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Federal Universal Service Fund and Other Selected Federal Broadband Programs: A Primer

Introduction

Efforts to deploy voice telephone service throughout the United States began almost 100 years ago. Starting in the 1990s, these efforts shifted toward the deployment of broadband internet service to homes and businesses and the provision of infrastructure to support applications such as telehealth and distance learning. As a result of the Coronavirus Disease 2019 (COVID-19) pandemic, Congress created and funded new programs to accelerate broadband deployment and adoption in minority communities, on Tribal lands, and among qualifying households. Enabling telehealth is one major focus of these programs.

Federal Communications Commission

The Universal Service Fund (USF) is intended to ensure that telecommunications services, including broadband, are available and affordable throughout the country. Federal Communications Commission (FCC) programs supported by the USF—the High-Cost Program, the Connect America Fund, the Lifeline Program, the Rural Health Care Program, and the Schools and Libraries Program—are funded by fees on telecommunications carriers, not through regular appropriations. The FCC sets the regulatory and fee structures for these programs, but the Universal Service Administration Company, an independent not-for-profit corporation designated by the FCC to run USF programs, manages contributions and disburses funds.

High-Cost Program

The High-Cost Program has historically provided support to qualifying telephone companies serving high-cost areas (such as rural communities) with the goal of making voice service affordable there.

Connect America Fund

The High-Cost Program is being phased out and replaced by the Connect America Fund (CAF), which supports the provision of affordable fixed and mobile voice and broadband services in high-cost areas. In 2018, the CAF allocated approximately \$1.5 billion to deploy networks serving more than 700,000 unserved rural homes and businesses in 45 states.

The **Rural Digital Opportunity Fund (RDOF)** is a program initiated by the FCC under the Connect America Fund. Through the RDOF, the FCC plans to commit \$20.4 billion to bring high-speed fixed broadband service to rural homes and small businesses in two phases. In December 2020, the FCC announced Phase I auction results, in which 180 bidders won \$9.2 billion to deploy high-speed broadband to over 5.2 million unserved homes and businesses. The Phase II auction will be able to draw on a

budget of up to \$11.2 billion, targeting partially served areas as well as the few unserved areas that did not receive Phase I funding. The timeframe for the Phase II auction has not yet been determined by the FCC and is dependent on broadband maps that are to be developed under the Broadband DATA Act (P.L. 116-130).

Lifeline Program

The Lifeline Program helps low-income customers initiate telephone service and pay their monthly bills. The program offers up to \$9.25 per month towards telephone or internet services for eligible subscribers (up to \$34.25 for those living on Tribal lands).

Rural Health Care Program

The Rural Health Care Program allows rural health care providers to pay rates for internet and telecommunications services similar to those of their urban counterparts, making telehealth services more affordable in rural areas. The program's funding cap for 2020 was initially set at \$604.76 million, but an additional \$197.98 million in unused funds from prior years was released in June 2020, bringing the total to \$802.74 million—the most in the program's history. This program has two permanent parts, the Healthcare Connect Program and the Telecommunications Program, as well as the fixed-term Connected Care Pilot Program.

- The **Healthcare Connect Program** (established in 2012) supports broadband connectivity to eligible health care providers and encourages the establishment of state and regional provider networks. Under this program, eligible rural health care providers (and eligible non-rural health care providers that are members of a consortium with more than 50% rural health care providers) receive a 65% discount on internet services.
- The **Telecommunications Program** (established in 1997) subsidizes the difference between urban and rural rates for telecommunications services. It is not used for broadband services.
- The **Connected Care Pilot Program** will provide up to \$100 million over three years for selected pilot projects. This funding will cover 85% of the eligible costs of broadband connectivity, certain network equipment, and information services to provide connected health care services to the intended patient population, with a strong preference for projects to benefit low-income Americans and veterans. On January 15, 2021, the FCC announced 23 initial project awards to 14 applicants.

