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Universal Service

Universal service is the principle that all Americans should have access to communications services. Universal service is also the name of a fund and the category of FCC programs and policies to implement this principle. Universal service is a cornerstone of the law that established the FCC, the [Communications Act of 1934](https://transition.fcc.gov/Reports/1934new.pdf) (<https://transition.fcc.gov/Reports/1934new.pdf>). Since that time, universal service policies have helped make telephone service ubiquitous, even in remote rural areas. Today, the FCC recognizes high-speed Internet as the 21st Century's essential communications technology, and is working to make broadband as ubiquitous as voice, while continuing to support voice service.

The [Telecommunications Act of 1996](https://transition.fcc.gov/Reports/tcom1996.pdf) (<https://transition.fcc.gov/Reports/tcom1996.pdf>) expanded the traditional goal of universal service to include increased access to both telecommunications and advanced services – such as high-speed Internet – for all consumers at just, reasonable and affordable rates. The Act established principles for universal service that specifically focused on increasing access to evolving services for consumers living in rural and insular areas, and for consumers with low-incomes. Additional principles called for increased access to high-speed Internet in the nation's schools, libraries and rural health care facilities. The FCC established four programs within the Universal Service Fund to implement the statute. The four programs are:

- [Connect America Fund](https://www.fcc.gov/encyclopedia/connecting-america) (<https://www.fcc.gov/encyclopedia/connecting-america>) (formally known as [High-Cost Support](https://www.fcc.gov/encyclopedia/universal-service-high-cost-areas-connect-america-fund) (<https://www.fcc.gov/encyclopedia/universal-service-high-cost-areas-connect-america-fund>)) for rural areas
- [Lifeline](https://www.fcc.gov/lifeline) (<https://www.fcc.gov/lifeline>) (for low-income consumers), including initiatives to expand phone service for [residents of Tribal lands](https://www.fcc.gov/topic/native-nations) (<https://www.fcc.gov/topic/native-nations>)
- [Schools and Libraries](https://www.fcc.gov/encyclopedia/e-rate-schools-libraries-usf-program) (<https://www.fcc.gov/encyclopedia/e-rate-schools-libraries-usf-program>) (E-rate)
- [Rural Health Care](https://www.fcc.gov/encyclopedia/rural-health-care) (<https://www.fcc.gov/encyclopedia/rural-health-care>)

The Universal Service Fund is paid for by [contributions](https://www.fcc.gov/encyclopedia/contribution-methodology-administrative-filings) (<https://www.fcc.gov/encyclopedia/contribution-methodology-administrative-filings>) from providers of telecommunications based on an assessment on their interstate and international end-user revenues. Examples of entities that contribute to the Fund are telecommunications carriers, including wireline and wireless companies, and interconnected Voice over Internet Protocol (VoIP) providers, including cable companies that provide voice service. The [Universal Service Administrative Company](http://www.usac.org/) (<http://www.usac.org/>), or [USAC](http://www.usac.org/) (<http://www.usac.org/>), administers the four programs and collects monies for the Universal Service Fund under the direction of the FCC. The FCC's

annual [monitoring report \(https://www.fcc.gov/wireline-competition-bureau\)](https://www.fcc.gov/wireline-competition-bureau) tracks contributions and disbursements.

The FCC is reforming, streamlining, and modernizing all of its universal service programs to drive further investment in and access to 21st century broadband and voice services. These efforts are focused on targeting support for broadband expansion and adoption as well as improving efficiency and eliminating waste in the programs.

HISTORY OF UNIVERSAL SERVICE AND THE UNIVERSAL SERVICE FUND

The Federal Communications Commission was created by the [Communications Act of 1934 \(https://transition.fcc.gov/Reports/1934new.pdf\)](https://transition.fcc.gov/Reports/1934new.pdf). Universal service was one of the core mandates of that legislation, the purpose of which included making "available...to all the people of the United States...a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges."

In 1934, telephone service was considered to be a "natural monopoly," a service best delivered by one company rather than two or more competitors. The U.S. government allowed AT&T, then the monopoly provider, to operate in a non-competitive environment in most areas of the country in exchange for the federal and state government regulation of price and service quality. In areas that AT&T did not provide service, small companies, including cooperatives owned by residents of the local community, provided phone service. The concept of universal service evolved over the decades to mean the development of an infrastructure that provides telephone service to all consumers at a reasonable price. Funding for universal service came from a series of access charges that long distance carriers paid as intercarrier compensation (ICC) to local exchange companies for originating and terminating the long distance calls. Even after the breakup of AT&T in 1982, only interstate long distance companies were required to contribute funds towards universal service.

