

**STATEMENT OF
COMMISSIONER BRENDAN CARR**

Re: *Report on the Future of the Universal Service Fund*, WC Docket No. 21-476, Notice of Inquiry (December 15, 2021).

The FCC's \$9 billion a year Universal Service Fund plays a key role in bridging the digital divide for millions of Americans across this country. It supports Internet infrastructure builds in rural communities. It ensures that low-income Americans can obtain an affordable connection. And it connects patients with health care providers that offer life-saving care.

Yet this vital program is stuck in a death spiral. The USF program is funded through a mechanism that made sense back in the dial up and screeching modem days of the 1990s—back when you were far more likely to have a long-distance calling card in your wallet than an email address. Generally speaking, the FCC funds USF through a line item charge that carriers add to consumers' monthly bills for telephone service. Those traditional phone revenues have declined sharply from a high of around \$80 billion in the 2000s to less than \$30 billion today. So the percentage charge or contribution factor that consumers pay has been on the rise—steadily increasing from only 6% in 2001 to roughly 30% today.

Time is running out to reform this antiquated funding model. Indeed, a [recent study](#) by Ph.D. economist Hal Singer and Ted Tatos determined that in just four years the contribution factor could exceed 75%. That is far in excess of a sustainable figure.

That is why earlier this year I proposed a [new approach](#). It would require Big Tech to start paying a fair share into USF. After all, large technology companies are reaping trillions of dollars of revenues off of the networks that are supported and in many cases only exist because of USF expenditures. Indeed, one study shows that the online streaming services provided by just five companies—Netflix, YouTube, Amazon Prime, Disney+ and Microsoft—account for a whopping 75% of all traffic on rural broadband networks. The same study shows that 77-94% of total network costs are related to adding capacity or otherwise supporting the delivery of those streaming services. Likewise, the largest digital advertising behemoths—Facebook and Google—churn out over \$100 billion a year in revenues by delivering ads over networks supported by USF and yet contribute nothing based on those revenues. It is time to end this free ride.

There are several concrete ways to ensure that large technology companies start to contribute on a fair and equitable basis. Indeed, the Singer study looked at several options and concluded that assessing large technology companies based on their digital advertising revenues represents the [best policy option](#). In fact, that idea could eliminate entirely the roughly 30% charge that consumers pay today and replace it with a 7% charge on Google's and Facebook's digital advertising revenues. That would place the USF program on a stable and sustainable funding path.

It is no surprise that this proposal has garnered interest from a broad and bipartisan group of stakeholders. It is also very popular with consumers. One study found that more than 71% of Americans are in favor of the idea that large social media and search companies like Facebook and Google should contribute to providing Internet access to Americans who cannot afford it.

Today's Notice is further evidence of the support for rethinking the contribution side of USF. This Notice responds to a request by Congress for a report from the FCC on the future of this program. So I am pleased that we are inviting comments today that will inform that report, including by seeking comment on contributions reform and whether large technology companies should start to contribute.

Finally, it is more important than ever before that we ensure that the FCC's USF dollars and federal broadband subsidies in general are spent wisely and efficiently given the unprecedented sums now available. I have been worried about the risk for waste, fraud, and abuse, and I have been raising the need for strong oversight. The recent FCC Inspector General report only [underscores](#) that point. After all,

every dollar that is illegally siphoned off of USF is a dollar that cannot go towards connecting Americans and their households. I hope that this proceeding allows an additional opportunity for the FCC to ferret out any waste, fraud, or abuse.

In closing, I want to recognize the staff of the Wireline Competition Bureau for their hard work on this item. You have my thanks and the item has my support.