44 states and the District of Columbia have state-specific funds

- High Cost: 22 states
- Intrastate access reform: 3 states
- Broadband: 5 states (CA, DE, NE, ME, WVA)
- Telecommunications equipment program (TAP): 14 states
- Relay service (TRS): 19 states
- E-Rate: 5 states
- Lifeline: 17 states
- Other: 4 states support public payphones, hearing aids, and other special services for the hearing and visually impaired

No funds in AL, FL, MA, NJ, TN, VA, but some targeted support
- MA: state grants for broadband deployment and TRS
- FL: companies must provide Lifeline service
Total State USF Expenditures Grew 9% between 2012 and 2014, from $1.35B to $1.49B

Texas funds USF as a single lump sum. Texas spending included in total but not in individual areas. No data received from Hawaii.
Key Fund Changes – 2012 to 2014

- Total USF funding increased 9% between 2012 and 2014
  - High cost funding increased 18%
  - Broadband funding increased 62%, primarily due to increased funding in CA
  - E-Rate funding increased 63%

- Lifeline funding decreased 29%, from $257.2M to $199.3M due to more stringent enrollment requirements
  - Idaho reduced LL funding from $3.50/mo to $2.50

- Total TAP funding stayed flat, while TRS funding increased slightly

- Kansas reduced HC funding by $4M
  - Support capped for competitive ETCs with phase-out in 2018
  - No support for deregulated carriers
  - Rural LEC support capped at $30M

- DE added a broadband fund (2014 expenditures not yet available)

Note: Data based on survey responses from 49 states and the District of Columbia.
## Fund contributors differ among states

<table>
<thead>
<tr>
<th>Provider Type</th>
<th># States</th>
<th>States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wireline (ILECs/CLECs)</td>
<td>50</td>
<td>All respondents</td>
</tr>
<tr>
<td>Wireless</td>
<td>25</td>
<td>Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, South Dakota, Texas, Utah, Wisconsin, Wyoming</td>
</tr>
<tr>
<td>Cable</td>
<td>8</td>
<td>Arkansas, Georgia, Kentucky, Maine, Maryland, Nevada, New Hampshire, Wyoming</td>
</tr>
<tr>
<td>VoIP</td>
<td>10</td>
<td>Arizona, California, DC, Kansas, Louisiana, Minnesota, Nebraska, New Mexico, Ohio, Wisconsin</td>
</tr>
<tr>
<td>IXCs</td>
<td>32</td>
<td>Alaska, Arkansas, Arizona, California, Colorado, Connecticut, Delaware, DC, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Missouri, Nebraska, Nevada, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, South Carolina, Texas, Utah, Wisconsin, Wyoming</td>
</tr>
<tr>
<td>Other</td>
<td>13</td>
<td>Arkansas, Arizona, Colorado, Georgia, Michigan, Nebraska, New Mexico, Ohio, Pennsylvania, South Dakota, Texas, Washington, Wyoming</td>
</tr>
</tbody>
</table>

1 VoIP provider contributes voluntarily in New York. 1 cable company contributes voluntarily in Utah. Some VoIP providers contribute voluntarily in Oregon.
The basis for contribution also differs across states.

<table>
<thead>
<tr>
<th>Revenues Assessed</th>
<th># States</th>
<th>States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross intrastate retail revenues</td>
<td>16</td>
<td>Alaska, Arkansas, California, Colorado, Connecticut, Delaware, DC, Georgia, Iowa, Louisiana, Oklahoma, Oregon, Texas, Utah, Wisconsin, Wyoming</td>
</tr>
<tr>
<td>Net intrastate retail revenues</td>
<td>12</td>
<td>Illinois, Indiana, Kansas, Maine, Michigan, Missouri, Nebraska, Nevada, New Mexico, New York, Pennsylvania, South Carolina</td>
</tr>
<tr>
<td>Charge per access line/trunk</td>
<td>15</td>
<td>Arizona, Idaho, Kentucky, Maryland, Minnesota, Mississippi, Montana, New Hampshire, North Carolina, North Dakota, Ohio, Rhode Island, South Dakota, Vermont, West Virginia</td>
</tr>
<tr>
<td>Direct state funding</td>
<td>1</td>
<td>Washington</td>
</tr>
</tbody>
</table>
States Use Multiple Assessment Methods

- Single rate for all funds: 21
- Fund-specific rate: 17
- Rate by service type: 2
- Other: 2

2/15/15
S. Lichtenberg, NRRI
Distribution requirements differ by state

- Carriers in high cost areas
  - Primarily rural wireline carriers; ILEC specifically excluded in PA and ME
  - Determined by commission proceedings
  - Tied to the presence of “effective competition”

- End user pricing may not exceed rate benchmarks
  - Former RBOC basic service rate
  - Individual rates set by commission proceedings
  - Support set by cost models (NECA or individual proceedings)

- State benchmark rates will change over time to reflect FCC benchmarks

- Lifeline, TAP, and TRS funds distributed on a per subscriber basis
Legislation and pending dockets will result in additional changes in 2015

- Reductions in high cost and IAS funding
  - CO will transfer HC monies from areas with “effective competition” to broadband
  - ME legislature will evaluate proposals to eliminate/change HC support for COLRs
  - California and Nebraska are examining HC support and contribution
  - New Mexico reduced IAS funding from 3.4% to 3%, effective 1/15/15

- West Virginia broadband development fund ($895K) sunset 12/31/14

- Legislation pending in Wyoming would remove state Lifeline support

- Legislation in South Carolina could require wireless and VoIP providers to contribute to the state USF