



The National Broadband Plan and Implications for Kansas

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What I Hope to Accomplish Today

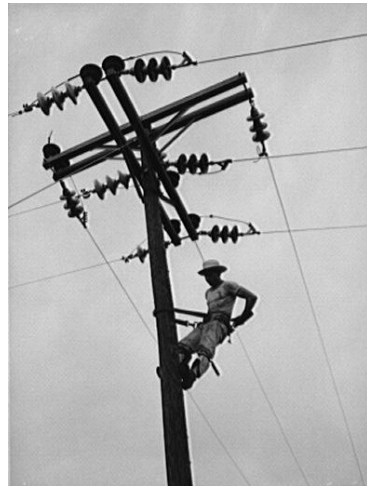
- Provide an overview and dispel some myths about the National Broadband Plan
- Provide an overview of the FCC's Universal Service programs and reforms we are making to modernize USF in a broadband world
 - Rural Health Care
 - Schools and Libraries (E-rate)
 - Low Income (Lifeline/Link Up)
 - High Cost
- Answer your questions and seek your input

Why a National Broadband Plan?

Because broadband is the great infrastructure challenge of the early 21st century



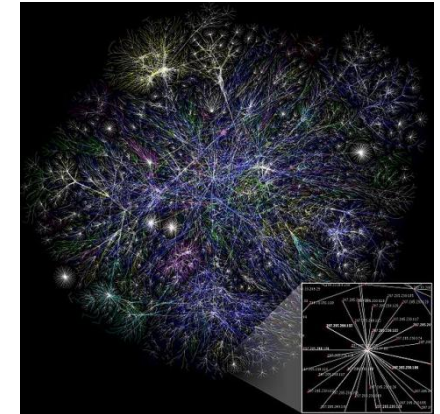
Transcontinental railroad
(1860s)



Rural electrification
(1930s)



Interstate
highways (1950s)



