

110TH CONGRESS  
1ST SESSION

# H. R. 2054

To reform the universal service provisions of the Communications Act of 1934, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 26, 2007

Mr. BOUCHER (for himself, Mr. TERRY, Mr. FILNER, Mrs. CAPITO, Mr. GRAVES, Mrs. CUBIN, Mr. FORTENBERRY, Mr. MANZULLO, Mr. KING of Iowa, and Mr. RADANOVICH) introduced the following bill; which was referred to the Committee on Energy and Commerce

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## A BILL

To reform the universal service provisions of the Communications Act of 1934, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Universal Service Re-  
5 form Act of 2007”.

6 **SEC. 2. DEFINITIONS.**

7 Section 3(a) of the Communications Act of 1934 (47  
8 U.S.C. 153(a)) is amended—

1 (1) by redesignating paragraphs (20) through  
2 (52) as paragraphs (22) through (54);

3 (2) by redesignating paragraphs (11) through  
4 (19) as paragraphs (12) through (20), respectively;

5 (3) by inserting after paragraph (10) the fol-  
6 lowing new paragraph:

7 “(11) COMMUNICATIONS SERVICE PROVIDER.—  
8 The term ‘communications service provider’ means  
9 any entity that—

10 “(A) contributes to or receives universal  
11 service support for the most recent calendar  
12 quarter ending before the date of enactment of  
13 the Universal Service Reform Act of 2007;

14 “(B) uses telephone numbers or Internet  
15 protocol addresses, or their functional equiva-  
16 lents or successors, to offer a service or a capa-  
17 bility—

18 “(i) that provides or enables real-time  
19 2-way voice communications; and

20 “(ii) in which the voice component is  
21 the primary function; or

22 “(C) offers, directly to the public, or to  
23 such classes of users as to be effectively avail-  
24 able directly to the public, a physical trans-  
25 mission facility, whether circuit-switched, pack-

1 et-switched, a leased line, or using radio fre-  
2 quency transmissions, regardless of the form,  
3 protocol, or statutory classification of the serv-  
4 ice, that allows an end user to obtain access,  
5 from a particular end user location, to a net-  
6 work that permits the end user to engage in  
7 electronic communications (including tele-  
8 communications) with the public.”; and

9 (4) by inserting after paragraph (20) (as reded-  
10 igned by paragraph (2) of this section) the fol-  
11 lowing new paragraph:

12 “(21) HIGH-SPEED BROADBAND SERVICE.—

13 “(A) DEFINITION.—The term ‘high-speed  
14 broadband service’ means a two way network  
15 that uses the Internet protocol or a successor  
16 protocol, and the associated capabilities and  
17 functionalities, services, and applications pro-  
18 vided over an Internet protocol platform or for  
19 which an Internet protocol capability is an inte-  
20 gral component, and services, facilities, equip-  
21 ment, and applications that enable an end-user  
22 to receive communications in Internet protocol  
23 format, regardless of whether the communica-  
24 tions are voice, data, video, or any other form,

1 at a download receiving rate of 1 megabit per  
2 second or greater.

3 “(B) COMMISSION SPEED ADJUSTMENT  
4 REQUIREMENTS.—The Commission shall review  
5 the speed requirement in subparagraph (A)  
6 every other year beginning the sixth year after  
7 implementation of the Universal Service Reform  
8 Act of 2007 and shall make the necessary ad-  
9 justments to move to higher speeds as deploy-  
10 ment and advancement of new technology al-  
11 lows communications service providers to pro-  
12 vide higher speed broadband to end users in an  
13 economically efficient manner.

14 “(C) INTERNET PROTOCOL.—The term  
15 ‘Internet protocol’ means the Transmission  
16 Control Protocol/Internet Protocol, or any pred-  
17 ecessor or successor protocols to such pro-  
18 tocol.”.

