-0.4	80.1	+/-0.4
Massachusetts	79.6	+/-0.4	80.5	+/-0.3
Michigan	70.7	+/-0.3	72.9	+/-0.3
Minnesota	76.5	+/-0.4	78.3	+/-0.4
Mississippi	57.4	+/-0.8	59.1	+/-0.8
Missouri	69.8	+/-0.4	71.6	+/-0.4
Montana	72.1	+/-1.0	72.9	+/-1.0
Nebraska	72.9	+/-0.6	74.8	+/-0.7
Nevada	75.6	+/-0.7	76.3	+/-0.7
New Hampshire	80.9	+/-0.8	82.1	+/-0.8
New Jersey	79.1	+/-0.4	80.9	+/-0.3
New Mexico	64.4	+/-0.8	67.5	+/-0.7
New York	75.3	+/-0.2	76.5	+/-0.2
North Carolina	70.8	+/-0.4	72.4	+/-0.4
North Dakota	72.5	+/-1.2	74.7	+/-1.2
Ohio	71.2	+/-0.3	73.9	+/-0.3
Oklahoma	66.7	+/-0.4	69.2	+/-0.4
Oregon	77.5	+/-0.5	78.9	+/-0.6
Pennsylvania	72.4	+/-0.3	73.9	+/-0.3
Rhode Island	76.5	+/-1.0	76.5	+/-1.1
South Carolina	66.6	+/-0.6	68.1	+/-0.6
South Dakota	71.1	+/-0.9	71.6	+/-1.1
Tennessee	67.0	+/-0.5	68.2	+/-0.5
Texas	71.8	+/-0.3	73.0	+/-0.2
Utah	79.6	+/-0.6	81.7	+/-0.6
Vermont	75.3	+/-1.0	76.3	+/-1.1
Virginia	75.8	+/-0.4	77.2	+/-0.4
Washington	78.9	+/-0.5	81.9	+/-0.4
West Virginia	64.9	+/-0.8	66.2	+/-0.8
Wisconsin	73.0	+/-0.4	75.3	+/-0.4
Wyoming	75.5	+/-1.5	76.1	+/-1.4
Total United States	73.4	+/-0.1	75.1	+/-0.1
Puerto Rico	45.2	+/-0.6	48.1	+/-0.6

¹ High-speed internet service includes all internet service other than dial-up.

Source: Results based on the 2014 American Community Survey, available through the ACS FactFinder:

http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=A CS_13_1YR_GCT2801.US01PR&prodType=table

Table 6.11
Residential Fixed Connections per Household by Speed Tier as of December 31, 2014
(Households and Subscribers in thousands)

State	Households	3 Mbps/768 kbps		10 Mbps/ 1 Mbps		25 Mbps/3 Mbps	
		Subscribers	Ratio	Subscribers	Ratio	Subscribers	Ratio
Alabama	1,920	926	0.48	760	0.40	393	0.20
Alaska	269	149	0.55	119	0.44	6	0.02
American Samoa	9	0	0.00	0	0.00	0	0.00
Arizona	2,496	1,690	0.68	1,079	0.43	1,008	0.40
Arkansas	1,174	520	0.44	373	0.32	209	0.18
California	12,912	9,316	0.72	7,779	0.60	5,322	0.41
Colorado	2,054	1,539	0.75	1,039	0.51	979	0.48
Connecticut	1,387	985	0.71	885	0.64	587	0.42
Delaware	355	286	0.81	265	0.75	*	*
District of Col	276	206	0.74	176	0.64	*	*
Florida	7,733	5,633	0.73	4,767	0.62	2,681	0.35
Georgia	3,739	2,175	0.58	1,745	0.47	1,195	0.32
Guam	40	*	*	*	*	*	*
Hawaii	470	364	0.77	289	0.62	*	*
Idaho	605	330	0.55	181	0.30	128	0.21
Illinois	4,876	3,033	0.62	2,532	0.52	1,774	0.36
Indiana	2,542	1,365	0.54	1,113	0.44	635	0.25
Iowa	1,236	666	0.54	425	0.34	61	0.05
Kansas	1,130	657	0.58	485	0.43	249	0.22
Kentucky	1,753	855	0.49	639	0.36	125	0.07
Louisiana	1,744	895	0.51	724	0.42	515	0.30
Maine	561	369	0.66	265	0.47	65	0.12
Maryland	2,211	1,679	0.76	1,527	0.69	1,255	0.57
Massachusetts	2,575	2,099	0.82	1,903	0.74	1,717	0.67
Michigan	3,856	2,345	0.61	2,019	0.52	1,347	0.35
Minnesota	2,128	1,312	0.62	961	0.45	791	0.37
Mississippi	1,127	411	0.36	341	0.30	198	0.18
Missouri	2,413	1,306	0.54	1,017	0.42	522	0.22
Montana	420	225	0.53	151	0.36	*	*
Nebraska	734	461	0.63	297	0.40	211	0.29
Nevada	1,068	687	0.64	472	0.44	*	*
New Hampshire	525	411	0.78	347	0.66	276	0.52
New Jersey	3,250	2,703	0.83	2,523	0.78	1,845	0.57
New Mexico	818	421	0.51	224	0.27	199	0.24
New York	7,363	5,564	0.76	5,178	0.70	2,823	0.38
North Carolina	3,910	2,182	0.56	1,757	0.45	605	0.15
North Dakota	288	204	0.71	164	0.57	112	0.39
Northern Mariana Isl.	11	*	*	0	0.00	0	0.00
Ohio	4,612	2,567	0.56	2,103	0.46	464	0.10
Oklahoma	1,497	752	0.50	550	0.37	375	0.25
Oregon	1,567	966	0.62	744	0.47	691	0.44
Pennsylvania	5,059	3,274	0.65	2,611	0.52	2,211	0.44
Puerto Rico	1,373	248	0.18	*	*	1	0.00
Rhode Island	413	319	0.77	284	0.69	*	*
South Carolina	1,871	1,027	0.55	875	0.47	359	0.19
South Dakota	330	218	0.66	160	0.49	120	0.36
Tennessee	2,567	1,400	0.55	1,198	0.47	909	0.35
Texas	9,383	5,744	0.61	4,754	0.51	2,178	0.23
Utah	923	660	0.72	424	0.46	364	0.39
Vermont	257	191	0.74	135	0.52	109	0.42
Virgin Islands	41	5	0.12	*	*	*	*
Virginia	3,155	2,184	0.69	1,836	0.58	1,519	0.48
Washington	2,723	1,877	0.69	1,497	0.55	1,402	0.51
West Virginia	767	337	0.44	295	0.38	252	0.33
Wisconsin	2,314	1,343	0.58	1,104	0.48	484	0.21
Wyoming	235	130	0.55	99	0.42	85	0.36
Total	121,061	77,208	0.64	63,191	0.52	39,357	0.33

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; 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 6.12
Telephone Service and Internet Access in Low-Income Households, 2014

Group	Telephone Service (%)	Internet Access (%)
1	95.7	58.8
2	97.4	68.6
Statistically Significant Difference?	Yes	Yes

Notes: Group one contains occupied housing units where the household income is less than or equal to 135% of the 2014 Federal Poverty Guideline for the household. Group 2 contains occupied housing units where household income is greater than 135% of the Federal Poverty Guideline, but less than or equal to 200% of the Federal Poverty Guideline for that Household. The statistical significance of the difference between the percentages for Group 1 and Group 2 was determined using a Satterthwaite t-test for unequal variances.

Source: American Community Survey 2014 PUMS data

Section 7 – Price Indices

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.¹ Monthly CPI data can be found on the Internet at 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.²

¹ 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.

² PPI data are available on the BLS website at www.bls.gov/ppi/.

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

	1969-2014	2004-2014
CPI All Items (SA0)	4.2 %	2.2 %
CPI All Services (SAS)	5.0	2.5
CPI Telephone Services (SEED)	1.8	0.3
CPI Major Categories:		
- Food & Beverages (SAF)	4.3	2.7
- Housing (SAH)	4.5	2.1
- Apparel (SAA)	1.9	0.5
- Transportation (SAT)	4.2	3.0
- Medical Care (SAM)	6.0	3.5
- Recreation (SAR)	*	0.7
- Other Goods & Services (SAG)	5.4	2.9
CPI Public Transportation (SETG)	5.2	2.6
CPI Utility (Piped) Gas Service (SEHF02)	5.7	1.7
CPI Electricity (SEHF01)	4.4	3.8
CPI Water & Sewerage Maint. (SEHG01)	6.2	5.8
CPI Postage (SEEC01)	4.8	3.3

* Series not established until after 1969.

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 7.2
Annual Changes in CPI Telephone Services and All Items Indices

	All Goods and Services	Telephone Services
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
2014	0.8	-2.1

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 7.3
Monthly Consumer Price Indices
(December 2009 = 100)

	All Goods and Services	Telephone Services	Land-line Telephone Services	Wireless Telephone Services
BLS Series ID	CUUR0000SA0	CUUR0000SEED	CUUR0000SEED04	CUUR0000SEED03
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
August	110.1	98.8	111.1	90.6
September	110.2	98.8	111.2	90.5
October	109.9	97.5	111.2	88.8
November	109.4	97.1	111.0	88.3
December	108.7	96.9	111.4	87.8
2015 January	108.2	96.8	112.3	87.4
February	108.7	96.7	112.7	87.1
March	109.3	96.3	113.1	86.4
April	109.6	96.2	113.0	86.3
May	110.1	95.9	113.3	85.7
June	110.5	96.0	113.5	85.7
July	110.5	96.2	113.6	86.0

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.

