

December 12, 2023

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The Honorable Jessica Rosenworcel  
Chairwoman  
Federal Communications Commission  
45 L Street N.E.  
Washington, DC 20554

Dear Chairwoman Rosenworcel,

I write to request input from the Federal Communications Commission (FCC) on proposals to modify the contribution base for the Universal Service Fund. As Congress considers much-needed updates to the programs funded by the Universal Service Fund in order to meet the needs of our constituents today, we must ensure that the Fund has a sustainable funding model to address our ongoing and future needs.

One of the main initiatives of the Federal Communications Commission (FCC) is to foster affordable broadband access in all areas of the country—and one of the most important tools to deliver on this initiative is the multi-billion dollar Universal Service Fund (USF) programs. These programs provide support for both traditional telecommunications and internet-based services, with an emphasis on providing access to these services for those living in rural areas that are costly to serve, schools and libraries, rural health care providers, and households with low incomes.

At present, telecommunications companies must pay a percentage of their interstate end-user revenues to USF, referred to as the “contribution factor,” and typically recover USF contributions directly from their customers by billing them this charge.<sup>1</sup> Currently, contributions by telecommunications providers are based solely on an assessment of only their interstate and international end-user (customer) telecommunications service (wireline and mobile voice service) revenues. The pool of revenue assessed for USF is known as the “contribution base.” As Americans continue to embrace new broadband technologies, reliance on traditional phone services is on the decline—meaning that the pool of contributors to the USF has decreased dramatically. However, the importance of USF programs has only increased, as they support the growth and sustenance of our increasingly interconnected society.

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<sup>1</sup> According to FCC, approximately 82 percent of USF contributors pass through the costs to their end-users. (FCC 22-67.)

This change in consumer behavior has resulted in exponential growth of the contribution factor. The contribution factor has grown from about 6 percent of interstate and international voice end-user revenues in 2000, to over 26 percent in 2020, to 34.5 percent in the fourth quarter of 2023.<sup>2</sup> That same report noted that with no set target for the contribution factor, contributors could continue to pay increasing rates in the future—despite FCC’s goal of minimizing the burden borne by contributors to the USF.

Given the exponential growth in the contribution factor and the potential burden this places on consumers and businesses, Congress is considering potential proposals to reform the contribution factor to ensure the sustainability and financial health of the Universal Service Fund, including the Reforming Broadband Connectivity Act of 2023,<sup>3</sup> the FAIR Contributions Act of 2023,<sup>4</sup> Lowering Broadband Costs for Consumers Act of 2023,<sup>5</sup> and others.<sup>6</sup> I would like to request information from the FCC to better understand the economic impact of potential reforms, taking into account equity and sustainability considerations.

In particular, I request that FCC provide answers to the following questions by no later than **January 12, 2024**:

- What options exist to reform the contribution factor and what are their advantages and disadvantages?
  - What would be the impact of expanding the base to assess broadband revenues?
  - What would be the impact of expanding the base to include edge providers (including, but not limited to, a search engine, a social media platform, a streaming service, an app store, a cloud computing service, an over-the-top messaging service, a video conferencing service, or an e-commerce platform)?
  - What would be the impact of expanding the base to include digital advertising?
- Which of the above options would require Congressional action, and which of the above could the FCC execute without further Congressional action?

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<sup>2</sup> Contribution Factor & Quarterly Filings - Universal Service Fund (USF) Management Support. Federal Communications Commission, September 13, 2023 (DA/FCC #: DA-23-843 and others). <https://www.fcc.gov/general/contribution-factor-quarterly-filings-universal-service-fund-usf-management-support>

<sup>3</sup> S. 975-118<sup>th</sup>, Reforming Broadband Connectivity Act of 2023. Introduced by U.S. Senators Amy Klobuchar (MN), John Thune (SD), John Hickenlooper (CO), and Jerry Moran (KS), March 27, 2023.

<sup>4</sup> S. 856-118<sup>th</sup>, Funding Affordable Internet with Reliable (FAIR) Contributions Act of 2023. Introduced by U.S. Senators Roger Wicker (MS), Ben Ray Lujan (NM), et al, March 16, 2023.

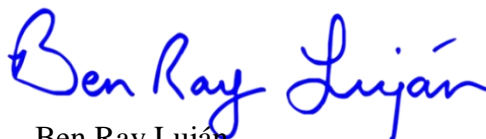
<sup>5</sup> S. 3321-118<sup>th</sup>, Lowering Broadband Costs for Consumers Act of 2023. Introduced by U.S. Senators Markwayne Mullin (OK), Mark Kelly (AZ) and Mike Crapo (ID), November 15, 2023.

<sup>6</sup> U.S. Senator John Fetterman (PA). “American families need broadband: We should invest in it-Opinion.” PennLive Patriot-News, November 12, 2023. <https://www.pennlive.com/opinion/2023/11/american-families-need-broadband-we-should-invest-in-it-opinion.html>

- For each option, please provide an assessment of much the contribution base would increase and to what extent the contribution factor would change.
  - For each option, please provide an assessment of much the contribution base would increase and to what extent the contribution factor would change if only leveraging contributions from business-to-business transactions.
- What practical issues would need to be solved if the contribution base were extended to any of the above options, including but not limited to broadband revenues, edge providers, and digital advertising?
- How would a combination of potential reforms lessen or increase the potential burden on consumers?
- Are there mechanisms that the FCC would recommend to ensure that low- and middle-income consumers do not bear the brunt of the contributions?
- How would a set target for the contribution factor (e.g. 4%) affect the FCC's ability to deploy the programs under the Universal Service Fund umbrella?
- What would be the impact on the Universal Service Fund if the current contribution model were eliminated, and the programs were instead funded by Congressional appropriations?

Thank you for your attention to this important matter and for your timely response.

Sincerely,



Ben Ray Lujan  
United States Senator