19 **SEC. 3. UNIVERSAL SERVICE REFORM.**

20 (a) IN GENERAL.—

21 Section 254 of the Communications Act of  
22 1934 (47 U.S.C. 254) is amended by amending sub-  
23 sections (a) through (e) to read as follows:

24 “(a) PROCEDURES TO REFORM UNIVERSAL SERV-  
25 ICE.—

1           “(1) FEDERAL-STATE JOINT BOARD ON UNI-  
2           VERSAL SERVICE.—Within one month after the date  
3           of enactment of the Universal Service Reform Act of  
4           2007, the Commission shall institute and refer to  
5           the Federal-State Joint Board under section 410(e)  
6           of this title a proceeding to recommend changes to  
7           any of its regulations in order to implement section  
8           214(e) of this title and this section (as amended by  
9           the Universal Service Reform Act of 2007), includ-  
10          ing the definition of the services that are supported  
11          by Federal universal service support mechanisms  
12          and a specific timetable for completion of such rec-  
13          ommendations. In addition to the members of the  
14          Joint Board required under section 410(e) of this  
15          title, one member of such Joint Board shall be a  
16          State-appointed utility consumer advocate nominated  
17          by a national organization of State utility consumer  
18          advocates. The Joint Board shall, after notice and  
19          opportunity for public comment, make its rec-  
20          ommendations to the Commission within 9 months  
21          after the date of enactment of the Universal Service  
22          Reform Act of 2007.

23           “(2) COMMISSION ACTION.—The Commission  
24           shall initiate a single proceeding to consider the rec-  
25           ommendations from the Joint Board required by

1 paragraph (1) and shall complete such proceeding  
2 within 18 months after the date of enactment of the  
3 Universal Service Reform Act of 2007. The rules es-  
4 tablished by such proceeding shall include a defini-  
5 tion of the services that are supported by Federal  
6 universal service support mechanisms and a specific  
7 timetable for implementation.

8 “(b) UNIVERSAL SERVICE PRINCIPLES.—The Joint  
9 Board and the Commission shall base policies for the pres-  
10 ervation and advancement of universal service on the fol-  
11 lowing principles:

12 “(1) QUALITY AND RATES.—Quality services  
13 should be available at just, reasonable, and afford-  
14 able rates.

15 “(2) ACCESS TO ADVANCED SERVICES.—Access  
16 to advanced telecommunications and information  
17 services should be provided in all regions of the Na-  
18 tion.

19 “(3) ACCESS IN RURAL AND HIGH COST  
20 AREAS.—Consumers in all regions of the Nation, in-  
21 cluding low-income consumers and those in rural, in-  
22 sular, and high cost areas, should have access to the  
23 services the Commission determines to be universal  
24 services in accordance with subsection (c), including  
25 interexchange services and advanced telecommuni-

1 cations and information services, that are reasonably  
2 comparable to those services provided in urban areas  
3 and that are available at rates that are reasonably  
4 comparable to rates charged for similar services in  
5 urban areas.

6 “(4) **EQUITABLE AND NONDISCRIMINATORY**  
7 **CONTRIBUTIONS.**—All communications service pro-  
8 viders should make equitable and nondiscriminatory  
9 contributions to the preservation and advancement  
10 of universal service.

11 “(5) **EXPLICIT, SPECIFIC, AND PREDICTABLE**  
12 **SUPPORT MECHANISMS.**—There should be explicit,  
13 specific, predictable, and sufficient Federal and  
14 State mechanisms to preserve and advance universal  
15 service.

16 “(6) **COMPETITIVE NEUTRALITY.**—Federal and  
17 State mechanisms to preserve and advance universal  
18 service should be competitively neutral, so that those  
19 mechanisms neither unfairly advantage nor dis-  
20 advantage one communications service provider over  
21 another, and neither unfairly favor nor disfavor one  
22 technology over another.

23 “(7) **ACCESS TO ADVANCED TELECOMMUNI-**  
24 **CATIONS SERVICES FOR SCHOOLS, HEALTH CARE,**  
25 **AND LIBRARIES.**—Elementary and secondary schools

1 and classrooms, health care providers, and libraries  
2 should have access to advanced telecommunications  
3 services as described in subsection (h).

4 “(8) ADDITIONAL PRINCIPLES.—Such other  
5 principles as the Joint Board and the Commission  
6 determine are necessary and appropriate for the pro-  
7 tection of the public interest, convenience, and ne-  
8 cessity and are consistent with this Act.

9 “(c) DEFINITION.—

10 “(1) IN GENERAL.—Universal service includes  
11 the services defined on the date of enactment of the  
12 Universal Service Reform Act of 2007 as universal  
13 services, as modified by the Commission as nec-  
14 essary to implement the provisions of this Act, high-  
15 speed broadband services, and an evolving level of  
16 telecommunications and information services that  
17 the Commission shall establish periodically under  
18 this section, taking into account advances in tele-  
19 communications and information technologies and  
20 services. The Joint Board in recommending, and the  
21 Commission in establishing, the definition of the  
22 services that are supported by Federal universal  
23 service support mechanisms shall consider the extent  
24 to which such services—



1           “(A) are essential to education, public  
2 health, or public safety;

3           “(B) are being deployed in public tele-  
4 communications networks by communications  
5 service providers; and

6           “(C) are consistent with the public inter-  
7 est, convenience, and necessity.