Appendix: Additional Information Regarding Universal Service High-Cost Support

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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.¹ 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.”²

This appendix of the Monitoring Report provides a summary of the actions taken through December 11, 2015 to implement the high-cost program reforms and updates the data previously published in 2014 Universal Service Monitoring Report.³

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.⁴ 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.⁵

¹ 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).

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

³ 2014 Universal Service Monitoring Report Appendix, available at https://apps.fcc.gov/edocs_public/attachmatch/DOC-330829A1.pdf.

⁴ *Id.* at 17712, para. 128; see also 47 C.F.R. § 54.313(c). A price cap carrier recipient of frozen support was required to 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 had to 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).

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

In Round 1 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 2015.⁶ A map of states where carriers planned to use first round Phase I funding is available at <http://www.fcc.gov/maps/connect-america-fund-caf-phase-i>. The deadline for completion of deployment for the first round of Phase I incremental support was July 2015.

In May 2013, the Commission adopted rules for a second round of Connect America Phase I incremental support.⁷ The Commission expanded the eligible locations to include areas lacking Internet access with 3 Mbps downstream and 768 kbps upstream⁸ and concluded that parties could challenge whether a location was in fact served by an existing provider and thus ineligible for support.⁹ On January 10, 2014, the Bureau issued an Order adjudicating challenges filed by over 80 interested parties.¹⁰

In Round 2 of Connect America Phase I, further support to extend broadband-capable infrastructure was provided. By March 2014, the Bureau had authorized nearly \$324 million in Phase I Round 2 support for deployment of broadband-capable infrastructure to over 1.2 million Americans.¹¹ 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>.

⁶ 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).

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

⁸ *Id.* at 7771-72, paras. 15-16.

⁹ *Id.* at 7776-79, paras. 28-33.

¹⁰ *Id.*

¹¹ *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, 29 FCC Rcd 2824 (Wireline Comp. Bur. rel. Mar. 14, 2014).

Figure 1
Phase I Election Results

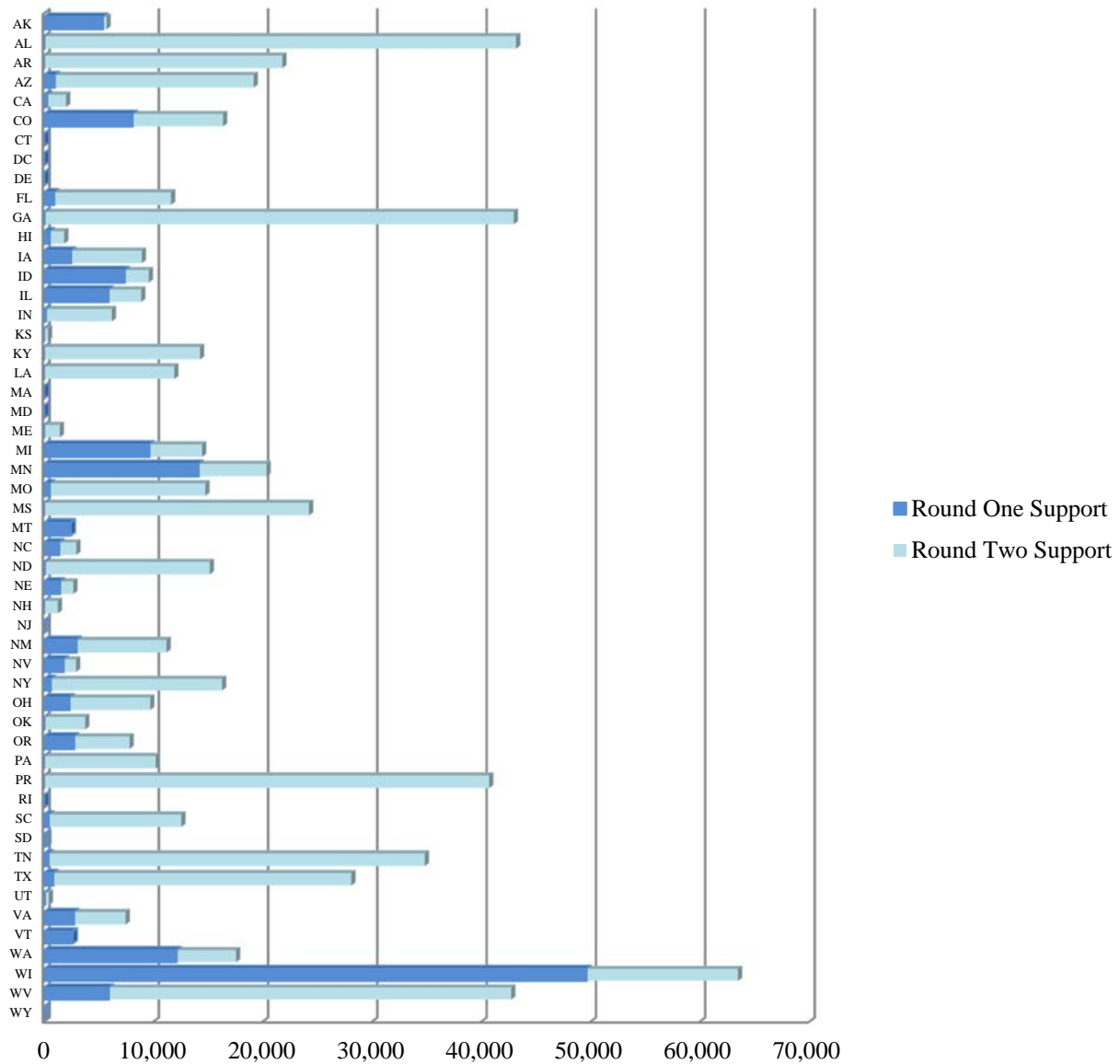
(Source: Carrier Phase I Round I and II elections available
on the Electronic Comment Filing System as of March 14, 2014)

<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

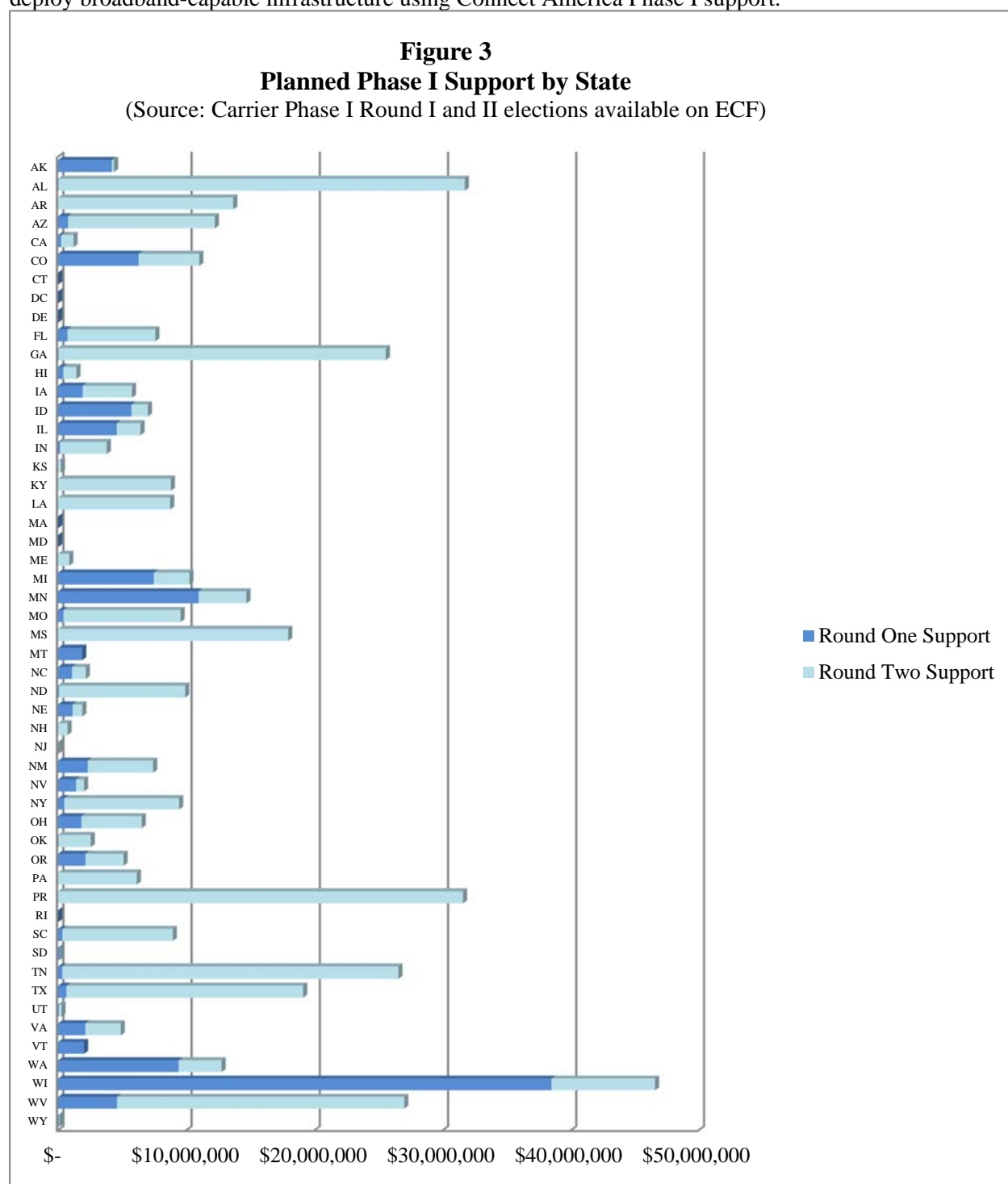
The following chart shows the number of locations, by state, where price cap carriers have indicated that they plan to deploy broadband-capable infrastructure using Connect America Phase I support.¹²

¹² After providing the Commission with notice, carriers had the ability to alter deployment plans to other unserved Census blocks changing 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*). AT&T, HTI, PRTC and ACS filed updated deployment plans. See *Wireline Competition Bureau Announces Deadline For Existing Providers to Notify AT&T That They Serve Census Blocks That AT&T Proposes to Serve With Connect America Phase I Incremental Support*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 412 (2015); *Wireline Competition Bureau Announces Deadline For Existing Providers to Notify Puerto Rico Telephone Company or Hawaiian Telecom, Inc. That They Serve Census Blocks That The Price Cap Carriers Propose to Serve With Connect America Phase I Incremental Support*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 1862 (2015); *Wireline Competition Bureau Announces Deadline For Existing Providers to Notify Alaska Communications Systems That They Serve Census Blocks That Alaska Communications Systems Proposes to Serve With Connect America Phase I Incremental Support*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 2791 (2015).