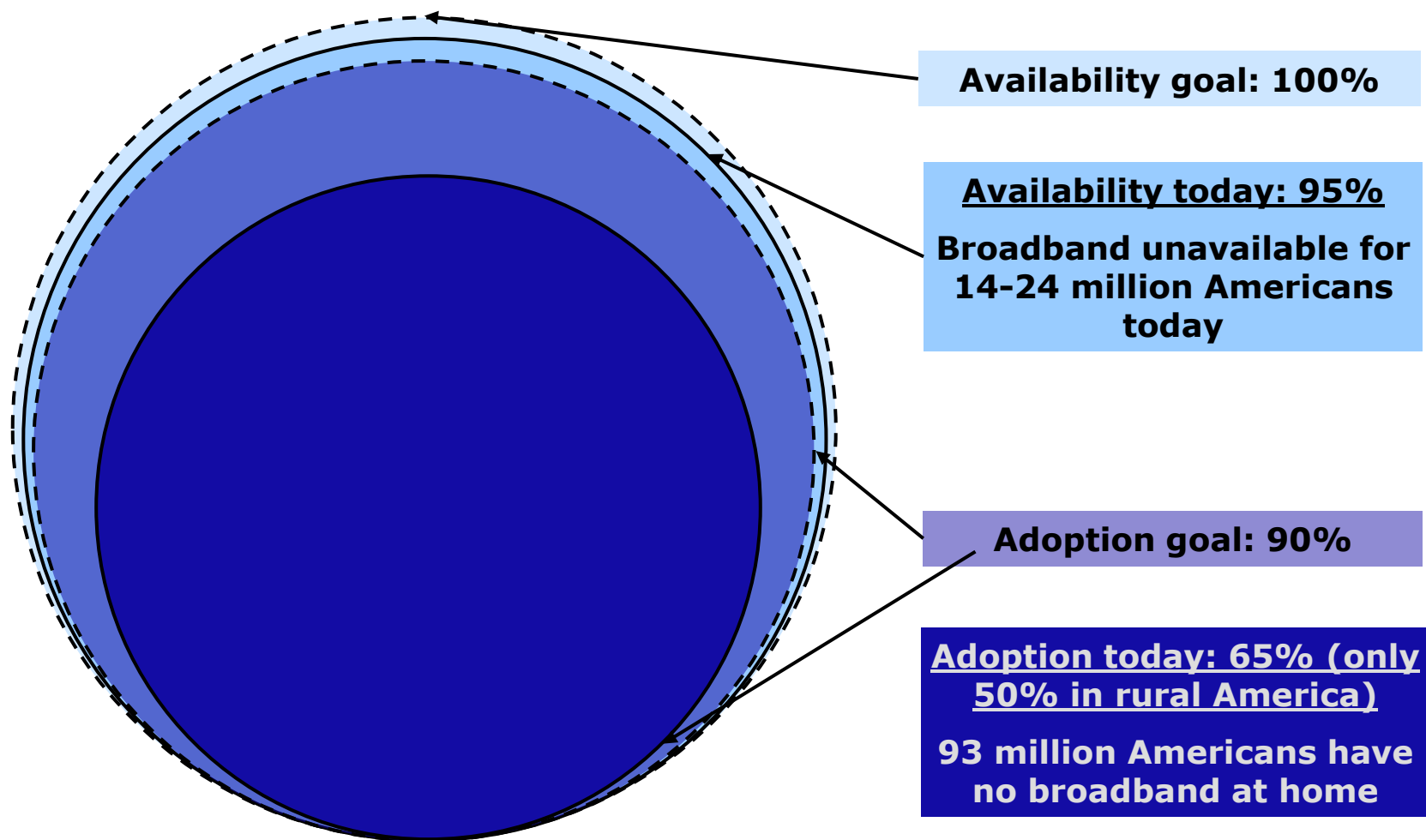
Broadband



Challenges today in broadband availability and adoption

Availability and adoption of broadband among the U.S. population

Percent (100% = 306 million Americans)

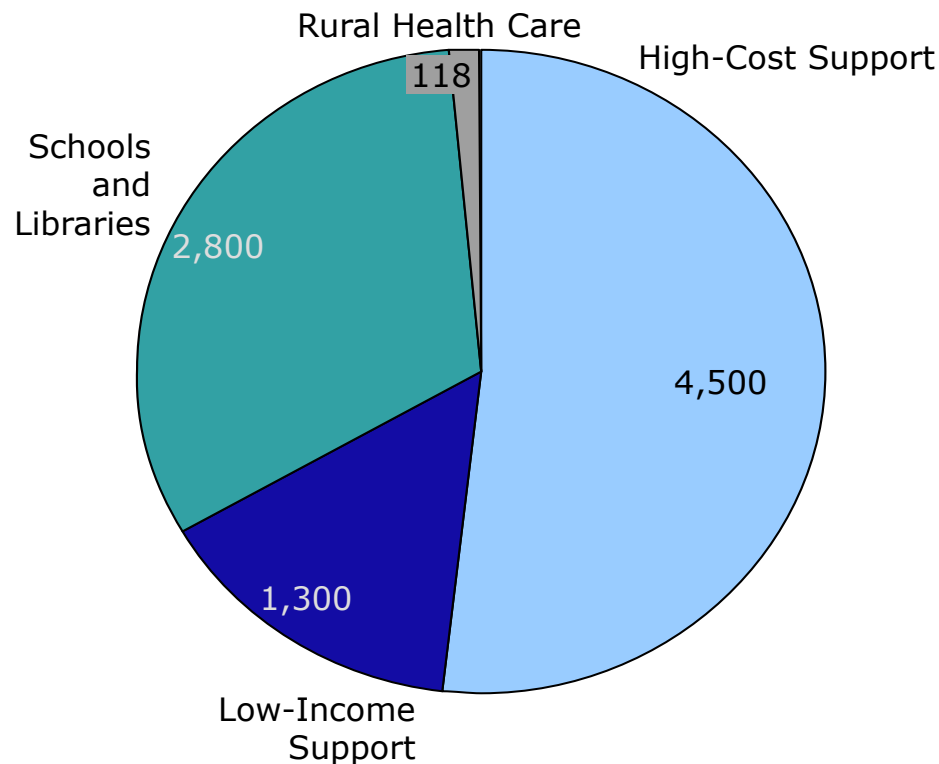


One tool (among many) to meet the Plan's goals: Modernize Universal Service

- What is universal service and how do the FCC's universal service programs work today?
- What did the plan recommend to reform the FCC's universal service programs?
- What is the process, principles, and timeline for reform?

What is the FCC's Universal Service Program?

Relative size of federal USF programs,
\$ millions (100% = \$8.7 billion) (2010
projected)



- Implements Telecom Act of 1996
- Funds derived from assessment on interstate end-user revenues of telecom and interconnected VoIP providers

Source: FCC data

• **High Cost:** ensures consumers in all regions of the nation have access to telecommunications services at rates reasonably comparable to urban areas.

• **Low Income (Lifeline/Link Up):** makes local telephone service affordable for low-income consumers.

• **Schools and Libraries (E-rate):** subsidizes telecommunications services, Internet access and internal connections to enable schools and libraries to connect to the Internet.

• **Rural Health Care:** provides reduced rates to rural health care providers for telecommunications services and Internet access services and support for infrastructure deployment.