8           “(2) ALTERATIONS AND MODIFICATIONS.—The  
9 Joint Board shall consider whether to recommend to  
10 the Commission modifications in the definition of  
11 the services that are supported by Federal universal  
12 service support mechanisms no less than once every  
13 5 years.

14           “(3) SPECIAL SERVICES.—In addition to the  
15 services included in the definition of universal serv-  
16 ice under paragraph (1), the Commission may des-  
17 ignate additional services for such support mecha-  
18 nisms for schools, libraries, and health care pro-  
19 viders for the purposes of subsection (h).

20           “(4) HIGH-SPEED BROADBAND SERVICE.—The  
21 definition of universal service shall not be construed  
22 to exclude eligible communications service providers  
23 from using universal service funding for the provi-  
24 sion, maintenance, and upgrading of high-speed  
25 broadband service.

1       “(d) UNIVERSAL SERVICE SUPPORT CONTRIBU-  
2 TIONS.—

3               “(1) CALCULATING UNIVERSAL SERVICE SUP-  
4 PORT CONTRIBUTIONS.—

5                       “(A) IN GENERAL.—To preserve and ad-  
6 vance universal service in accordance with the  
7 principles in section (b), the Commission shall  
8 assess contributions to universal service support  
9 mechanisms from communications service pro-  
10 viders in a manner that is equitable, competi-  
11 tively neutral, and nondiscriminatory, and en-  
12 sures that communications service providers are  
13 subject to similar obligations. The Commission  
14 may employ any methodology to assess such  
15 contributions, including consideration of—

16                               “(i) revenues derived from the provi-  
17 sion of intrastate, interstate, and foreign  
18 communications services by communica-  
19 tions service providers;

20                               “(ii) working telephone numbers used  
21 by communications service providers; or

22                               “(iii) any other current or successor  
23 identifier protocols or connections to the  
24 network used by communications service  
25 providers.

1           “(B) USE OF MORE THAN ONE METHOD-  
2           OLOGY.—If no one methodology designated  
3           under subparagraph (A) effectuates the prin-  
4           ciples described in this Act, the Commission  
5           may employ a combination of any such meth-  
6           odologies.

7           “(C) LOW VOLUME EXCEPTION.—The  
8           Commission shall not materially increase the  
9           contributions of communications service pro-  
10          viders whose customers typically make a low  
11          volume of calls on a monthly basis.

12          “(D) DE MINIMIS EXCEPTION.—The Com-  
13          mission may exempt a communications service  
14          provider from the requirements of this sub-  
15          section if the communications activities of such  
16          provider are limited to such an extent that the  
17          level of contributions of such provider to the  
18          preservation and advancement of universal serv-  
19          ice would be de minimis.

20          “(E) GROUP PLAN EXCEPTION.—If the  
21          Commission uses a methodology under subpara-  
22          graph (A) based in whole or in part on working  
23          telephone numbers, it may provide a discount  
24          for additional numbers provided under a group

1           or family pricing plan for residential customers  
2           provided in one bill.

3           “(2) REPORTS.—The Commission shall estab-  
4           lish annual reporting requirements for all commu-  
5           nications service providers contributing to universal  
6           service support mechanisms or receiving universal  
7           service support. The reporting requirements shall  
8           not impose unnecessary burdens, and shall be tech-  
9           nology and provider neutral. The Commission shall  
10          periodically review the reporting requirements to en-  
11          sure that universal service support is used for the  
12          provision, maintenance, and upgrading of the facili-  
13          ties for which support is intended.

14          “(3) UNIVERSAL SERVICE SUPPORT CONTRIBU-  
15          TION LIMITS.—

16                 “(A) LIMITATION.—The total amount of  
17                 universal service support for all universal serv-  
18                 ice support mechanisms other than support for  
19                 schools, libraries, rural health care, life-line,  
20                 link-up, and toll limitation shall not exceed the  
21                 total amount that was collected from all sources  
22                 for all universal service support mechanisms  
23                 other than schools, libraries, rural health care,  
24                 life-line, link-up, and toll limitation in the last  
25                 year prior to the date of enactment of the Uni-

1           versal Service Reform Act of 2007, as ad-  
2           justed—

3                     “(i) annually by a growth factor; and

4                     “(ii) once, within one year of the date  
5                     of enactment of the Universal Service Re-  
6                     form Act of 2007, by the amounts that the  
7                     adjustments in subsections (e)(3) and (m)  
8                     increase demand for universal service sup-  
9                     port.