Figure 2
Planned Locations Connected Through Phase I by State
 (Source: Carrier Phase I Round I and II elections available on ECFS)



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.¹³



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

¹³ *Id.*

cost of constructing modern multi-purpose networks” and a competitive bidding process.¹⁴ 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 concluded it would 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.”¹⁵

Subsequently, the Commission adopted rules that built on the framework established in the *USF/ICC Transformation Order*, while proposing targeted adjustments necessary to ensure the funds that consumers and businesses pay into the universal service system are utilized effectively.¹⁶ Specifically, in the *April 2014 Connect America Order and FNPRM*, the Commission established a three-year phase-down period for carriers that chose model-based support that is less than the frozen high-cost support the carrier previously received in order to avoid flash cuts.¹⁷

Further, in the December 2014 *Connect America Order*, the Commission finalized the decisions necessary to proceed with the offer of support to price cap carriers.¹⁸ In particular, the Commission revised the minimum speed requirement to 10 Mbps downstream.¹⁹ The Commission also increased the term of support to six years, adopted more evenly spaced interim deployment milestones, and concluded that, in limited circumstances, adjustments of up to five percent in the number of locations that must be served with corresponding support reductions are appropriate to ensure that deployment obligations recognize conditions in the real world.²⁰ Additionally, the Commission forbore from the federal high-cost universal service obligation for price cap carriers to offer voice service in low-cost areas where they do not receive high-cost support, in areas served by an unsubsidized competitor, and in areas where the price cap carrier is replaced by another ETC.²¹ The Commission also addressed the eligibility of certain areas for Phase II support, both for the offer of model-based support to price cap carriers and the subsequent Phase II competitive bidding process.²² Finally, the Commission took several steps to strengthen the uniform national framework for accountability by codifying the broadband reasonable comparability rates certification requirement, requiring price cap carriers that accept model-based support to submit specific location information, by adjusting the framework for reduction in support for late-filed reports and certifications, and by adopting measures for addressing non-compliance.²³

¹⁴ *USF/ICC Transformation Order*, 26 FCC Rcd at 17725, para. 156.

¹⁵ *Id.* The Commission concluded that for all states for which price cap carriers decline to make the service commitment, it would award ongoing support through a competitive process.

¹⁶ *Connect America Fund, Universal Service Reform – Mobility Fund, ETC Annual Reports and Certifications, Establishing Just and Reasonable Rates for Local Exchange Carriers, Developing an Unified Inter-carrier Compensation Regime*, WC Docket Nos. 10-90, 10-208, 14-58, 07-135, CC Docket No. 01-92, 29 FCC Rcd 7051 (Wireline Comp. Bur. 2014) (*April 2014 Connect America Order*).

¹⁷ *Id.* at 7066-67, paras. 50-51.

¹⁸ *Connect America Fund, ETC Annual Reports and Certifications, Petition of USTelecom for Forbearance Pursuant to 47 U.S.C. §160(c) from Obsolete ILEC Regulatory Obligations that Inhibit Deployment of Next-Generation Networks*, WC Docket Nos. 10-90, 14-58, 14-192, Report and Order, 29 FCC Rcd 15644 (2014) (*December 2014 Connect America Order*).

¹⁹ *December 2014 Connect America Order*, 29 FCC Rcd at 15649, paras. 15-29.

²⁰ *Id.* at 15656-61, paras. 31-44.

²¹ *Id.* at 15663-71, paras. 51-70.

²² *Id.* at 15671-74, paras. 73-81.

²³ *Id.* at 15686-701, paras. 118-157.

In the *USF/ICC Transformation Order*, 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.²⁴ 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].”²⁵

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.²⁶ 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.²⁷

In the *USF/ICC Transformation Order*, the Commission also specified that Phase II support would not be provided in areas served by an unsubsidized competitor, and it delegated to the Bureau the responsibility of determining those areas.²⁸ The Commission also specified that there be a process by which parties could challenge that initial determination of whether or not an area is unserved by an unsubsidized competitor. On June 30, 2014, the Bureau commenced the Phase II challenge process.²⁹ On September 26, 2014, the Bureau released a list of challenges that merited responses, giving parties 45 days to reply.³⁰ Responses to the prima facie challenges were due November 10. On March 30, 2015, the Bureau released the *Phase II Challenge Process Resolution Order*.³¹ In that order the Bureau concluded the Connect America Phase II challenge process and made a final determination regarding over 95,000 census blocks. The Bureau announced the results of the review of the challenges and replies, and provided an accompanying listing of those census blocks that will be treated as served and those that will be treated as unserved for purposes of calculating the Phase II offer of model-based support to price cap carriers. The Bureau concluded, based on review of the challenges and replies, that 57,288 census blocks should be treated as unserved and that 36,700 census blocks should be treated as served.

²⁴ *USF/ICC Transformation Order*, 26 FCC Rcd at 17725, para. 157; see also *id.* at 17737, para. 192.

²⁵ *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.*

²⁶ 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) (*CAM Platform Order*).

²⁷ *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order, 29 FCC Rcd 3964 (Wireline Comp. Bur. 2014) (*CAM Inputs Order*).

²⁸ *USF/ICC Transformation Order*, 26 FCC Rcd at 17729, para. 170; see also *Connect America Fund*, WC Docket No. 10-90, Report and Order, 28 FCC Rcd 15060, 15076-80, paras. 39-47 (Wireline Comp. Bur. 2013) (*Phase II Service Obligations Order*); *Connect America Fund*, WC Docket No. 10-90, Report and Order, 28 FCC Rcd 7211 (Wireline Comp. Bur. 2013) (*Phase II Challenge Process Order*).

²⁹ *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).

³⁰ *Replies Sought in Connect America Phase II Challenge Process*, WC Docket Nos. 10-90, 14-93, 29 FCC Rcd 11497, Public Notice (Wireline Comp. Bur. rel. Sept. 26, 2014). 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.

³¹ *Connect America Phase II Challenge Process*, WC Docket Nos. 10-90; 14-93, Order, 30 FCC Rcd 2718 (Wireline Comp. Bur. 2015) (*Phase II Challenge Process Resolution Order*).

On April 29, 2015 the Bureau announced the offers of model-based Phase II Connect America support to price cap carriers to fund the deployment of voice and broadband-capable networks in their service territories, a total of \$1.675 billion annually for six calendar years (2015-2020).³² The carriers had 120 days (until August 27, 2015) to decide whether to accept the offers on a state-by-state basis.

On August 27, 2015, the Bureau announced that ten telecommunications carriers accepted over \$1.5 billion in annual support for rural broadband deployment from the Connect America Fund to serve over 3.6 million homes and businesses by the end of 2020.³³ This support, along with carrier investment, will expand broadband to nearly 7.3 million rural consumers in 45 states and one U.S. territory. In states where the carriers declined support, a competitive bidding process will be used to select entities that will be authorized to receive funding. The carriers accepting support include AT&T, Cincinnati Bell, CenturyLink, Consolidated Communications, Fairpoint Communications, Frontier Communications, Hawaiian Telecom, Micronesian Telecom, Verizon,³⁴ and Windstream.³⁵ Figures 4 and 5 show accepted support by state and by carrier, respectively.

³² *Wireline Competition Bureau Announces Connect America Phase II Support Amounts Offered to Price Cap Carriers to Expand Rural Broadband*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 3905 (Wireline Comp. Bur. 2015).

³³ *Carriers Accept Over \$1.5Billion in Annual Support from Connect America Fund to Expand and Support Broadband for Nearly 7.3 Million Rural Consumers in 45 States and One Territory*, Press Release, Doc-335082A1 (Wireline Comp. Bur 2015).

³⁴ Verizon accepted \$31,978,057 in annual support for California and \$16,576,929 in annual support for Texas conditioned “upon issuance and acceptance of” regulatory approvals for Frontier Communications’ acquisition of Verizon’s subsidiaries in California and Texas. See *Verizon Communications Inc. Conditionally Accepts Over \$48.5 Million in Connect America Phase II Support in California and Texas*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 8594 (Wireline Comp. Bur. 2015).

³⁵ *Id.* The Bureau provided all non-contiguous carriers the option of choosing either to continue to receive frozen support amounts or to elect to receive the model-determined support amount. *CAM Inputs Order*, 29 FCC Rcd at 4019. ACS (Alaska), PRTC (Puerto Rico), and Vitelco (Virgin Islands) elected to receive frozen support. Later, the Commission proposed and sought comment on specific service obligations for non-contiguous carriers electing to continue to receive frozen support amounts. *April 2014 Connect America FNPRM*, 29 FCC Rcd at 7117-7121. The Commission has not yet specified the obligations for those three companies.

