Funding and IP Transitions

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USF

USF NPRM approved May 20

- Reads like an NOI – and there are no proposed rule amendments;
- The tone of the item shifted considerably in our favor;
  - NTCA member advocacy in November/Cartesian “Business Case” study critical here.

- ACAM (1, revised, 2) & CAF-BLS – what’s next?
  - Sustainability support?
  - Replacement capital?
  - The role of BEAD?
  - The role of service made available by low-earth orbit satellite providers?
  - Competitive overlap?

High-Cost USF

Advocacy Approach

- Focus on success of the program, AND the necessity of ongoing support;
- The Commission should;
  - Extend ACAM 1 to 2028 now;
  - Update the model to account for conditions in the marketplace today;
  - Align the programs with an E-ACAM like model offer that goes to 2038;
  - Extend CAF-BLS to 2038 with model offer later;
    - Aligns with IP transition proposals as well;
  - Not consider locations where LEO is available as “served.”

USF Working Group

Bipartisan House & Senate Group Looking at Modernization of the USF

- Group began discussions on distribution and contribution reform in 2023.
- Discussions reportedly included assessing "big tech" for contributions & bringing ACP into the USF.
- Discussions were "paused" as *CR v FCC* case made its way through Supreme Court.

September 2025 request for comment included questions on

- Whether the program is effective.
- How to address accountability/upfront vetting of recipients.
- Contribution reform.

Timing

- ????

OMB Notice

OMB notice issued May 29 proposes to:

- Revise government-wide regulations applicable to the management of federal grants and other forms of federal financial assistance;
- Make “Uniform Guidance” in 2 CFR Part 200 mandatory;
- Eliminate fixed-amount awards and fixed-amount subawards, based on the assertion that these “can limit transparency and hinder effective oversight”;
- Align grant programs with administration priorities.

IP Transitions

IP interconnection and ICC proceedings:

- Would set aside the existing TDM interconnection framework;
- Would eliminate over a 2 to 3 year period significant RLEC revenues;
  - CAF ICC = $325 million;
  - SLCs/ARCs = $185 million;
  - Originating Access = $67 million;
- The FCC is of the view that existing interconnection rules/ICC & CAF/ICC revenues are holding back the IP transition.

IP interconnection/ICC proceedings

Disconnected from the facts

- NTCA members are leaders in the IP transition:
  - 86% of members' customers are connected by fiber-to-the-premises networks;
  - 88% have some IP-enabled switching capabilities within their networks today;
    - *TDM tandems remain in service across the US and these have served as the barrier to IP interconnection*.
  - CAF-ICC revenues have supported (and should be allowed to continue supporting) IP transitions;
    - ***Cost recovery (as well as certainty and predictability in terms of "rules of the road" for interconnection) are needed to protect rural consumers as the transition continues.***

IP Transitions

IP interconnection proceeding

- Little thought apparently given to "what happens on the other side" of forbearance;
- Existing rules ensure a shared dispersal of interconnection costs that helps to keep voice rates more affordable in rural areas;
- Service quality, security & reliability concerns with possible use of "public IP" routing of voice calls;
- Shifting transport responsibilities could undermine affordability – ***at the same time the FCC seeks to incent investment in IP***.

NTCA

- An IP interconnection framework should limit transport costs for ETCs that have universal service obligations;
- Turn CAF/ICC (with originating access thrown in) into an IP transition fund.

National Broadband Map

Broadband Serviceable Location Fabric

- Little insight into adjudication of Fabric challenges is available;
- Missing/mislabeled BSLs persist.