10                   “(B) GROWTH FACTOR.—The growth fac-  
11                   tor shall be the annual percentage change in  
12                   the Gross Domestic Product–Chained Price  
13                   Index (GDP–CPI), or any successor general in-  
14                   flationary factor that the Bureau of Economic  
15                   Analysis of the Department of Commerce deter-  
16                   mines shall supersede such index, plus the an-  
17                   nual percentage change in the total number of  
18                   incumbent local exchange carrier working loops  
19                   in rural, insular, and high cost areas, if that  
20                   percentage change is greater than zero.

21                   “(C) INTERCARRIER COMPENSATION RE-  
22                   COVERY MECHANISM.—If at any time after the  
23                   date of enactment of the Universal Service Re-  
24                   form Act of 2007 the Commission mandates  
25                   that intercarrier compensation revenues be re-

1 covered through an alternative revenue recovery  
2 mechanism, such alternative revenue recovery  
3 mechanism shall be included in the limitation  
4 set forth in subparagraph (A), and the Commis-  
5 sion shall adjust such limitation by the amount  
6 that such alternated revenue recovery mecha-  
7 nism increases demand for universal service  
8 support.

9 “(e) DISTRIBUTION AND USE OF UNIVERSAL SERV-  
10 ICE SUPPORT.—

11 “(1) IN GENERAL.—Only an eligible tele-  
12 communications carrier designated under section  
13 214(e) shall be eligible to receive specific Federal  
14 universal service support. A carrier that receives  
15 such support shall use that support only for the pro-  
16 vision, maintenance, and upgrading of facilities and  
17 facilities-based services for which the support is in-  
18 tended. Any such support should be explicit and suf-  
19 ficient to achieve the purposes of this section.

20 “(2) USES OF UNIVERSAL SERVICE SUPPORT.—

21 The use of universal service support for all rural, in-  
22 sular, and high cost areas—

23 “(A) should be expanded to include high-  
24 speed broadband services;

1           “(B) should be based on actual costs rea-  
2           sonably incurred in providing such facilities-  
3           based services in a service area, exclusive of the  
4           cost of acquiring spectrum, except that an eligi-  
5           ble telecommunications carrier that is an in-  
6           cumbent local exchange carrier may elect to  
7           have the Commission calculate the amount of  
8           universal service support payable to such car-  
9           rier pursuant to section 54.309 of title 47, Code  
10          of Federal Regulations (as in effect on the date  
11          of the enactment of the Universal Service Re-  
12          form Act of 2007); and

13           “(C) should be available to communica-  
14          tions service providers that are determined to  
15          be eligible telecommunications carriers under  
16          section 214(e).

17          “(3) SUPPORT FOR NON-RURAL CARRIERS PRO-  
18          VIDING SERVICE IN RURAL, INSULAR, AND HIGH  
19          COST AREAS.—

20           “(A) CALCULATING SUPPORT.—Except  
21          with respect to non-rural carriers serving insu-  
22          lar areas, in calculating the need for and dis-  
23          tribution of Federal universal service support  
24          for eligible telecommunications carriers that  
25          serve rural, insular, and high cost areas and

1 that are either non-rural carriers, or (after a  
2 one-time election) rural carriers subject to Fed-  
3 eral incentive regulation, the Commission shall  
4 revise the Commission’s support mechanism for  
5 rural, insular, and high cost areas to provide  
6 support to each wire center to the extent the in-  
7 cumbent local exchange carrier’s average for-  
8 ward-looking cost per line for such wire center  
9 exceeds 2.75 times the national average cost per  
10 line.

11 “(B) HOLD HARMLESS.—In implementing  
12 this paragraph, the Commission shall ensure  
13 that no non-rural carrier receives less Federal  
14 support calculated under paragraph (1) than  
15 the non-rural carrier would have received under  
16 the Commission’s support mechanism for rural,  
17 insular, and high cost areas as in effect on the  
18 day before the date of the enactment of the  
19 Universal Service Reform Act of 2007.