Figure 4
Accepted Price Cap CAF II Offers of Model Based Support By State
 (Source: https://apps.fcc.gov/edocs_public/attachmatch/DOC-335269A5.xlsx)

State	Homes & Businesses Served	Support Amount In Dollars
AL	126,497	\$44,767,752
AR	129,812	\$54,276,126
AZ	46,526	\$23,370,158
CA	231,835	\$98,330,096
CO	53,139	\$26,509,143
CT	1,388	\$435,139
FL	80,909	\$26,836,154
GA	134,005	\$50,858,551
HI	11,081	\$4,424,319
IA	88,214	\$53,200,244
ID	22,379	\$11,502,990
IL	92,519	\$50,128,844
IN	135,082	\$51,128,227
KS	64,393	\$35,443,694
KY	152,742	\$54,573,721
LA	99,302	\$37,378,605
MA	252	\$63,258
ME	35,500	\$13,289,220
MI	180,377	\$60,512,568
MN	170,355	\$85,622,871
MO	189,323	\$93,728,312
MP	11,143	\$2,627,177
MS	139,269	\$51,506,992
MT	35,941	\$16,310,111
NC	68,267	\$19,055,517
ND	8,044	\$5,656,741
NE	35,839	\$23,215,615
NH	13,131	\$4,376,606
NJ	1,881	\$450,340
NM	32,340	\$15,369,074
NV	5,235	\$2,451,840
NY	59,627	\$21,444,471
OH	166,967	\$58,483,365
OK	17,391	\$8,003,516
OR	50,327	\$21,657,260
PA	76,777	\$27,694,806
SC	49,358	\$16,286,714
SD	15,071	\$9,117,215
TN	93,422	\$29,927,295
TX	212,492	\$93,131,882
UT	9,506	\$4,441,848
VA	52,433	\$16,588,786
VT	28,399	\$8,789,359
WA	81,865	\$34,421,951
WI	230,451	\$95,438,696
WV	89,190	\$38,068,337

Figure 5 Accepted Price Cap CAF II Offers of Model Based Support By Carrier (Source: https://apps.fcc.gov/edocs_public/attachmatch/DOC-335269A5.xlsx)			
Price Cap Carrier	States Served	Homes & Businesses Served	Support Amount In Dollars
AT&T	AL, AR, CA, FL, GA, IL, IN, KS, KY, LA, MI, MS, NC, OH, SC, TN, TX, WI	1,117,806	\$427,706,650
CINCINNATI BELL	KY, OH	7,084	\$2,229,130
CENTURYLINK	AL, AR, AZ, CO, FL, GA, IA, ID, IL, IN, KS, LA, MI, MN, MO, MT, NC, ND, NE, NJ, NM, NV, OH, OR, PA, SC, SD, TN, TX, UT, VA, WA, WI	1,174,142	\$505,702,762
CONSOLIDATED COMMUNICATIONS	CA, IA, IL, MN, PA, TX	24,698	\$13,922,480
FAIRPOINT COMMUNICATIONS	AL, FL, IL, MA, ME, MO, NH, NY, OH, OK, PA, VA, VT, WA	105,220	\$37,430,669
FRONTIER COMMUNICATIONS	AL, AZ, CA, CT, FL, GA, IA, ID, IL, IN, MI, MN, MS, MT, NC, NE, NM, NV, NY, OH, OR, PA, SC, TN, UT, WA, WI, WV	659,587	\$283,401,855
HAWAIIAN TELCOM INC	HI	11,081	\$4,424,319
MICRONESIAN TELECOMM	MTC	11,143	\$2,627,177
VERIZON	CA, TX	114,610	\$48,554,986
WINDSTREAM COMMUNICATIONS	AL, AR, FL, GA, IA, KY, MN, MO, MS, NC, NE, NY, OH, OK, PA, SC, TX	404,625	\$174,895,478

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.³⁶ The \$100 million available for the experiments was 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, with an initial requirement to offer 25 Mbps downstream/5 Mbps upstream;
- \$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. On December 5, 2014, the Bureau announced 37 bidders that were provisionally selected for funding in each category, subject to the post-selection

³⁶ *Connect America Fund, ETC Annual Reports and Certifications*, Report and Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd 8769 (2014).

process.³⁷ Collectively the bidders sought support to cover 26,867 census blocks in 25 states and Puerto Rico. Following this announcement, some winners indicated they were no longer interested and others defaulted on their bids. Still others sought waiver of the audited financial documents requirement and submitted other documentation instead. On December 23, 2014, the Bureau announced those bidders that defaulted and the availability of \$716,000 in additional funding.³⁸ Entities interested in being considered next-in-line were permitted to submit required documents until January 6, 2015. On February 3, 2015 the Bureau announced the next-in-line bidders.³⁹ On March 4, 2015, the Bureau announced 12 additional provisionally selected bidders.⁴⁰ On August 7, 2015, the Bureau authorized \$11,273,764 in rural broadband experiment support for four bidders to provide broadband in 1,889 census blocks in five states.⁴¹ On September 11, 2015, the Bureau authorized \$1,299,730.45 in rural broadband experiment support for two bidders to provide broadband in 202 census blocks in three states.⁴² On September 29, 2015, the Bureau authorized \$2,821,652.85 in rural broadband experiment support for two bidders for 292 census blocks in two states.⁴³ On November 12, the Bureau authorized \$16,138,691.71 in rural broadband experiment support for four bidders for 2,451 census blocks in 5 states.⁴⁴ On December 11, 2015, the Bureau authorized \$5,196,652.85 in rural broadband experiment support for 3 bidders for 617 census blocks in three states.⁴⁵ Figure 6 summarizes the entities that had been authorized as of December 11, 2015.⁴⁶

³⁷ *Wireline Competition Bureau Announces Entities Provisionally Selected for Rural Broadband Experiments; Sets Deadlines For Submission of Additional Information*, WC Docket No. 10-90, Public Notice, 29 FCC Rcd 14684 (Wireline Comp. Bur. rel. Dec. 5, 2014).

³⁸ *Wireline Competition Bureau Announces Availability of Additional Funding For Rural Broadband Experiments*, WC Dockets No. 10-90; 14-259, Public Notice, 29 FCC Rcd 16243 (Wireline Comp. Bur 2014)

³⁹ *Wireline Competition Bureau Announces Entities Under Consideration As Next-In-Line Bidders for Rural Broadband Experiments*, WC Docket Nos. 10-90; 14-259, Public Notice, 30 FCC Rcd 1045 (Wireline Comp. Bur 2015).

⁴⁰ *Wireline Competition Bureau Announces Additional Provisionally Selected Bidders For Rural Broadband Experiments*, WC Docket Nos. 10-90; 14-259, Public Notice, 30 FCC Rcd 2045 (Wireline Comp. Bureau 2015).

⁴¹ *Rural Broadband Experiment Support Authorized for Ten Winning Bids, et. al.*, WC Docket Nos. 10-90; 14-259, Public Notice, 30 FCC Rcd 8283 (Wireline Comp. Bur. 2015).

⁴² *Rural Broadband Support Authorized for Five Winning Bids, et. al.*, WC Docket Nos. 10-90; 14-259, Public Notice, 30 FCC Rcd 9886 (Wireline Comp. Bur 2015).

⁴³ *Wireline Competition Bureau Announces Rural Broadband Experiments Support for 3 Provisionally Selected Bids Is Ready To Be Authorized*, WC Docket Nos. 10-90; 14-259, Public Notice, DA 15-1092 (Wireline Comp. Bur rel. Sept. 29, 2015).

⁴⁴ *Rural Broadband Experiment Support Authorized for Winning Bids Submitted by Skybeam, LLC, Daktel Communications, LLC, Federated Telephone Cooperative, and Paul Bunyan Rural Telephone Cooperative*, Public Notice, DA 15-1306 (Wireline Comp. Bur rel. Nov. 12, 2015).

⁴⁵ *Rural Broadband Experiment Support Authorized for Winning Bids Submitted by BARC Electric Cooperative, Douglas Services, Inc., and Northeast Rural Services, Inc.*, WC Docket Nos. 10-9-, 4-259, Public Notice, DA 15-1416 (Wireline Comp. Bur. rel. Dec. 11, 2015).

⁴⁶ As of December 11, 2015, \$77,614,949 in funding has been authorized or is still under consideration, some cases subject to pending appeals.

