Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Universal Service Contribution Methodology	)	WC Docket No. 06-122
	)	

COMMENTS OF CTIA

CTIA[1] respectfully submits these comments in response to the Federal Communications Commission's ("Commission's") Notice of Proposed Rulemaking ("*NPRM*") seeking comment on the potential adoption of an overall cap on the universal service fund ("USF").[2]

I. Introduction.

CTIA and its member companies are committed to preserving and advancing universal service and to ensuring that all communities—including rural areas and low-income consumers—benefit from advanced communications technology such as mobile wireless broadband. CTIA has also long supported efforts by the Commission to administer the universal service fund in a fiscally responsible manner, particularly given that wireless consumers are significant contributors to the universal service fund.

CTIA appreciates the goals underlying the *NPRM* and respectfully suggests that the best way to achieve long-term stability in the universal service fund is for the Commission to

[1] CTIA – The Wireless Association® ("CTIA") (www.ctia.org) represents the U.S. wireless communications industry and the companies throughout the mobile ecosystem that enable Americans to lead a connected life in the twenty-first century. The association's members include wireless carriers, device manufacturers, and suppliers as well as apps and content companies. CTIA vigorously advocates at all levels of government for policies that foster continued wireless innovation and investment. The association also coordinates the industry's voluntary best practices, hosts educational events that promote the wireless industry and co-produces the industry's leading wireless tradeshow. CTIA was founded in 1984 and is based in Washington, D.C.

[2] *See In re Universal Service Contribution Methodology*, Notice of Proposed Rulemaking, WC Docket No. 06-122, FCC 19-46 (rel. May 31, 2019) ("*NPRM*").

continue monitoring and adjusting the USF programs independently, instead of subjecting them to a single aggregate cap. Overseeing and reforming the USF programs individually will best position the Commission to achieve its objectives of effective funding and fiscal responsibility while avoiding the potential uncertainty, unpredictability, and lack of flexibility that could flow from an overall cap.

II. CTIA Supports the Commission's Goals of Efficient Administration and Responsible Use of Federal Funds and Suggests Those Goals Would Be Best Served by Continuing to Oversee and Monitor Each Program Independently.

Since Congress codified the universal service fund in Section 254 in 1996, the Commission has regularly adjusted and reformed all four of the constituent universal service programs—high cost, Lifeline, schools and libraries ("E-Rate"), and the rural health care program ("RHC")—to ensure that each of these support mechanisms continues to meet the objectives of Section 254. CTIA has been supportive of these efforts, and it has encouraged the Commission to adopt reforms designed to reflect consumers' increasing reliance upon mobile wireless services (such as the Mobility Fund).[3]

Although the Commission's universal service reforms have come in a variety of shapes and sizes, the reforms have had a common goal of ensuring that the program at issue was furthering the goals of Section 254 while operating in the most productive and cost-effective manner. One program that has undergone a series of fundamental reforms is Lifeline. Reforms to Lifeline include the elimination of duplicative support, changes to eligibility,[4] and a variety of

---

[3] *See generally In re Connect America Fund*, Report and Order and Further Notice of Proposed Rulemaking, 32 FCC Rcd 2152, 2157-88 ¶¶ 16-83 (2017) (setting auction framework for Mobility Fund Phase II); *In re Connect America Fund*, Second Order on Reconsideration, 33 FCC Rcd 2540 (2018).

[4] *See, e.g.*, *In re Lifeline & Link Up Reform & Modernization*, Report and Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 6656, 6659-60, 6734 ¶¶ 2, 179 (2012); *In re Lifeline and Link Up Reform and Modernization*, Third Report and Order, Further Report and Order, and Order on Reconsideration, 31 FCC Rcd 3962, 4021-40 ¶¶ 167-216 (2016) ("*2016 Lifeline Reform Order*").

other adjustments necessary to reflect the increasing use of mobile services. Since 2012, annual Lifeline expenditures have been reduced by nearly half.[5] Additional reforms to Lifeline are already underway—including the implementation of the National Lifeline Eligibility Verifier[6]—and further reforms remain pending.[7] CTIA has been an active participant in the Lifeline proceeding and encourages the Commission to continue to reform Lifeline in a manner that promotes low-income consumers' access to mobile wireless services in an efficient and effective manner.