20 “(4) ADMINISTRATION: ACCOUNTABILITY  
21 STANDARDS.—

22 “(A) NETWORK TRAFFIC IDENTIFICATION  
23 ACCOUNTABILITY STANDARDS.—

24 “(i) NETWORK TRAFFIC IDENTIFICA-  
25 TION STANDARDS.—A communications



1 service provider shall ensure, to the degree  
2 technically possible, that all traffic that  
3 originates on its network contains, or, in  
4 the case of non-originated traffic, pre-  
5 serves, sufficient information in call sig-  
6 naling to allow for traffic identification by  
7 other communications service providers  
8 that transport or terminate such traffic,  
9 including telephone number information of  
10 the calling and called parties and such  
11 other information as the Commission  
12 deems appropriate. Except as otherwise  
13 permitted by the Commission, to the de-  
14 gree technically possible, a communications  
15 service provider that transports traffic be-  
16 tween communications service providers  
17 shall signal-forward without altering call  
18 signaling information it receives from an-  
19 other communications service provider.

20 “(ii) NETWORK TRAFFIC IDENTIFICA-  
21 TION RULEMAKING.—The Commission, in  
22 consultation with the State commissions,  
23 shall initiate a single rulemaking no later  
24 than 180 days after the date of enactment  
25 of the Universal Service Reform Act of

1           2007 to establish rules and enforcement  
2           provisions for traffic identification.

3           “(iii) NETWORK TRAFFIC IDENTIFICA-  
4           TION ENFORCEMENT.—The Commission  
5           shall adopt and enforce clear penalties,  
6           fines, and sanctions under this section.

7           “(B) UNIVERSAL SERVICE DISTRIBUTION  
8           ACCOUNTABILITY STANDARDS.—To ensure fair-  
9           ness and accountability in the distribution of  
10          universal service funding contributions, the  
11          Commission shall promulgate rules to calculate  
12          the level of universal service support to be dis-  
13          tributed to all eligible recipients.”.

14          (b) RURAL HEALTH CARE SUPPORT MECHANISMS.—

15           (1) AMENDMENT.—Subparagraph (A) of sec-  
16          tion 254(h)(1) of the Communications Act of 1934  
17          (47 U.S.C. 254(h)(1)) is amended to read as follows:

18           “(A) HEALTH CARE SERVICES FOR RURAL  
19          AREAS.—Within 180 days after the date of en-  
20          actment of the Universal Service Reform Act of  
21          2007, the Commission shall prescribe regula-  
22          tions that provide that a communications serv-  
23          ice provider shall, upon, receiving a bona fide  
24          request, provide covered services which are nec-  
25          essary for the provision of health care services

1 in a State, including instruction relating to  
2 such services, to any public or nonprofit health  
3 care provider that serves persons who reside in  
4 rural areas in that State at rates that are rea-  
5 sonably comparable to rates charged for similar  
6 services in urban areas in that State. A commu-  
7 nications service provider providing service  
8 under this subparagraph shall be entitled to  
9 have an amount equal to the difference, if any,  
10 between the rates for services provided to health  
11 care providers for rural areas in a State and  
12 the rates for similar services in urban areas in  
13 that State treated as a service obligation as a  
14 part of its obligation to participate in the mech-  
15 anisms to preserve and advance universal serv-  
16 ice.”.

17 (2) DEFINITION OF HEALTH CARE PRO-  
18 VIDER.—Subparagraph (B) of section 254(h)(7) of  
19 such Act (47 U.S.C. 254(h)(7)(B)) is amended to  
20 read as follows:

21 “(B) HEALTH CARE PROVIDER.—The term  
22 ‘health care provider’ means—

23 “(i) post-secondary educational insti-  
24 tutions offering health care instruction,  
25 teaching hospitals, and medical schools;

1           “(ii) community health centers or  
2 health centers providing health care to mi-  
3 grants;

4           “(iii) local health departments or  
5 agencies;

6           “(iv) community mental health cen-  
7 ters;

8           “(v) not-for-profit hospitals;

9           “(vi) critical access hospitals;

10           “(vii) rural hospitals with emergency  
11 rooms;

12           “(viii) rural health clinics;

13           “(ix) not-for-profit nursing homes or  
14 skilled nursing homes;

15           “(x) hospice providers;

16           “(xi) emergency medical services fa-  
17 cilities;

18           “(xii) rural dialysis facilities;

19           “(xiii) elementary, secondary, and  
20 post-secondary school health clinics; and

21           “(xiv) consortia of health care pro-  
22 viders consisting of one or more entities  
23 described in clauses (i) through (xiii).”.