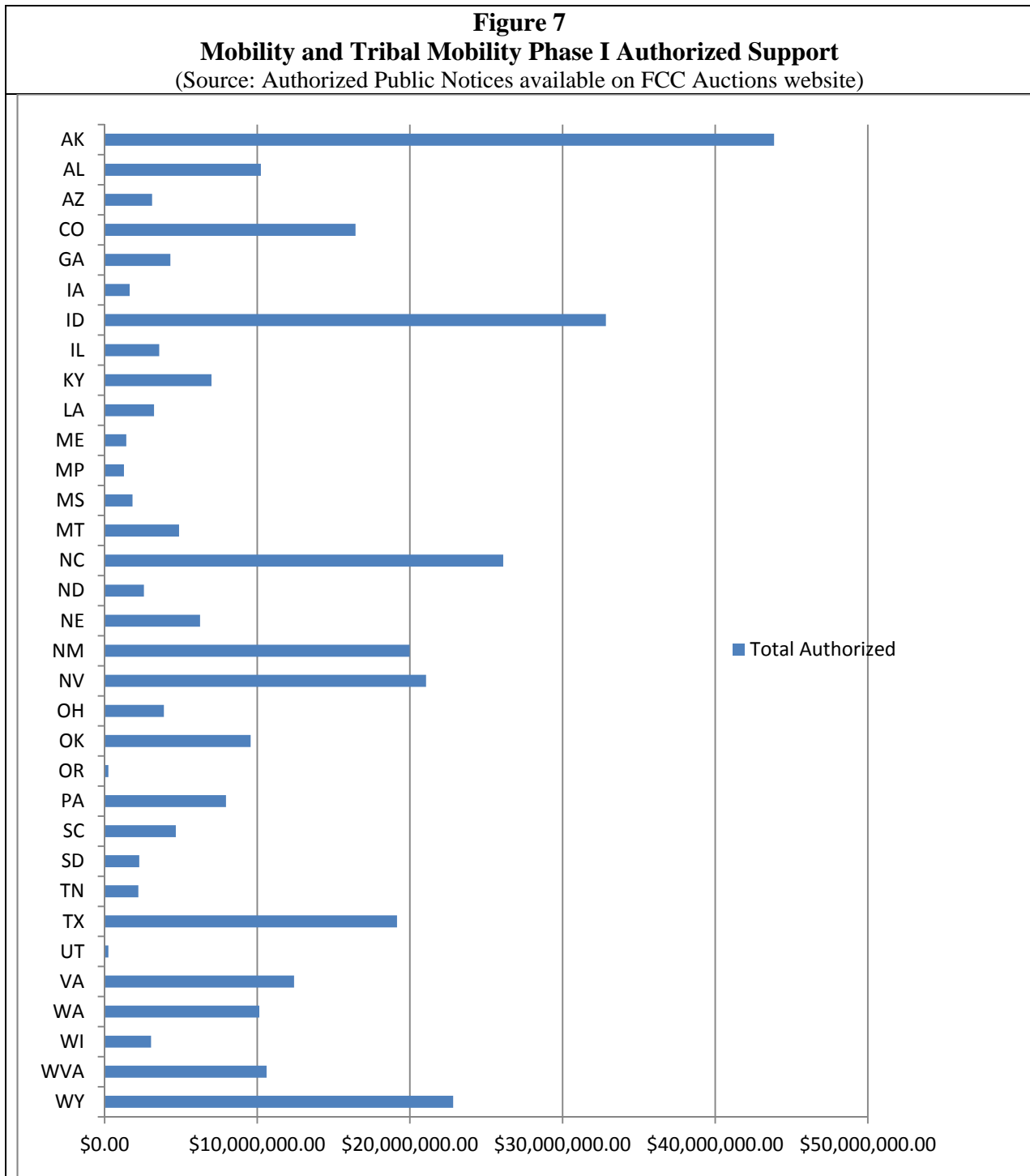
<p align="center">Figure 6 Authorized Rural Broadband Experiments (Source https://www.fcc.gov/general/rural-broadband-experiments)</p>							
Authorized Bidder	State	Total Amount	Total Census Blocks (CBs)	Total price-cap locations within CBs	Technology	Speeds Offered (Up/Down Mbps)	Date Authorized
Allamakee-Clayton Elect. Coop., Inc. (Category 2)	IA	\$1,453,593.00	209	665	Hybrid fiber/fixed wireless	10/1	8/7/2015
BARC Electric Cooperative (Category 1)	VA	\$239,918.00	64	801	Fiber	25/5; 35/10; 50/15; 75/25; 120/25; 250/35; 1,000/50	12/11/2015
Consolidated Commc'ns Networks, Inc. (Category 3)	ND	\$3,096,810.00	103	171	Fiber	10/1	8/7/2015
Daktel Commc'ns, LLC (Category 1)	ND	\$875,000.00	109	508	Fiber	25/5; 50/5	11/12/2015
Delta Commc'ns LLC (Category 3)	IL	\$2,196,000.00	78	122	Fiber	10/1	8/7/2015
Douglas Services, Inc. (Category 1)	OR	\$2,375,000.00	325	2495	Fiber	50/100; 100/25; 250/25	12/11/2015
Federated Tel. Coop. (Category 1)	MN	\$1,455,961.71	95	344	Fiber	20/20; 50/50; 100/100; 300/300	11/12/2015
First Step Internet, LLC (Category 2)	ID, WA	\$415,855.00	116	453	LTE Wireless (3.65 GHz)	10/1	9/11/2015
Ne Rural Serv., Inc. (Category 1)	OK	\$3,465,610.30	314	2115	Fiber	25/5 (up to 1,000)	9/11/2015; 12/11/2015
Paul Bunyan Rural Tel. Coop. (Category 1)	MN	\$1,962,000.00	134	1839	Fiber	25/5; 250/250; 500/500 (up to 1,000)	11/12/2015
Skybeam, LLC (Category 1)	IA, NE, TX, IL, KS	\$16,373,091.00	3612	15957	Fixed Wireless	5/1; 10/2; 25/5	8/7/2015; 11/12/2015
Total	12 states	\$33,908,839.01	5159	25470			

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, five winning bidders subsequently defaulted on their performance obligations for bids totaling over \$55 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 as well as second and final disbursements.

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 \$49,806,874 in support.

Figure 7 shows Mobility and Tribal Mobility Fund authorizations.



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.⁴⁷ 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 2013.⁴⁸ 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 2011.⁴⁹

Figure 8 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*.

<p style="text-align: center;">Figure 8 Safety Net Claims (in \$millions)</p> <p style="text-align: center;">(Source: Table 3.3; *2015 is based on annualized January 2015-June 2015 data)</p>					
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015*</u>
Rate-of-Return Carriers	65.5	48.4	31.4	28.2	20.4
Price Cap Carriers	10.7	-	-	-	-
Total	76.2	48.4	31.4	28.2	20.4

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.⁵⁰ The Bureau initially implemented this rule in April 2012.⁵¹ 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

⁴⁷ *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*).

⁴⁸ *USF/ICC Transformation Order*, 26 FCC Rcd at 17758, para. 252.

⁴⁹ *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*).

⁵⁰ *Id.* at 17741-47, paras. 210-26.

⁵¹ *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*).

2013 to provide carriers additional time to adjust to the changes.⁵² 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.⁵³ The order also exempted Alaska from the benchmark rule for 2014.⁵⁴ 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*.⁵⁵ This order became effective on August 1, 2014.

HCLS/ICLS. 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*.⁵⁶ In 2001, the Commission modified the distribution of HCLS by re-basing the fund for rural telephone companies and retaining an indexed cap.⁵⁷ 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.⁵⁸ 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 9 displays information regarding the amounts of HCLS and interstate common line support (ICLS) disbursed to incumbent rate-of-return providers from 2012-2015.⁵⁹

⁵² See *Sixth Order on Reconsideration*.

⁵³ *Connect America Fund; High-Cost Universal Service Support*, WC Docket Nos. 10-90, 05-337, Order, 28 FCC Rcd 10999 (Wireline Comp. Bur. 2013).

⁵⁴ *Id.* at para 1.

⁵⁵ *April 2014 Connect America Order*, 29 FCC Rcd at 7097-99, paras. 130-136.

⁵⁶ See *Rural Task Force Order*, 16 FCC Rcd 11244.

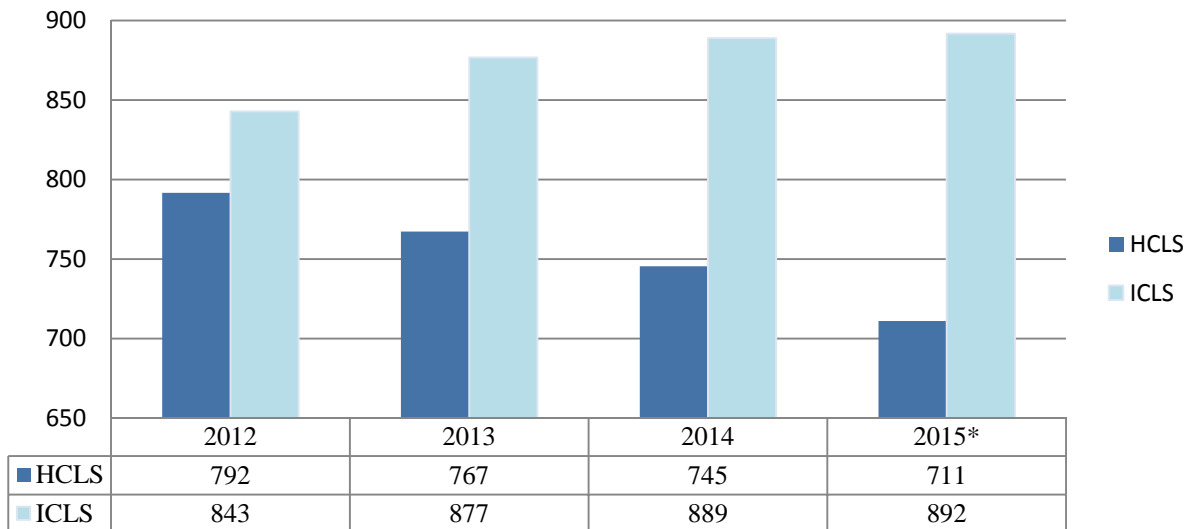
⁵⁷ See *id.* at 11249, para. 12.

⁵⁸ *Id.*

⁵⁹ 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 carrier was classified as a “rural” carrier, it would have been eligible to receive HCLS. Thus, one cannot directly compare the HCLS support amounts for the period pre-2012 to the amounts received by rate-of-return carriers post-2012.

Figure 9
Rate-of-Return Carriers HCLS and ICLS Claims
(in \$millions)

(Source: Table 3.3; *2015 is based on annualized January 2015-June 2015 data)



In the *December 2014 Connect America Order*, the Commission adopted its proposal to modify the HCLS mechanism by first freezing the national average cost per loop (NACPL) and then decreasing HCLS proportionately among all HCLS recipients.⁶⁰ Previously, rate-of-return carriers received reimbursement for a fixed percentage of their unseparated loop expenses to the extent that they exceeded a benchmark set in relation to the NACPL.⁶¹ These rules reimbursed 65 percent of the loop costs in excess of 115 percent, but less than 150 percent of the NACPL, and 75 percent of loop costs in excess of 150 percent of the NACPL.⁶² As noted above, HCLS for rate-of-return carriers is subject to an indexed cap.⁶³ Until 2015, the indexed cap was enforced by raising the NACPL used in HCLS calculations until the amount of calculated support equaled the cap amount.⁶⁴ The indexed cap on HCLS had seen steady reductions in recent years as a result of decreasing numbers of working loops and low inflation rates.⁶⁵ As a result, carriers with costs close to the ever-rising NACPL risked losing all HCLS for prior

⁶⁰ See *December 2014 Connect America Order*, 29 FCC Rcd at 15679-84, paras. 101-114).