The Commission has also adopted major changes to the high cost program by shifting the focus from supporting voice-grade networks to modern broadband networks. In so doing, the Commission sought to achieve a more efficient allocation of high-cost funding; for example, the Commission has adopted a reserve auction structure to distribute support for Connect America Fund Phase II and the Mobility Fund Phase II.[8] The Commission's recognition of the need for a dedicated fund for mobile services appropriately reflects consumers' increased use of those services, and CTIA expects that the Commission is working to complete the Mobility Fund Phase II auction in the near future.

With respect to E-Rate, the Commission modified the program in 2014 to ensure that participants received funding for robust broadband services and operated in an efficient manner. These reforms included modifying the list of eligible services, altering payment procedures,

---

[5] *Compare NPRM* ¶ 11 tbl. (noting Lifeline disbursements of $1.143 billion for 2018), *with* Universal Serv. Admin. Co., *2013 Annual Report*, at 9 (noting Lifeline disbursements of $2.19 billion for 2012).

[6] *See 2016 Lifeline Reform Order*, 31 FCC Rcd at 4026-27 ¶¶ 179-182; *see also Wireline Competition Bureau Announces the Next Nat'l Lifeline Eligibility Verifier Launch in Eleven States*, Public Notice, WC Docket No. 11-42, DA 19-569 (WCB June 17, 2019).

[7] *See In re Bridging the Digital Divide for Low-Income Consumers*, Fourth Report and Order, Order on Reconsideration, Memorandum Opinion and Order, Notice of Proposed Rulemaking, and Notice of Inquiry, 32 FCC Rcd 10,475 (2017), *order vacated by Nat'l Lifeline Ass'n v. FCC*, 921 F.3d 1102 (D.C. Cir. 2019).

[8] *See supra* note 3.

simplifying application and disbursement procedures, increasing pricing transparency, and encouraging bulk purchasing.[9] Finally, as to the RHC, the Commission has made numerous reforms in recent years, including the adoption of the Healthcare Connect Fund and various other adjustments designed to ensure that rural healthcare facilities receive appropriate and sufficient support.[10]

These efforts demonstrate that the Commission proactively monitors each USF program to increase efficiency while promoting the overall goals of universal service. This program-by-program oversight of the constituent USF programs is an effective and targeted means of assessing and responding to the needs of the discrete universal service programs. An overall cap—which may deemphasize reforms within each specific program—may undermine many of the efficiency gains that the Commission has been able to achieve by monitoring the programs independently.

---

[9] *See In re Modernizing the E-Rate Program for Schools & Libraries Connect America Fund*, Second Report and Order and Order on Reconsideration, 29 FCC Rcd 15,538 (2014); *In re Modernizing the E-Rate Program for Schools & Libraries*, Report and Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd 8870 (2014). Moreover, the Commission recently sought comment on further changes to the E-Rate program, including the possibility of making the "category two" budget approach from the 2014 reforms permanent and the feasibility of other potential reforms designed to simplify the budget and reduce administrative burdens. *See In re Modernizing the E-Rate Program for Schools & Libraries*, Notice of Proposed Rulemaking, WC Docket No. 13-184, FCC 19-58 (rel. July 9, 2019).

[10] *See In re Rural Health Care Support Mechanism*, Report and Order, 27 FCC Rcd 16,678 (2012) (establishing the Healthcare Connect Fund); *see also In re Promoting Telehealth in Rural America*, Report and Order, 33 FCC Rcd 6574 (2018) (lifting cap on rural health care program and adopting a carry-forward process for more efficient funding); *In re Promoting Telehealth in Rural America*, Notice of Proposed Rulemaking and Order, 32 FCC Rcd 10,631 (2017) (proposing various changes in the rural health care program); *The Wireline Competition Bureau Seeks Additional Comment on Determining Urban and Rural Rates in the Rural Health Care Program*, Public Notice, 33 FCC Rcd 11,707 (WCB 2018) (seeking comment on how best to adjust rates in the rural health care program).

III. An Overall Cap Is Not Necessary to Achieve the Commission's Goals and Would Introduce Uncertainty, Unpredictability, and Inflexibility in USF Funding.

Congress directed the Commission in Section 254(b) to ensure that universal service support mechanisms are predictable and sufficient.[11] The Commission has recognized that predictability is essential for those who receive support from the four USF programs,[12] as certainty of funding is necessary to help support recipients plan, invest, and innovate.[13] As described below, however, an overall USF cap may introduce uncertainty for both program participants and beneficiaries, and reduce the Commission's flexibility to respond to the evolving needs of low-income consumers and rural communities.