24           (3) DEFINITION OF RURAL FOR HEALTH CARE  
25 SUPPORT.—Section 254(h)(7) of such Act is further

1 amended by adding at the end the following new  
2 subparagraph:

3 “(J) RURAL AREA.—Within 180 days after  
4 the date of enactment of the Universal Service  
5 Reform Act of 2007, the Commission shall pre-  
6 scribe regulations that provide that, for pur-  
7 poses of the rural health care universal service  
8 support mechanisms established pursuant to  
9 this subsection, a ‘rural area’ is—

10 “(i) any incorporated or unincor-  
11 porated place in the United States, its ter-  
12 ritories and insular possessions (including  
13 any area within the Federated States of  
14 Micronesia, the Republic of the Marshall  
15 Islands and the Republic of Palau) that  
16 has no more than 20,000 inhabitants  
17 based on the most recent available popu-  
18 lation statistics from the Census Bureau;

19 “(ii) any area located outside of the  
20 boundaries of any incorporated or unincor-  
21 porated city, village, or borough having a  
22 population exceeding 20,000;

23 “(iii) any area with a population den-  
24 sity of fewer than 250 persons per square  
25 mile; or

1                   “(iv) any place that qualified as a  
2                   ‘rural area’ and received support from the  
3                   rural health care support mechanism pur-  
4                   suant to the Commission’s rules in effect  
5                   prior to December 1, 2004, and that con-  
6                   tinues to qualify as a ‘rural area’ pursuant  
7                   to such rules.”.

8           (c) SCHOOLS, LIBRARIES, RURAL HEALTH CARE,  
9 LIFE-LINE, LINK-UP, AND TOLL LIMITATION HOLD  
10 HARMLESS.—Except as provided in subsections (h)(1)(A),  
11 (h)(7)(B), and (h)(7)(J) of section 254 of the Communica-  
12 tions Act of 1934 (47 U.S.C. 254), as amended by sub-  
13 section (b)—

14           (1) nothing in this Act (and the amendments  
15           made by this Act) shall be construed as limiting,  
16           changing, modifying, or altering the amount of sup-  
17           port or means of distribution for the schools, librar-  
18           ies, rural health care, life-line, link-up, and toll limi-  
19           tation programs; and

20           (2) the Federal Communications Commission  
21           shall ensure that such amendments do not result in  
22           a decrease of such support to a level below the level  
23           for the fiscal year preceding the fiscal year in which  
24           this Act is enacted.

1 **SEC. 4. ELIGIBLE RECIPIENTS OF UNIVERSAL SERVICE**  
2 **SUPPORT.**

3 (a) AMENDMENT.—Section 214(e) of the Commu-  
4 nications Act of 1934 (47 U.S.C. 214(e)) is amended—

5 (1) by redesignating paragraphs (3), (4), (5),  
6 and (6) as paragraphs (6), (7), (9), and (8), respec-  
7 tively, and reordering such paragraphs in numerical  
8 order; and

9 (2) by striking paragraphs (1) and (2) and in-  
10 serting the following:

11 “(1) **ELIGIBILITY TO RECEIVE UNIVERSAL**  
12 **SERVICE SUPPORT.**—A communications service pro-  
13 vider shall be eligible to receive universal service  
14 support in accordance with the requirements of this  
15 subsection only if such communications service pro-  
16 vider—

17 “(A) uses its own facilities in whole or in  
18 part to make available throughout a service  
19 area the services that have been determined by  
20 the Commission to be universal services pursu-  
21 ant to section 254(c), and adheres to the State  
22 carrier-of-last-resort requirements that are im-  
23 posed on incumbent carriers serving the area;

24 “(B) advertises the supported services and  
25 their associated charges throughout the service  
26 area using media of general distribution, and

1 advertises the availability of life-line and link-up  
2 services in a manner reasonably designed to  
3 reach those likely to qualify for those services;

4 “(C) demonstrates the ability to remain  
5 functional in emergency situations;

6 “(D) satisfies consumer protection and  
7 service quality standards; and

8 “(E) meets the basic requirements for the  
9 deployment of high-speed broadband service,  
10 and provides high-speed broadband service, ex-  
11 cept that the Commission shall establish a proc-  
12 ess—

13 “(i) whereby a determination can be  
14 made to waive the requirements of this  
15 subparagraph for 3 years upon application  
16 of a communications service provider dem-  
17 onstrating that the deployment and provi-  
18 sion of high-speed broadband service is not  
19 technically feasible or would materially im-  
20 pair the communications service provider’s  
21 ability to continue to provide local ex-  
22 change service throughout its service area,  
23 except that a waiver shall be deemed auto-  
24 matically granted under this clause for a  
25 communications service provider which can