National Broadband Plan recommendations for universal service

1

Making broadband available

- Create a new Connect America Fund
- Create a new Mobility Fund
- Reform intercarrier compensation

2

Making broadband more affordable for low income households

- Expand the existing FCC Low Income program to broadband

3

Ensuring that schools and libraries have access to affordable broadband

- Modernize the E-rate program

4

Ensuring health care providers have access to affordable broadband

- Transform the Rural Healthcare program

Current Rural Health Care Program

- Rural Health Care Fund ensures that rural health care providers pay no more for telecom services used for health care services than their urban counterparts
- Internet Access Fund helps defray monthly cost of Internet access
- Rural Health Care Pilot Program (started in 2007) provides up to 85% of the funds for infrastructure for telehealth networks that connect rural and urban health care providers within a State or region
- Kansas received \$624,000 in committed funds for FY 2008

Rural healthcare program: Implementing NBP recommendations

- **July 15, 2010 NPRM taking steps designed to:**
 - Expand investment in broadband for medically underserved communities across the country
 - Spur private and government investment in networks as well as innovative health-related applications, and create jobs that range from building infrastructure to developing and implementing health IT solutions
 - NPRM proposes to establish a permanent version of the 2007 RHC pilot
- NPRM seeks comment on establishment of Health Infrastructure Fund and Health Broadband Services Fund to meet broadband infrastructure needs of rural health care institutions
- Proposed rules would have real impact on communities across the country, including up to 12,000 hospitals, clinics, and other rural health care providers – a 20 percent increase over the current program

Current Low-Income (Lifeline/Link Up) Program

- Incumbent carriers have an obligation to provide Lifeline/Link Up to eligible customers
- Available for wireline and wireless service
- Lifeline reduces monthly charges for basic telephone service
 - Up to \$10/monthly subsidy for most consumers
 - Up to \$35/month subsidy for consumers on tribal lands
- Link Up reduces initial telephone connection charges
 - Up to \$30 generally
 - Up to \$100 for consumers on tribal lands
- Kansas received \$3 million in FY 2008

Low-income Program: Implementing NBP recommendations

- Of 93M Americans who have not adopted broadband at home, 36% cite cost as main barrier
- Transitioning Lifeline/LinkUp to support broadband could address adoption gap
 - Industry pilots in planning stages
- Working with states to ensure eligibility, verification, and outreach effective and efficient in current program

Current Schools and Libraries (E-Rate) Program

- Provides schools and libraries support to reduce the cost of telecom and broadband services
- Services Eligible for Discounts:
 - Telecommunications services, Internet access, internal connections, and basic maintenance of internal connections
- Discount levels vary between rural and urban areas
- Schools and libraries must seek competitive bids for services and must apply for support every year
- Kansas received \$17.6 million in committed funds in FY 2008

E-rate: Implementing NBP recommendations

September 2010 Order

- Improved broadband access for students, teachers, librarians, and the communities they serve
 - Expanded access to low-cost fiber
 - Permanently allowed community use of E-rate funded facilities
 - Expanded access for residential schools that serve unique populations
 - Indexed annual funding cap to inflation
 - Limited trial to investigate support of offsite wireless connectivity
- Streamlined and simplified administrative requirements
- Key step towards NBP goal of 1 Gbps broadband availability for community anchor institutions in every community

Current High Cost Program Overview

Recipients of the High Cost Fund:

Eligible Telecommunications Carriers: receive support based on actual costs or cost model

Competitive Eligible Telecommunications Carriers: receive support based on support per line of incumbent