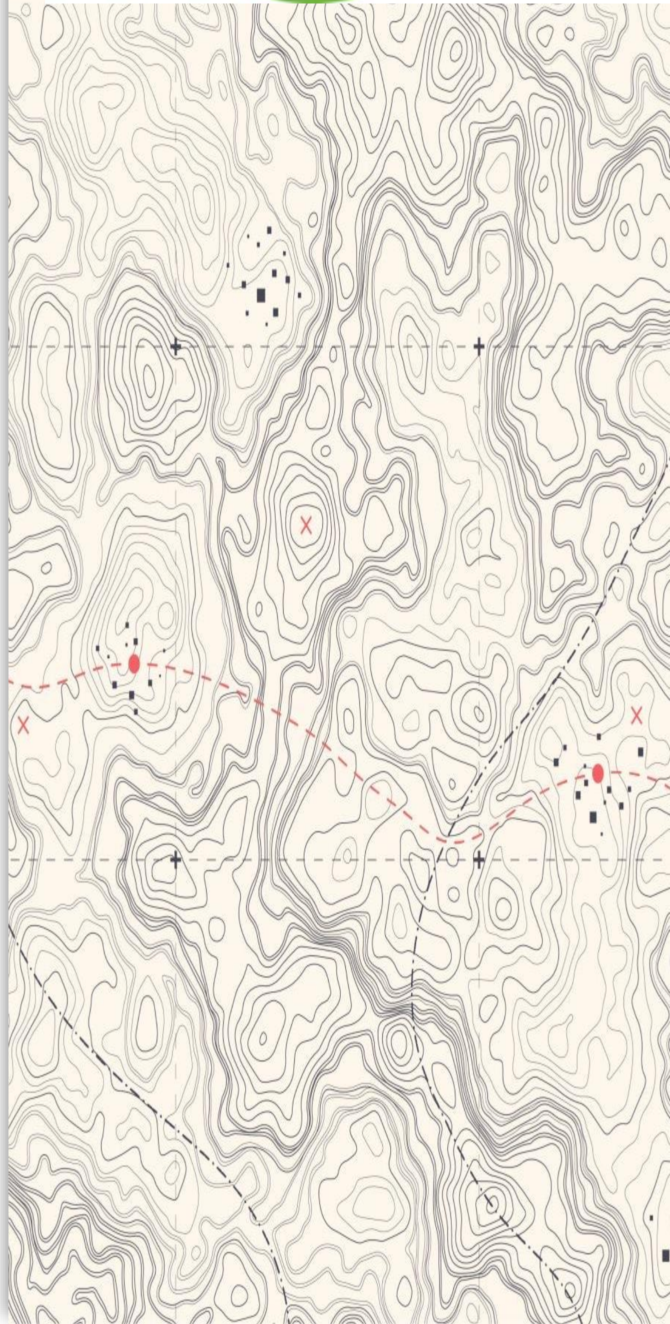
National Broadband Map

Availability problems

- Reporting standards are not based on **actual** performance, but on **advertised**;
- Overstatements of coverage remain on BDC.

Translation of Coverage Data for USF Funding

- ***FCC should not blindly reduce or eliminate funding for an area based upon coverage claims***;
- BDC should be seen as the ***starting point*** only for funding decisions, with additional evaluation of coverage claims;
    - BEAD "Benefit of the Bargain" evaluation of unlicensed fixed wireless service is a model here.



Permitting – A Maze of Red Tape

Federal:

- Time consuming (a year or more is common);
- Process varies from agency-to-agency (or office-to-office within an agency);
- Agencies have limited staff resources.

State and local:

- State and local fees are increasing – and these now often include “per-linear-foot of fiber” rental fees;
- Application processing times are increasing as well;
- **<u>FCC rulemaking initiated in June;</u>**
  - 120 day shot clock;
  - Fees must be “cost-based.”

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Misc. Issues/Challenges

Lifeline

- NPRM proposes steps ensure support goes to intended/eligible recipients;
- Proposals could increase administrative burden on providers;
- Members have asked about “self-funding” to avoid USAC.

USAC

- FCC sought comment on USAC processes;
- NTCA made several proposals to address burdensome/costly audits.

Robocalls – “Know Your Customer” Rules

- New rules could create additional burdens (and impose hefty fines for non-compliance).

Supply Chain

- Fiber shortages persist;
- Adding routers to “covered list” will drive up costs.

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