1 demonstrate that the cost per line of de-  
2 ploying and providing high-speed  
3 broadband service is at least three times  
4 the average cost of providing high-speed  
5 broadband service among all recipients of  
6 universal service support, subject to the re-  
7 newal provisions set forth in clause (ii);

8 “(ii) whereby the communications  
9 service provider may seek renewal of such  
10 waiver every 3 years for as long as the de-  
11 ployment and provision of high-speed  
12 broadband service is not technically fea-  
13 sible or would materially impair the com-  
14 munications service provider’s ability to  
15 continue to provide local exchange service  
16 throughout its service area; and

17 “(iii) whereby any application of a  
18 communications service provider for a  
19 waiver pursuant to clause (i) on which the  
20 Commission has not taken final action  
21 within 60 days of the date of submission to  
22 the Commission shall be deemed granted.

23 “(2) ELIGIBILITY CRITERIA.—In addition to the  
24 criteria specified in paragraph (1), the Commission  
25 shall establish such additional eligibility criteria for

1 the receipt of universal service support by commu-  
2 nications service providers as it deems necessary and  
3 in the public interest. The criteria established in  
4 paragraph (1) and the criteria established by the  
5 Commission pursuant to this paragraph shall be  
6 used by State commissions in determining which  
7 providers shall be designated as eligible recipients of  
8 universal service support for the purpose of para-  
9 graph (3).

10 “(3) DESIGNATION OF ELIGIBLE RECIPIENTS.—

11 A State commission shall, upon its own motion or  
12 upon request, designate as an eligible recipient of  
13 universal service support only those providers meet-  
14 ing the requirements of paragraphs (1) and (2).

15 “(4) GRANDFATHER PROVISION.—Recipients of

16 universal service support in any service area prior to  
17 the date of enactment of the Universal Service Re-  
18 form Act of 2007 shall meet the eligibility require-  
19 ments for eligible recipients of universal service sup-  
20 port—

21 “(A) as described in paragraphs (1)(A)

22 through (D), within one year of the date of en-  
23 actment of the Universal Service Reform Act of  
24 2007; and

1           “(B) as described in paragraph (1)(E),  
2           within 5 years after the date of enactment of  
3           the Universal Service Reform Act of 2007.

4           Failure of such an eligible recipient of universal  
5           service support to maintain and meet the eligibility  
6           requirements within the period required by subpara-  
7           graph (A) or (B) after the date of enactment of the  
8           Universal Service Reform Act of 2007 shall require  
9           the automatic termination of Federal universal serv-  
10          ice support to that recipient. This paragraph shall  
11          not be construed to prohibit such a recipient from  
12          obtaining a waiver under paragraph (1)(E).”.

13          (b) DEFINITIONS.—Paragraph (9) of section 214(e)  
14          (as redesignated by subsection (a)) is amended to read as  
15          follows:

16               “(9) DEFINITIONS.—As used in this subsection,  
17               the term ‘service area’ means a geographic area that  
18               aligns with the area in which a communications  
19               service provider is licensed or authorized to provide  
20               service for the purpose of determining universal  
21               service obligations and support mechanisms. In the  
22               case of an area served by a rural telephone company,  
23               ‘service area’ means such company’s ‘study area’ or  
24               the licensed or authorized service area of any other  
25               communications service provider serving an area

1 that overlaps with the service area of a rural tele-  
2 phone company. In the case of an area served by a  
3 wireless service provider, ‘service area’ means such  
4 company’s basic trading area.”.

5 **SEC. 5. REMOVAL OF IMPEDIMENTS TO SUFFICIENT SUP-**  
6 **PORT MECHANISMS.**

7 Section 254 of the Communications Act of 1934 is  
8 amended by adding at the end the following new sub-  
9 section:

10 “(m) REMOVAL OF LIMITATIONS ON HIGH COST  
11 SUPPORT MECHANISMS.—The limitations on universal  
12 service support contained in section 54.305 of the Com-  
13 mission’s regulations (47 CFR 54.305), and the individual  
14 caps imposed upon carriers contained in section 36.631  
15 of the Commission’s regulations (47 CFR 36.631), shall  
16 cease to be effective on the date of enactment of the Uni-  
17 versal Service Reform Act of 2007. The Commission shall  
18 not, on or after such date of enactment, enforce or reim-  
19 pose limitations on support mechanisms for rural tele-  
20 phone companies or exchanges they acquire.”.