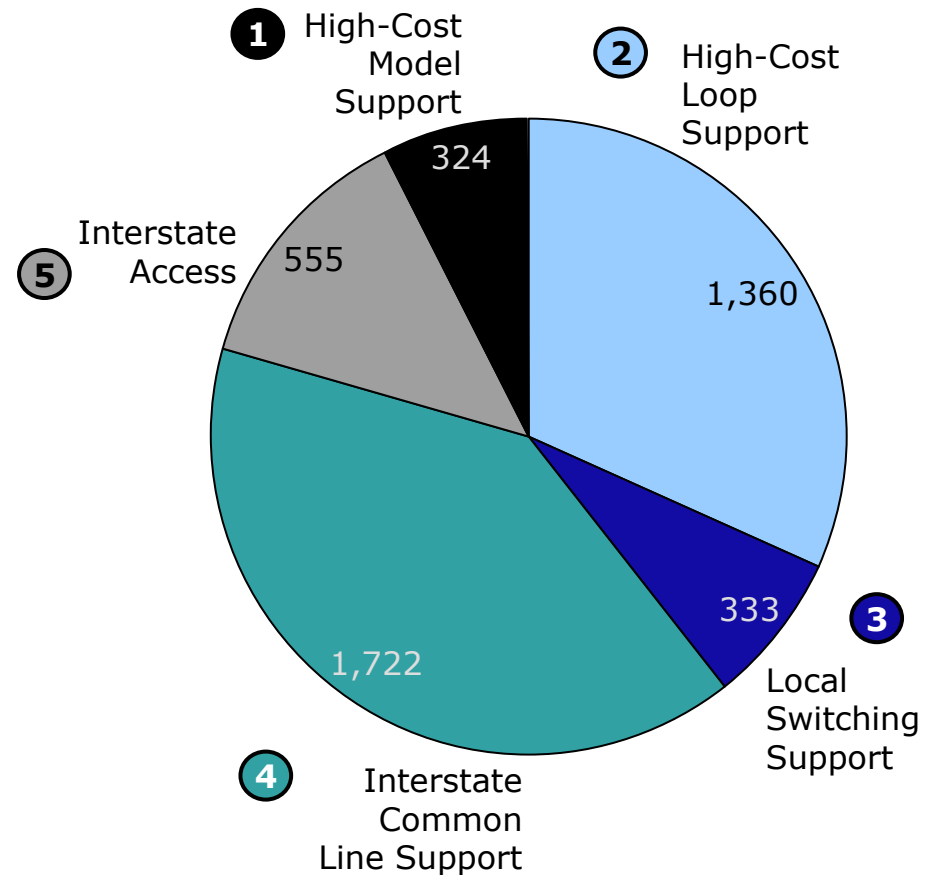
Kansas received \$221.2 million in 2008

-\$135.8 million (ILECs)

-\$85.4 million (CETCs)

Relative size of the five USF high-cost support mechanisms, 2008*

*, millions (100% = \$4.5 billion)



Transforming high-cost program into a Connect America Fund

- High-cost program must be reformed in order to effectively promote broadband deployment
- Does not directly support broadband, although current rules have enabled some companies to use high-cost support to extend broadband
- But...existing support is not targeted effectively
- Result: Rural/Rural divide
 - Different rules based on geography and type of carrier
 - Disparate amounts of support provided for similar areas within and among states
 - Current system does not create the right incentives for broadband deployment in all areas
 - Support flowing to competing providers in the same areas

Transforming high-cost program into a Connect America Fund

Principles for Reform

- Fiscal responsibility and accountability
 - Eliminate waste, inefficiency, and redundancy
 - Create incentives for efficient operations and prudent investment
 - Constrain growth in size of fund
- Target funds to areas otherwise uneconomic to serve
- Technology neutrality
- Measurable performance obligations
- Predictable transition mechanisms
- Transparent and data-driven process
- Modernize for 21st century
 - Explicitly support universal availability of broadband and high-quality voice grade service with at least 4 Mbps actual download/1 Mbps upload speeds
 - Revisit funding threshold periodically to evolve with market

NBP recommendations: Some myths & reality

- Myth: NBP will create a digital divide for rural communities who lack comparable service to urban areas
 - Reality: Current USF promotes a **rural/rural divide** for broadband availability
 - Reality: Today, rural telephone rates in some areas are substantially lower than urban rates

NBP recommendations: Some myths & reality

- Myth: NBP will substantially cut federal support for rural network investment
 - Reality: Includes support for **ongoing operations**, not just initial capital expense
 - Reality: Seeking to **target support** to areas otherwise uneconomic to serve
 - Reality: Commitment to **fiscal responsibility** and **accountability** – doing the most with the funds we have - not eliminating support for rural areas

Mobility Fund: Implementing NBP recommendations

October NPRM: FCC seeks comments on proposal to target funding to areas significantly lagging national average in current/next generation mobile service.

Key Proposals:

- Use Available Funds – No increase in fund
- Support expanding current generation (3G) or next generation mobile service into uncovered areas
- Use competition in auction for support to maximize the benefit from available funds
- Require recipients be Eligible Telecommunications Carriers (ETCs) and have spectrum access
- Require proof of deployment
- Would not preclude participation in future Connect America Fund

FCC's Broadband Action Agenda

Already Launched

- Universal Service Notice of Inquiry and Notice of Proposed Rulemaking (NPRM) (April 2010)
- E-rate NPRM (May 2010)
- Lifeline Referral to USF Joint Board (June 2010)
- Lifeline Roundtable (June 2010)
- Rural Health Care Reform NPRM (July 2010)
- E-Rate FY 2011 Order (September 2010)
- Mobility Fund NPRM (October 2010)

Coming Soon

- Joint Board recommended decision on eligibility, verification and outreach for low-income program
- NPRMs concerning Connect America Fund, Intercarrier Compensation, and Contributions

In closing: the National Broadband Plan is not self-executing

- NBP is a strategic plan/roadmap
- The Commission must propose rule changes through notices of proposed rulemaking (“NPRM”) and enact them through orders based on the record
- The public has an opportunity to comment on all proposed changes to the Commission’s rules
- We appreciate your ideas and active participation in our rulemaking process