⁶¹ See 47 C.F.R. § 54.1310. The Commission's HCLS rules were formerly codified in Part 36, subpart F.

⁶² *Id.*

⁶³ *Id.* § 54.1302.

⁶⁴ *Id.* § 54.1309(c)(2).

⁶⁵ See National Exchange Carrier Association, Inc. Overview and Analysis of 2013 USF Data Submission, filed September 30, 2014, at 2 (indexed cap on HCLS for 2015 calculated as \$735.2 million); National Exchange Carrier Association, Inc. Overview and Analysis of 2004 USF Submission, filed September 30, 2005 at 3 (indexed cap on HCLS for 2006 calculated at \$1,047.3 million) (both filings available at <http://www.fcc.gov/encyclopedia/necas-overview-universal-service-fund>). During this period, the cap has also been rebased on multiple occasions to reflect the ineligibility of price-cap carriers and their rate-of-return affiliates. See, e.g., *USF-ICC Transformation Order*, 26 FCC Rcd at 17760, paras. 258-59.

investments, while carriers with a higher cost per loop were sheltered from the impact of the HCLS cap.⁶⁶ This created a “race to the top” such that carriers had an incentive to increase their costs to preserve their universal service support and caused some carriers to “fall off the cliff” so that they no longer received any HCLS.

To avoid this effect, in the *December 2014 Connect America Order*, the Commission adopted its proposal to reduce support proportionally among all HCLS recipients through decreased reimbursement percentages for all carriers instead of adjusting the NACPL.⁶⁷ Specifically, the Commission froze the NACPL that is used to determine support and instead decreased HCLS proportionately among all HCLS recipients.⁶⁸ This change went into effect on July 1, 2015.

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.⁶⁹ Effective July 1, 2012, the Commission eliminated LSS as a stand-alone support program.⁷⁰ It also allowed for recovery of some of the costs previously covered by LSS through the Connect America Fund ICC recovery mechanism.⁷¹

\$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.⁷² The Commission concluded that support in excess of that amount should not be provided without further justification.⁷³ 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 10 shows total high-cost support per line for 2014 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.

⁶⁶ We note that a “higher cost” carrier does not necessarily serve an area that is more costly to serve than other areas. To the extent a carrier is experiencing access line loss, for whatever reason, its cost per loop will rise because the total costs for the study area are divided by a smaller number. Thus, two study areas with identical cost characteristics could have significantly different reported costs per loop, based on the extent to which customers are “cutting the cord” for their landline voice service. A study area where there are competitive alternatives in fact may have a higher cost per loop, all other things being equal.

⁶⁷ *December 2014 Connect America Order*, 29 FCC Rcd at 15681, para. 104.

⁶⁸ *Id.*

⁶⁹ *USF/ICC Transformation Order*, 26 FCC Rcd at 17758, para. 253.

⁷⁰ *Id.* at 17760, para. 257.

⁷¹ *Id.* at 17967, para. 867.

⁷² 47 C.F.R. § 54.302.

⁷³ *USF/ICC Transformation Order*, 26 FCC Rcd at 17765, para. 274.

<p align="center">Figure 10</p> <p align="center">Incumbent Study Areas with 2014 Annual High-Cost Support per Line Exceeding \$3,000</p> <p align="center">(Source: Supplementary Material in file named <i>HC RoR Claims per Line - by Study Area.xlsx</i>)</p>				
Study Area Name	State	Waiver Disposition	Legacy High Cost Per Line	Total High Cost (Legacy + CAF/ICC Support Per Line)
Accipiter Comm.	AZ	2012 – Granted, expired 2015; 2014 - Pending	\$3,158	\$3,239
Adak Tel Utility	AK	2015 – Denied (interim relief granted previously)	\$6,092	\$7,525
Agate Mutual Tel Co	CO		\$3,268	\$3,582
Allband Communications Cooperative	MI	2012 – Granted; 2015 – Interim Extension Granted	\$7,669	\$7,833
Baca Valley Tel Co	NM		\$2,978	\$3,102
Beaver Creek Telephone Company	WA		\$2,756	\$3,884
Beehive Tel Co - NV	NV		\$3,292	\$5,349
Beehive Tel Co - UT	UT		\$2,856	\$4,262
Border To Border	TX	Dismissed	\$4,633	\$5,453
Cunningham Tel Co	KS		\$3,043	\$3,127
Dell Tel. Co-Op - TX	TX	Dismissed	\$3,318	\$3,636
Elkhart Tel Co Inc	KS		\$2,865	\$3,036
Kanokla Tel Assn-OK	OK		\$2,914	\$3,036
La Harpe Tel Co Inc	KS		\$3,138	\$3,490
Lakeside Tel. Co.	MS		\$2,762	\$3,035
Leaco Rural Tel Coop	NM		\$2,723	\$3,046
Leaf River Tel Co	IL		\$2,686	\$3,105
Mutual Tel Co	KS		\$3,084	\$3,296
North State Tel Co.	OR		\$3,104	\$3,246
Oregon Tel Corp	OR		\$2,421	\$3,184
Oregon-Idaho Util.	OR		\$3,015	\$3,806
Pine Tel System Inc.	OR		\$3,351	\$4,192
Rice Belt Tel Co	AR		\$2,652	\$3,016
S. Central Tel - Ok	OK		\$3,200	\$3,307
Sandwich Isles Comm.	HI	Denied	\$3,332	\$4,896
South Park Tel. Co.	CO	Withdrawn	\$3,242	\$3,776
Southern Montana Tel	MT		\$3,042	\$3,307
St John Tel Co	WA		\$2,892	\$3,098
Summit Tel & Tel -AK	AK		\$3,065	\$3,433
Terral Tel Co	OK		\$3,452	\$4,297
Tri-County Tel Assn	KS		\$3,011	\$3,072
Westgate Communications LLC d/b/a Weavtel	WA		\$2,949	\$5,578
Xit Rural Tel Co-Op	TX		\$2,938	\$3,099
Zenda Tel Company	KS		\$2,858	\$3,276

Figure 11 shows total support reductions from 2012-2105 as a result of implementation of the \$250 per-month, per-line cap. The legacy support per-line figures in Figure 10 would have been higher without these reductions.

Figure 11 High-Cost Support Reductions As Result of \$250 per-month Cap (Source: USAC Claims Data; *2015 is based on annualized January 2015-June 2015 data)					
Study Area Name	State	2012	2013	2014	2015*
Accipiter Comm.	AZ	360,162	0	0	125,916
Adak Tel Utility	AK	207,984	545,280	1,002,750	1,113,954
Agate Mutual Tel Co	CO	28,464	82,017	120,456	78,936
Baca Valley Tel Co	NM	0	74,703	214,698	121,476
Beaver Creek Telephone Co	WA	63,672	0	0	42,156
Beehive Tel Co - NV	NV	3,690	34,962	219,892	303,312
Beehive Tel Co - UT	UT	0	128,670	0	0
Big Bend Tel Co Inc	TX	86,376	0	0	0
Blue Valley Tele-Com	KS	58,806	0	0	0
Border To Border	TX	185,058	493,098	763,372	833,076
Cunningham Tel Co	KS	0	4,965	137,645	216,156
Dell Tel. Co-Op - TX	TX	361,482	849,516	1,303,995	1,460,124
Elkhart Tel Co Inc	KS	0	0	34,815	0
Farber Tel Co	MO	0	0	23	98,640
Kanokla Tel Assn-OK	OK	0	52,245	0	0
La Harpe Tel Co Inc	KS	23,412	73,881	229,078	175,008
Lakeside Tel. Co.	MS	0	3,516	0	32,940
Leaf River Tel Co	IL	0	0	0	137,184
Mutual Tel Co	IA	43,962	152,101	211,759	0
North State Tel Co.	OR	56,364	129,009	281,323	334,224
Northeast Louisiana	LA	0	0	0	14,448
Nunn Tel Co	CO	0	0	31,275	11,748
Oregon-Idaho Util.	OR	0	51,297	57,870	119,532
Pine Tel System Inc.	OR	241,932	911,214	1,830,981	2,187,576
Rice Belt Tel Co	AR	0	0	0	105,468
S. Central Tel - OK	OK	108,090	254,067	456,691	543,744
Sacred Wind	NM	210,018	260,025	0	0
Sandwich Isles Comm.	HI	2,262,804	5,471,796	6,944,697	7,494,012
Shawnee Telephone Co	IL	0	0	0	350,474
South Park Tel. Co.	CO	64,698	154,713	218,992	190,176
Southern Montana Tel	MT	0	64,515	190,069	0
St John Tel Co	WA	8,832	7,086	0	0
Summit Tel & Tel -AK	AK	27,876	60,541	100,929	238,212
Terral Tel Co	OK	78,624	232,056	480,781	1,035,360
Tri-County Tel Assn	KS	0	0	526,519	502,884

<p align="center">Figure 11 High-Cost Support Reductions As Result of \$250 per-month Cap (Source: USAC Claims Data; *2015 is based on annualized January 2015-June 2015 data)</p>					
Study Area Name	State	2012	2013	2014	2015*
Westgate Communications LLC d/b/a Weavtel	WA	52,014	136,185	231,600	193,620
Zenda Tel Company	KS	0	0	98,333	214,788
Total		4,534,320	10,227,458	15,688,543	18,275,144

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.⁷⁴ 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.⁷⁵

Since the *USF/ICC Transformation Order*, some rate-of-return carriers (including CETC affiliates) have requested waivers of high-cost support reductions, including several who requested a waiver of the \$250 per-line, per-month cap. The Bureau worked to gather information and act upon these *USF/ICC Transformation Order* waiver requests as expeditiously as possible. The supplementary material describes the disposition of all such waiver requests.⁷⁶

Alternative Connect America Model. In the *April 2014 Connect America Order and FNPRM*, the Commission proposed a framework for a voluntary election by rate-of-return carriers to receive model-based support, and directed the Bureau to incorporate the results of the study area boundary data collection in the CAM and to make such other adjustments as appropriate for use of that model in rate-of-return territories.⁷⁷ The Bureau has been actively working on refining the Alternative Connect America Cost Model (A-CAM) since the first version was released in December 2014.⁷⁸ The Bureau released v.1.0.1 on March 16, 2015 updating the competitive coverage in light of the Commission's decision to adopt 10/1 Mbps as the minimum standard for competitors.⁷⁹ On April 10, 2015, the Bureau published an

⁷⁴ *Id.* at 17840, para. 539.