21 **SEC. 6. SCOPE OF SUPPORT.**

22 Section 254 of the Communications Act of 1934 (47  
23 U.S.C. 254) is further amended by adding at the end the  
24 following new subsection:

1       “(n) SCOPE OF SUPPORT.—The Commission in im-  
2 plementing the requirements of this section as amended  
3 by the Universal Service Reform Act of 2007 with respect  
4 to the distribution and use of Federal universal service  
5 support shall not limit such distribution and use to a sin-  
6 gle connection or primary line, and all residential and  
7 business lines served by an eligible telecommunications  
8 carrier shall be eligible for Federal universal service sup-  
9 port.”.

10 **SEC. 7. APPLICATION OF ANTIDEFICIENCY ACT; INVEST-**  
11 **MENT OF CONTRIBUTIONS.**

12       Section 254 of the Communications Act of 1934 (47  
13 U.S.C. 254) is further amended by adding at the end the  
14 following new subsections:

15       “(o) PROPER ACCOUNTING OF UNIVERSAL SERVICE  
16 CONTRIBUTIONS.—

17               “(1) FROM ALL BUDGETS.—Notwithstanding  
18 any other provision of law, the receipts and disburse-  
19 ments of universal service contributions under sec-  
20 tion 254 of the Communications Act of 1934 (47  
21 U.S.C. 254) shall not be counted as new budget au-  
22 thority, outlays, receipts, or deficit or surplus for  
23 purposes of—

24                       “(A) the budget of the United States Gov-  
25 ernment as submitted by the President;

1 “(B) the Congressional budget;

2 “(C) the Balanced Budget and Emergency  
3 Deficit Control Act of 1985; or

4 “(D) any other law requiring budget se-  
5 questers.

6 “(2) ADDITIONAL EXEMPTIONS.—Section 1341,  
7 subchapter II of chapter 15, and sections 3302,  
8 3321, 3322, and 3325 of title 31, United States  
9 Code, shall not apply to—

10 “(A) the collection and receipt of universal  
11 service contributions, including the interest  
12 earned on such contributions; or

13 “(B) disbursements or other obligations  
14 authorized by the Federal Communications  
15 Commission under section 254 of the Commu-  
16 nications Act of 1934 (47 U.S.C. 254).

17 “(p) INVESTMENT OF UNIVERSAL SERVICE FUND  
18 CONTRIBUTIONS.—Notwithstanding any other provision  
19 of law, including sections 3302, 3321, 3322, and 3325 of  
20 title 31, United States Code, the cash balance of receipts  
21 of universal service contributions collected pursuant to this  
22 section shall be invested by the Commission or its designee  
23 in conservative, liquid, interest-bearing investment vehicles  
24 of government backed securities until such time as such  
25 receipts are disbursed pursuant to this section 254.”.

1 **SEC. 8. STATE AUTHORITY.**

2 Section 254(f) of the Communications Act of 1934  
3 (47 U.S.C. 254(f)) is amended to read as follows:

4 “(f) STATE AUTHORITY.—

5 “(1) IN GENERAL.—A State may adopt regula-  
6 tions not inconsistent with the Commission’s rules to  
7 preserve and advance universal service. In adopting  
8 those rules, a State may require communications  
9 service providers to contribute to universal service on  
10 the basis of—

11 “(A) revenues derived from the provision  
12 of intrastate, interstate, and foreign commu-  
13 nications services by communications service  
14 providers;

15 “(B) working telephone numbers used by  
16 communications service providers; or

17 “(C) any other current or successor identi-  
18 fier protocols or connections to the network  
19 used by communications service providers.

20 “(2) DISREGARD OF INTERSTATE COMPO-  
21 NENT.—A State may require communications service  
22 providers to contribute under paragraph (1) regard-  
23 less of whether the service contains an interstate  
24 component.

25 “(3) GUIDELINES.—Regulations adopted by a  
26 State under this subsection shall result in a specific,

1       predictable, and sufficient mechanism to support  
2       universal service and shall be competitively and tech-  
3       nologically neutral, equitable, and nondiscrim-  
4       inatory.”.

5       **SEC. 9. REPORT TO CONGRESS.**

6       The Commission shall, not later than 3 years after  
7       the date of enactment of this Act and triennially there-  
8       after, report to Congress regarding the availability of the  
9       services designated by the Commission as universal serv-  
10      ices to all Americans, including schools, libraries, rural  
11      health care providers, and low income consumers.

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