The [Telecommunications Act of 1996 \(https://transition.fcc.gov/Reports/tcom1996.pdf\)](https://transition.fcc.gov/Reports/tcom1996.pdf) was the first major re-write of the [Communications Act of 1934 \(https://transition.fcc.gov/Reports/1934new.pdf\)](https://transition.fcc.gov/Reports/1934new.pdf). It opened up local markets to competition, which changed the dynamics of the existing system of funding universal service. The 1996 Act explicitly adopted principles to guide universal service policy. These principles include:

- Promote the availability of quality services at just, reasonable and affordable rates for all consumers
- Increase nationwide access to advanced telecommunications services
- Advance the availability of such services to all consumers, including those in low income, rural, insular, and high cost areas, at rates that are reasonably comparable to those charged in urban areas
- Increase access to telecommunications and advanced services in schools, libraries and rural health care facilities
- Provide equitable and non-discriminatory contributions from all providers of telecommunications services for the fund supporting universal service programs

In addition, the [Telecommunications Act of 1996 \(https://transition.fcc.gov/Reports/tcom1996.pdf\)](https://transition.fcc.gov/Reports/tcom1996.pdf) directed the FCC to formalize what services a company must provide in order to receive support from the Universal Service Fund. For example, an eligible telecommunications company must be able to demonstrate its ability

to remain functional in emergency situations. The Act also expanded the universe of companies required to pay into the fund from only interstate long-distance carriers to include all telecommunications carriers (regardless of whether they are wireline, wireless or satellite companies). The [Telecommunications Act of 1996](https://transition.fcc.gov/Reports/1934new.pdf) (<https://transition.fcc.gov/Reports/1934new.pdf>) led to the creation of the [Universal Service Administrative Company](http://www.usac.org/) (<http://www.usac.org/>), or [USAC](http://www.usac.org/) (<http://www.usac.org/>), an independent, not-for-profit corporation designated as the administrator of the federal Universal Service Fund by the FCC. The Act also called for the creation of a Federal-State Joint Board on Universal Service to make recommendations to implement the universal service provisions of the Act. This Joint Board is comprised of FCC Commissioners, State Utility Commissioners, and a consumer advocate representative.

The Universal Service Fund provides support through four programs:

- [High-Cost Support](https://www.fcc.gov/encyclopedia/universal-service-high-cost-areas-connect-america-fund) (<https://www.fcc.gov/encyclopedia/universal-service-high-cost-areas-connect-america-fund>) (now known as the [Connect America Fund](https://www.fcc.gov/encyclopedia/connecting-america) (<https://www.fcc.gov/encyclopedia/connecting-america>)) provides support to certain qualifying telephone companies that serve high-cost areas, thereby ensuring that the residents of these regions have access to reasonably comparable service at rates reasonably comparable to urban areas
- [Low-Income Support](https://www.fcc.gov/lifeline) (<https://www.fcc.gov/lifeline>), also called the [Lifeline program](https://www.fcc.gov/lifeline) (<https://www.fcc.gov/lifeline>), assists low-income customers by helping to pay for monthly telephone charges so that telephone service is more affordable
- [Schools and Libraries Support](https://www.fcc.gov/encyclopedia/e-rate-schools-libraries-usf-program) (<https://www.fcc.gov/encyclopedia/e-rate-schools-libraries-usf-program>), also known as the "[E-Rate](https://www.fcc.gov/encyclopedia/e-rate-schools-libraries-usf-program) (<https://www.fcc.gov/encyclopedia/e-rate-schools-libraries-usf-program>)," provides telecommunication services (e.g., local and long-distance calling, both fixed and mobile, high-speed data transmission lines), Internet access, and internal connections (the equipment that delivers these services to particular locations) to eligible schools and libraries
- [Rural Health Care Support](https://www.fcc.gov/encyclopedia/rural-health-care) (<https://www.fcc.gov/encyclopedia/rural-health-care>) allows rural health care providers to pay rates for telecommunications services similar to those of their urban counterparts, making telehealth services affordable, and also subsidizes Internet access

In early 2009, Congress directed the FCC to develop a [National Broadband Plan](http://www.broadband.gov/plan/) (<http://www.broadband.gov/plan/>) to ensure every American has "access to broadband capability. The plan was released in March of 2010. The plan highlighted ways that the government could influence the broadband ecosystem including to "reform current universal service mechanisms to support the deployment of broadband and voice in high-cost areas; and ensure that low-income Americans can afford broadband; and in addition, support efforts to boost adoption and utilization."