⁷⁵ 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*).

⁷⁶ See Supplemental Material File "Petitions Seeking Waiver of Support Reductions.docs."

⁷⁷ *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order et al., 29 FCC Rcd 7051, 7074, para. 70, 7139-40, para. 276, 7141-43, paras. 283-91 (2014) (*April 2014 Connect America Order and/or FNPRM*).

⁷⁸ *Wireline Competition Bureau Announces Availability of Version 4.2 of the Connect America Phase II Cost Model and the First Version of an Alternative Cost Model Being Developed for Potential Use in Rate-of-Return Areas*, WC Docket No. 10-90, Public Notice, 29 FCC Rcd 16157, 16158 (Wireline Comp. Bur. 2014) (*A-CAM v1.0 Public Notice*).

⁷⁹ *Wireline Competition Bureau Releases Alternative Connect America Cost Model Version 1.01 and Illustrative Results for Potential Use in Rate-Of-Return Areas*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 2067 (Wireline Comp. Bur. 2015) (*A-CAM v1.0.1 Public Notice*) (updating broadband coverage to use minimum speed standard of 10/1 Mbps in determining the presence of a cable or fixed wireless competitor).

online, publicly accessible map based on the study area boundary and exchange data that were submitted to the Bureau by rate-of-return carriers and certain state utility commissions, summarized the process used to develop service areas for use in the model, and invited commenters to submit any proposed corrections to interior service area boundaries and central office (Node0) locations.⁸⁰ On July 27, 2015, the Bureau invited parties to submit proposed corrections to plant mix input values for individual study areas.⁸¹ The Bureau released version 1.1 on August 31, 2015, updating competitive coverage using FCC Form 477 data.⁸² On October 8, 2015, the Bureau released A-CAM v2.0, which incorporates updated exterior study area boundaries, interior service area boundaries, and Node0 locations based on extensive input from rate-of-return carriers, and further updated the model in several respects.⁸³ The Bureau also released results that illustrate how different per-location funding caps used in calculating support impact the potential support calculated for a particular study area.⁸⁴

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.⁸⁵ 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, 2014.⁸⁶ Shortly thereafter, an industry petition was filed

⁸⁰ *Wireline Competition Bureau Publishes Map of Study Areas for Use in Alternative Connect America Cost Model*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 2944 (Wireline Comp. Bur. 2015) (*A-CAM Map Public Notice*). A-CAM Service Area Development Process, <http://www.fcc.gov/wcb/ServiceAreaDevelopmentProcess.docx> (A-CAM Service Area Documentation); *see also Wireline Competition Bureau Revises A-CAM Study Area Map*, WC Docket No. 10-90, 30 FCC Rcd 4610 (Wireline Comp. Bur. 2015) (updating a small number of potential Node0 locations); *Wireline Competition Bureau Announces Upcoming Modifications to the Alternative Connect America Cost Model*, WC Docket No. 10-90, Public Notice, DA 15-869 (Wireline Comp. Bur. July 29, 2015).

⁸¹ *Wireline Competition Bureau Announces Upcoming Modifications to the Alternative Connect America Cost Model*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 8191 (Wireline Comp. Bur. 2015) (announcing upcoming modifications to A-CAM and inviting commenters to submit proposed corrections to plant mix values for individual study areas). In response to the PN, rate-of-return carriers or their consultants submitted proposed plant mix input values for 528 study areas.

⁸² *Wireline Competition Bureau Releases Alternative Connect America Cost Model Version 1.1 and Illustrative Results for Potential Use in Rate-Of-Return Areas*, WC Docket No. 10-90, Public Notice, DA 15-980 (Wireline Comp. Bur. Aug. 31, 2015) (*A-CAM v1.1 Public Notice*) (updating coverage to reflect preliminary FCC Form 477 broadband deployment data as of December 31, 2014).

⁸³ *Wireline Competition Bureau Releases Alternative Connect America Cost Model Version 2.0 and Illustrative Results for Potential Use in Rate-Of-Return Areas*, WC Docket No. 10-90, Public Notice, DA 15-1154 (Wireline Comp. Bur. Oct. 8, 2015) (updating, among other things, middle mile, and averaging costs at census block level).

⁸⁴ The illustrative results for A-CAM version 2.0 are available at https://transition.fcc.gov/wcb/ACAM_20_ILL_Rpt_Version3_0_FINAL_100615_Public.xlsx. The Bureau also released illustrative results for A-CAM v1.0.1 and A-CAM v1.1 illustrating how different assumptions and funding caps used in calculating support impact the potential support calculated for a particular study area. *See A-CAM v1.0.1 Public Notice*, *A-CAM v1.1 Public Notice*.

⁸⁵ *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).

⁸⁶ *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*).

requesting a stay, or in the alternative, a six-month extension of the January 2014 deadline.⁸⁷ In response, the Bureau extended the deadline to March 17, 2014.⁸⁸ The Bureau received study area boundary maps from all incumbent LECs and conducted a process to resolve and minimize overlaps among study areas. As noted above, these boundaries have been incorporated into the A-CAM.

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.”⁸⁹ 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.⁹⁰ 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.⁹¹ 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.⁹² 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.⁹³

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.⁹⁴ 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.⁹⁵ The Bureau completed the surveys for 2014 and 2015 and is in the process of conducting the 2016 survey.⁹⁶ 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. For 2015, the Bureau calculated that the average local end-user rates plus state regulated fees of the surveyed incumbent LECs in urban areas is \$21.22.⁹⁷

⁸⁷ 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).

⁸⁸ See *Study Area Boundaries Public Notice*, 28 FCC Rcd at 16315, para. 2.

⁸⁹ 47 U.S.C. § 254(b)(3).

⁹⁰ *USF/ICC Transformation Order*, 26 FCC Rcd at 17749, 17751, paras. 235, 238; see also 47 C.F.R § 54.318.

⁹¹ *USF/ICC Transformation Order*, 26 FCC Rcd at 17752, para. 240.

⁹² *Id.* at 17751, para. 237.

⁹³ *Id.* at para. 239.

⁹⁴ *USF/ICC Transformation Order*, 26 FCC Rcd at 17751, para. 238.

⁹⁵ *Connect America Fund*, WC Docket No. 10-90, Order, 28 FCC Rcd 4242 (Wireline Comp. Bur. and Wireless Telecom. Bur. 2013).

⁹⁶ All information regarding the survey and survey results is available at <https://www.fcc.gov/encyclopedia/urban-rate-survey-data>.

⁹⁷ *Id.*

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.⁹⁸ In addition, the Commission determined that there should be no support reductions associated with lines provided to customers enrolled in the Lifeline program.⁹⁹ It postponed implementation of the support reductions associated with the 2014 rate floor until January 1, 2015. Accordingly, for calendar year 2014 and 2015, support reductions only occurred for those lines with rates below the appropriate phased-in limit, as shown in Figure 12 below.

<p style="text-align: center;">Figure 12 Reduction in High-Cost Loop Claims and Frozen Support Claims due to the Rate Floor</p>				
(Source: Supplementary Material in file named <i>HC Rate Floor Reductions - by Study Area.xlsx</i> ; *2015 is based on annualized January 2015-June 2015 data)				
2015 figures for price cap carriers not calculated due to acceptance of Phase II support				
<u>Carrier</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015*</u>
Price Cap	\$39,600	\$1,525,044	\$3,369,624	---
Rate of Return	\$515,958	\$1,277,538	\$1,090,894	\$2,455,674
Total	\$555,558	\$2,802,582	\$4,460,518	---

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”¹⁰⁰ and adopted a presumption that “a voice rate is within a reasonable range if it falls within two standard deviations above the national average.”¹⁰¹ Based on the 2015 survey responses, the Bureau calculated the reasonable comparability benchmark for voice services to be \$47.48 for 2015.¹⁰² 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.¹⁰³ In addition, each ETC, including competitive ETCs providing fixed voice

⁹⁸ *April 2014 Connect America Order*, 29 FCC Rcd at 7077-80, paras. 77-81.

⁹⁹ *Id.* at 7081-82, para. 86.

¹⁰⁰ *USF/ICC Transformation Order*, 26 FCC Rcd at 17693, para. 81.

¹⁰¹ *Id.* at 17694, para. 88.