In the *NPRM*, the Commission acknowledged that an overall funding cap may "reduce projected universal service expenditures" in the event that "disbursements are projected to exceed the overall USF cap."[14] In practice, funding for one USF program—for example, the high-cost program—could be reduced if expenditures for another USF program—for example, the RHC program—are anticipated to exceed prior expectations. The Commission has also recognized that funding uncertainty could reduce support recipients' incentives to invest, which is particularly problematic for recipients who need predictable funding in order to deploy the types of infrastructure that will be necessary to close the digital divide.[15] The interaction of

---

[11] *See* 47 U.S.C. § 254(b)(5) ("There should be specific, *predictable*, and sufficient Federal and State mechanisms to preserve and advance universal service." (emphasis added)).

[12] *See, e.g.*, *NPRM* ¶ 25 (acknowledging that "each program"—including the high-cost program, E-Rate, and the rural health care program—must have "a predictable level of support"); *id.* ¶ 4 (noting, with citation to Section 254(b), that the Commission's "statutory obligation requires that the Commission's policies result in . . . specific and predictable support programs."); *id.* ¶ 9 (discussing the goal of "providing predictability for program participants"); *see also id.* ¶¶ 19, 21 (similar).

[13] *See, e.g.*, *In re Connect America Fund*, Report and Order, Third Order on Reconsideration, and Notice of Proposed Rulemaking, WC Docket Nos. 10-90, 14-58, 07-135, CC Docket No. 01-92, FCC 18-29 ¶ 81 (rel. Mar. 23, 2018) (reconsidering implementation of the budget control mechanism because "variable reductions in support have made support not sufficiently 'predictable'" and have inhibited "long term-planning" for broadband deployment).

[14] *NPRM* ¶ 12.

[15] *See supra* note 13.

these two principles—the risks of uncertainty on the one hand and the potential new link between one program's funding and another program's performance on the other—raises significant questions for providers who participate in the various USF programs. Given that individual program recipients cannot control or predict fluctuations in demand within other USF programs, recipients may not be able to anticipate how trends or industry dynamics related to other programs may affect their own funding from USF and, in particular, their ability to continue serving low-income consumers or rural communities.

While CTIA agrees with the Commission that the overall USF must be administered in the "most efficient and responsible" manner possible,[16] the Commission should recognize that each USF program serves distinct needs and policies that would best be managed at the program level. Accordingly, the Commission has already instituted a cap or predictable budget mechanism on each individual program,[17] which in turn provides the Commission with the tools necessary to guard against unexpected growth of the overall USF.[18] An overall cap is thus not necessary at this time for the Commission to achieve its goal of efficient and responsible program management.

Furthermore, the Commission should avoid introducing tension between and among USF programs. Although the Commission suggests that an overall cap would "promote a robust debate on the relative effectiveness of the programs,"[19] a cap could create a zero-sum conflict among recipients wherein each dollar devoted to one program or priority is a dollar directed

---

[16] *NPRM* ¶ 1.
[17] *See id.* ¶¶ 1, 4-8. The Commission has sought comment on a self-enforcing budget mechanism for Lifeline. CTIA has urged the Commission not to do so "without first grappling with the impact of such a cap on Lifeline consumers and providers." *See* Comments of CTIA at 22, WC Docket Nos. 17-287, 11-42, and 09-197 (Feb. 21, 2018) ("*CTIA Comments*").
[18] *See, e.g.*, *CTIA Comments* at 4, 21-22; Reply Comments of CTIA, WC Docket Nos. 17-287, 11-42, and 09-197, at 11-12 (Mar. 23, 2018).
[19] *NPRM* ¶ 9.

away from another program or priority. Mediating these conflicts will likely divert attention from the overall goal of the USF—preserving and advancing universal availability of advanced communications services. Indeed, if the expansion of one program necessarily requires the reduction of another, then beneficiaries of one program may have incentives to oppose otherwise meritorious reforms or improvements within other programs simply because of the potential adverse effect on programs from which they receive funding.

IV. Conclusion.

CTIA appreciates the Commission's efforts to ensure that the USF offers predictable and sufficient support to serve low-income consumers and rural communities in the most efficient and effective ways. For this reason, CTIA encourages the Commission to continue to oversee each program independently rather than imposing an overall cap.

Respectfully submitted,

/s/ Matthew Gerst

Matthew B. Gerst
Vice President, Regulatory Affairs

Scott K. Bergmann
Senior Vice President, Regulatory Affairs

Thomas C. Power
Senior Vice President and General Counsel

CTIA
1400 Sixteenth Street, NW
Suite 600
Washington, D.C. 20036
202.785.0081
www.ctia.org

July 29, 2019