Schools and Libraries Program

The Schools and Libraries Program, also known as E-Rate, provides telecommunication services (e.g., local and long-distance calling, high-speed lines), internet access, and internal connections (the equipment to deliver these services) to eligible schools and libraries. The FCC has capped E-rate annual program funding at \$4.15 billion.

FCC Programs Established/Funded Through the Consolidated Appropriations Act, 2021

The Consolidated Appropriations Act, 2021 (P.L. 116-260) contained provisions for two new FCC programs, not supported by the USF:

- The **COVID-19 Telehealth Program**, established and appropriated \$200 million through the Coronavirus Aid, Relief, and Economic Security Act (CARES) (P.L. 116-136), was appropriated an additional \$250 million.
- An **emergency broadband benefit** was established and appropriated \$3.2 billion to provide up to a \$50 monthly discount to eligible households (\$75 to households on Tribal lands). This benefit will expire at the end of June 2021, unless renewed.

National Telecommunications and Information Administration

The National Telecommunications and Information Administration (NTIA), in the Department of Commerce, manages the BroadbandUSA program, which serves local and state governments, industry, and nonprofits that need to enhance broadband connectivity and promote digital inclusion.

NTIA Programs Established/Funded Through the Consolidated Appropriations Act, 2021

The Consolidated Appropriations Act, 2021, established three new broadband assistance programs at NTIA:

- The **Broadband Infrastructure Deployment Grant Program** was established and appropriated \$300 million for broadband projects by covered partnerships in eligible service areas. Covered partnerships are defined as partnerships between (a) a state or one or more of its political subdivisions and (b) a provider of fixed broadband service.
- The **Tribal Broadband Connectivity Grant Program** was established and appropriated \$1 billion for broadband infrastructure deployment, broadband affordability programs, distance learning, telehealth, and broadband adoption activities on Tribal lands.
- The **Connecting Minority Communities Pilot Program** was established and appropriated \$285 million for grants to minority institutions, organizations, and consortia to support broadband development and adoption.

Rural Utilities Service

The Rural Utilities Service in the U.S. Department of Agriculture (USDA) administers five broadband and telecommunications programs that provide loans and grants

to increase access to broadband service in eligible rural areas. Eligibility criteria vary, with some programs targeting unserved areas with negligible access to broadband and other programs available to underserved areas where only a small segment of the population has access to broadband service. Congress typically funds these programs through annual USDA appropriations bills.

Community Connect Program

The Community Connect Program provides grants to eligible applicants to finance facilities and equipment needed to provide broadband service in eligible rural areas. Applicants must agree to provide free broadband service to critical community facilities, such as public safety facilities, for at least two years.

ReConnect Broadband Pilot Program

The ReConnect Program furnishes loans and grants to finance the construction, improvement, or acquisition of facilities and equipment needed to provide broadband service in eligible rural areas.

Rural Broadband Access Program

The Rural Broadband Access Program provides loans and loan guarantees to finance the construction, improvement, or acquisition of facilities and equipment needed to provide broadband service in eligible rural areas.

Telecommunications Infrastructure Program

The Telecommunications Infrastructure Program furnishes loans and loan guarantees to finance the construction, maintenance, or improvement of telephone and broadband service in eligible rural areas.

Distance Learning and Telemedicine Program

The Distance Learning and Telemedicine Program provides grants to finance software and equipment that allows people in eligible rural areas to access distance learning or telemedicine services.

Department of Health and Human Services

The Department of Health and Human Services (HHS) funds telehealth services through existing infrastructure and by training health providers, rather than by funding the deployment of new infrastructure. Further discussion of HHS programs is therefore beyond the scope of this primer.

Interagency Rural Telehealth Initiative

In August 2020, the FCC, USDA, and HHS signed a memorandum of understanding (MOU) to work together on a Rural Telehealth Initiative and establish an interagency Rural Telehealth Task Force to address the telehealth needs of the 57 million rural residents in the United States. The MOU is intended to foster collaboration and information sharing among the three agencies on telehealth initiatives.

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