Consistent with the [National Broadband Plan](http://www.broadband.gov/plan/) (<http://www.broadband.gov/plan/>), in February 2011, the FCC issued a [Notice of Proposed Rulemaking](http://fjallfoss.fcc.gov/edocs_public/attachmatch/FCC-11-13A1_Rcd.pdf) (http://fjallfoss.fcc.gov/edocs_public/attachmatch/FCC-11-13A1_Rcd.pdf) to comprehensively reform and modernize the universal service High-Cost program and intercarrier compensation systems to ensure that robust affordable voice and broadband service, both fixed and mobile, are available to Americans throughout the nation. The rulemaking process was guided by four principles rooted in the [Communications Act of 1934](#)

(<https://transition.fcc.gov/Reports/1934new.pdf>) and the [Telecommunications Act of 1996](https://transition.fcc.gov/Reports/tcom1996.pdf) (<https://transition.fcc.gov/Reports/tcom1996.pdf>):

- Modernize USF and ICC for Broadband. Modernize and refocus USF and ICC to make affordable broadband available to all Americans and accelerate the transition from circuit-switched to IP networks, with voice ultimately one of many applications running over fixed and mobile broadband networks
- Fiscal Responsibility. Control the size of USF as it transitions to support broadband, including by reducing waste and inefficiency
- Accountability. Require accountability from companies receiving support to ensure that public investments are used wisely to deliver intended results. Government must also be accountable for the administration of USF, including through clear goals and performance metrics for the program
- Incentive-Based Policies. Transition to incentive-based policies that encourage technologies and services that maximize the value of scarce program resources and the benefits to all consumers

In October 2011, the Commission adopted its first rulemaking decision to implement these principles informally called the "[USF/ICC Transformation Order](http://fjallfoss.fcc.gov/edocs_public/attachmatch/FCC-11-161A1_Rcd.pdf) (http://fjallfoss.fcc.gov/edocs_public/attachmatch/FCC-11-161A1_Rcd.pdf).” The Commission established the following goals:

- Preserve and advance voice service
- Ensure universal availability of voice and broadband to homes, businesses and community anchor institutions
- Ensure the availability of mobile voice, and broadband where Americans live, work or travel
- Ensure reasonably comparable rates for broadband and voice service
- Minimize universal contribution burden on consumers and businesses

One of the key elements of the Order was to expand the public interest obligations for eligible telecommunication carriers to deploy infrastructure that can provide broadband service in addition to voice service. In addition, the Order created the "[Connect America Fund](https://www.fcc.gov/encyclopedia/connecting-america) (<https://www.fcc.gov/encyclopedia/connecting-america>)” to replace all existing high-cost support mechanisms. One of the goals of the [Connect America Fund](https://www.fcc.gov/encyclopedia/connecting-america) (<https://www.fcc.gov/encyclopedia/connecting-america>) is to extend broadband to those Americans that lack service today, while preserving voice service. Another one of the goals of the [Connect America Fund](https://www.fcc.gov/encyclopedia/connecting-america) (<https://www.fcc.gov/encyclopedia/connecting-america>) is to help make advanced mobile services – including mobile voice and broadband – available in areas that would not otherwise have those services. Implementation of this goal will be through incentive-based, market driven policies such as phase one of the [Mobility Fund](http://wireless.fcc.gov/auctions/default.htm?job=auction_summary&id=901) (http://wireless.fcc.gov/auctions/default.htm?job=auction_summary&id=901) which uses a competitive bidding process to help expand 3G and 4 G mobile wireless networks in areas where it would be cost effective to develop with a one-time investment from the [Connect America Fund](https://www.fcc.gov/encyclopedia/connecting-america) (<https://www.fcc.gov/encyclopedia/connecting-america>).

2018 Universal Service Headlines