The Voice Obligation for Price Cap Carriers

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Price Cap Carriers' Unfunded Voice Obligation

- The Commission requires price cap carriers to provide voice service in certain census blocks.
  - This includes all CAF Phase II census blocks.
  - It also includes some categories of non-CAF Phase II census blocks, such as extremely high-cost and other high-cost census blocks.
- With CAF Phase II beginning January 1, 2015, carriers that accepted CAF Phase II support like Frontier have not received any funding for the voice obligation in non-CAF Phase II census blocks.
- According to the *December Forbearance Order*, price cap carriers retain the federal high-cost voice obligation without any funding in **about six percent of the census blocks** where they are the incumbent provider.

Original Commission Proposal for Funding the Obligation

- In the FCC's April 2014 *FNPRM*, the Commission explained that after accepting CAF Phase II, a carrier's funding would no longer be appropriately matched to its voice obligation. *See CAF April 2014 FNPRM* ¶¶ 189-91 and n.379.
- The Commission sought comment on providing frozen support on an interim basis to fix this problem. The Commission explained that support would no longer be necessary if and when other providers are designated ETCs in such areas. *Id.* ¶ 190.
- The Commission proposed using the model to develop a ratio of the cost of providing voice in high-cost census blocks where carriers no longer receive support. Carriers would then receive a portion of frozen support based on that ratio. *Id.* ¶ 191.

USTelecom Proposal

- USTelecom proposed that the Commission look to the model and reallocate frozen support on a holding company basis across non-CAF funded, high-cost census blocks. See *April 3, 2015 USTelecom Ex Parte*; *August 8, 2015 USTelecom Comments*.
  - USTelecom proposed a formula to allocate frozen funding based on the proportion of funding each census block is estimated to require.
- The estimated costs of continuing to serve these areas are extensive – more than $1 billion according to the model.
  - Although the USTelecom proposal may not fully cover the costs, it represents a reasonable interim compromise while the Commission crafts long term rules for the auction.
- The Commission could allow carriers to choose whether to accept the funding and associated obligations or not.

Available Funding

- There is currently over $2 billion available in the high-cost reserve fund – a substantial portion of which is attributable to high-cost funding for price cap carriers.
- Additionally, until the Commission conducts the auction, it has allocated $100 million that it is not currently spending as part of the Remote Areas Fund.
- Depending on the structure and outcome of the auction, a large portion of the funding under any proposal would cease following the auction.
  - If there is concern about this funding continuing too long, the Commission can establish a phase out period for the support.

Implementing Interim Funding is Consistent with FCC Universal Service Obligations

- The Commission continues to impose ongoing voice obligations on all areas served by price cap carriers.
- Following the adoption of the *December Forbearance Order,* however, funding support was eliminated.
- The areas primarily impacted by the Order are extremely high cost, low density, rural markets where basic voice service is essential.
- Implementing funding, particularly on an interim basis, preserves this essential service for the customers residing in rural America and does not undermine the FCC's ultimate goal of universal broadband availability.