¹⁰² See *Wireline Competition Bureau Announces Results of 2015 Urban Rate Survey for Fixed Voice and broadband Services and Posting of Survey Data and Explanatory Notes*, WC Docket No. 10-90, Public Notice, 30 FCC Rcd 3687 (Wireline Comp. Bur. 2015). 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 universal service, and mandatory extended area service charges). *USF/ICC Transformation Order*, 26 FCC Rcd at 17751, para. 238.

¹⁰³ *Id.*

services,¹⁰⁴ is required to certify in the FCC Form 481 that the pricing of its basic residential voice services was no more than the comparability benchmark.¹⁰⁵

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.¹⁰⁶ 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.¹⁰⁷

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.¹⁰⁸ 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.¹⁰⁹ The benchmark for a service was calculated by adding twice the standard deviation to the average rate.¹¹⁰ Examples of the average rate and reasonable comparability benchmark for a range of broadband service offerings in 2015 are below.

¹⁰⁴ The Bureau has adopted a benchmark only for fixed voice services because “the differences in rate plans and other attributes of fixed and mobile services would make it inordinately difficult to create a unified benchmark” that applied to both fixed and mobile services. *See Connect America Fund*, WC Docket No. 10-90, Order, 28 FCC Rcd 4242, para. 6 (Wireline Comp. Bur. 2014).

¹⁰⁵ 47 C.F.R. § 54.313(a)(10); *see also USF/ICC Transformation Order* at 18046-47, para. 1026. In the *USF/ICC Transformation Order*, the Commission required that as a condition of receiving high-cost support, ETCs must offer voice and broadband services in supported areas at rates that are reasonably comparable to rates for similar services in urban areas. *USF/Transformation Order*, 26 FCC at 17693, 17695, paras. 81, 86.

¹⁰⁶ *USF/ICC Transformation Order*, 26 FCC at 17693, 17695, paras. 81, 86. *See also* 47 U.S.C. § 254(b).

¹⁰⁷ *Id.* at 17704, para. 113.

¹⁰⁸ *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).

¹⁰⁹ *Connect America Fund*, Report and Order, WC Docket No. 10-90, DA 14-1569 (Wireline Comp. Bur. rel. Oct. 29, 2014).

¹¹⁰ *Id.* at 3.

<p align="center">Figure 13 Summary of Broadband Results of the Urban Rates Survey (Source: 2015 Urban Rates Survey data)</p>			
Download Speed (Mbps)	Upload Speed (Mbps)	Usage Allowance (GB)	Benchmark
10	1	100	\$71.40
10	1	250	\$75.99
10	1	Unlimited	\$77.80
25 ¹¹¹	5	250	\$95.08
25 ¹¹²	5	Unlimited	\$96.89

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.¹¹³ 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.¹¹⁴ 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.¹¹⁵

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.¹¹⁶ Based in part on those filings, state commissions and ETCs not subject to the jurisdiction of a state commission annually certify to the Commission that high-cost support received was used and will be used for the intended purposes.¹¹⁷

In October 2015, the Commission reminding ETCs that they may not include certain types of expenses in their revenue requirement or recover them through high-cost support. Those expenses include the following: personal travel; entertainment; alcohol; food, including but not limited to meals to

¹¹¹ The 25 Mbps/5 Mbps benchmarks are applicable to those entities authorized to receive funding for category one projects in the Commission’s rural broadband experiments. See *Connect America Fund et al.*, WC Docket Nos. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd 8769, 8779, para. 26 (2014).

¹¹² *Id.*

¹¹³ *Id.* at 17854, para. 587.

¹¹⁴ See 47 C.F.R. § 54.313.

¹¹⁵ *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).

¹¹⁶ *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).

¹¹⁷ *Id.*; see also 47 C.F.R. § 54.314.

celebrate personal events, such as weddings, births, or retirements; political contributions; charitable donations; scholarships; penalties or fines for statutory or regulatory violations; penalties or fees for any late payments on debt, loans, or other payments; membership fees and dues in clubs and organizations; sponsorships of conferences or community events; gifts to employees; and, personal expenses of employees, board members, family members of employees and board members, contractors, or any other individuals affiliated with the ETC, including but not limited to personal expenses for housing, such as rent or mortgages.¹¹⁸ The Commission also noted that it intends to take further action prevent excessive expenditures.¹¹⁹

Broadband Deployment and Adoption. Since adoption of the *USF/ICC Transformation Order*, there has been steady progress in the extent of broadband deployment. As shown in the following charts, the extent of deployment of broadband of approximately 4 Mbps/1 Mbps and of approximately 10 Mbps/1 Mbps (10 Mbps/3 kbps) reported by rate-of-return carriers has increased substantially since 2012.¹²⁰ Between December 2012 and December 2014, there was a 20 percent increase in the number of census blocks where the incumbent rate-of-return carrier reported offering fixed service with at least 4 Mbps/1 Mbps speeds. Similarly, there was a 44.8 percent increase in the number of census blocks where the incumbent rate-of-return carrier reported offering fixed service with at least 10 Mbps/1 Mbps speeds. Although there was a relatively small drop in price cap deployment of approximately 4 Mbps/1 Mbps in 2014, that change was primarily due to one carrier. This change may result from the fact that the 2014 data is from FCC Form 477, which is a mandatory collection that must be filed and certified to by carriers and has somewhat stricter standards for determining deployment than the State Broadband Initiative used for the 2012 and 2013 data.

¹¹⁸ *All Universal Service High-Cost Support Recipients are Reminded that Support Must be Used for its Intended Purpose*, WC Docket Nos. 10-90, 14-58, Public Notice, FCC 15-133 at 2 (Wireline Comp. Bur. 2015)

¹¹⁹ *Id.*

¹²⁰ The analysis presented in Figure 14 utilizes 3 Mbps/768 kbps as a proxy for 4 Mbps/1 Mbps, and 10 Mbps/768 kbps as a proxy for 10 Mbps/1 Mbps.

Figure 14
Fixed Connection Deployment of at Least 3 Mbps/768 kbps
(in thousands)

(Source: 2013 Data – State Broadband Initiative (SBI) Data, 2014 Data – Form 477 Submissions)
 Data do not include any increase in deployment within a Census block.

Rate-of-Return Carriers

	Number of Deployed Census Blocks	Population in Deployed Census Blocks	Housing Units in Deployed Census Blocks
December 2012	733	8,644	4,093
December 2013	796	9,178	4,369
December 2014	883	10,199	4,880

Price Cap Carriers

	Number of Deployed Census Blocks	Population in Deployed Census Blocks	Housing Units in Deployed Census Blocks
December 2012	4,191	231,602	98,148
December 2013	4,423	244,301	104,413
December 2014	4,041	245,001	104,761

Population and housing unit estimates were obtained from Geolytics Block-Level Estimates 2012-2013. These estimates were created by summing the population and housing units contained in the Census blocks reported through Form 477 or SBI. Note that a provider that reports deployment in a particular census block may not necessarily offer service to every person and housing unit in the census block.

Figure 15 Fixed Connection Deployment of at Least 10 Mbps/768 kbps (in thousands) (Source: 2013 Data – State Broadband Initiative (SBI) Data, 2014 Data – Form 477 Submissions) Data do not include any increase in deployment within a Census block.			
Rate-of-Return Carriers			
	Number of Deployed Census Blocks	Population in Deployed Census Blocks	Housing Units in Deployed Census Blocks
December 2012	478	6,247	2,953
December 2013	564	6,964	3,315
December 2014	692	8,836	4,194
Price Cap Carriers			
	Number of Deployed Census Blocks	Population in Deployed Census Blocks	Housing Units in Deployed Census Blocks
December 2012	2,888	178,814	74,764
December 2013	3,226	196,488	83,280
December 2014	3,478	223,834	95,421
Population and housing unit estimates were obtained from Geolytics Block-Level Estimates 2012-2013. These estimates were created by summing the population and housing units contained in the Census blocks reported through Form 477 or SBI. Note that a provider that reports deployment in a particular census block may not necessarily offer service to every person and housing unit in the census block.			

Similarly, there have been increases in the number of fixed broadband service customer subscriptions, for both rate-of-return and price cap carriers. As shown in the figures below, between 2013 and 2014, rate-of-return carriers had a 35 percent increase in subscription to fixed services of at least 3 Mbps/768 kbps and a 61 percent increase for fixed services of at least 10 Mbps/768 kbps, while subscription for price cap carriers increased by 4 percent for fixed services of at least 3 Mbps/768 kbps and increased by 17 percent increase for fixed services of at least 10 Mbps/768 kbps.

Figure 16 Fixed Connections at Least 3 Mbps Downstream and 768 kbps Upstream for Incumbent Local Exchange Carriers (connections in thousands) (Source: FCC Form 477 Submissions)			
Rate-of-Return Carriers	Total	Residential	Business
December 2013	1,182	1,050	131
December 2014	1,600	1,429	171
Price Cap Carriers			
December 2013	24,191	22,099	2,093
December 2014	25,177	23,111	2,065

Figure 17
Fixed Connections at Least 10 Mbps Downstream and 768 kbps Upstream for
Incumbent Local Exchange Carriers
(connections in thousands)
 (Source: FCC Form 477 Submissions)

Rate-of-Return Carriers	Total	Residential	Business
December 2013	500	450	49
December 2014	804	720	84
Price Cap Carriers			
December 2013	15,295	14,327	968
December 2014	17,884	16,736	1,148

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

Figure 18
Switched Access Lines and Interconnected VoIP Subscribers for Incumbent
Local Exchange Carriers
(connections in thousands)
 (Source: FCC Form 477 Submission)

	Rate of Return Carriers	Price Cap Carriers
December 2010	4,635	92,862
December 2011	4,495	84,932
December 2012	4,268	77,846
December 2013	4,123	70,959
December 2014	3,883	65,499