

Background

The Federal Communications Commission (FCC) and Congress recognize that telephone service provides a vital link to emergency services, government services, and surrounding communities. To help promote telecommunications service nationwide, the FCC, as directed by Congress, developed the Federal Universal Service Fund.

There are four components to the Federal Universal Service Fund. They are:

- **Low-Income.** This program provides telephone service discounts to consumers with qualifying low-incomes.
- **High-Cost.** This program provides financial support to companies that provide telecommunications services in areas of America where the cost of providing service is high.
- **Schools and Libraries.** This program helps to ensure that the nation's classrooms and libraries receive access to the vast array of educational resources that are accessible through the telecommunications network.
- **Rural Health Care.** This program helps to link health care providers located in rural areas to urban medical centers so that patients living in rural America will have access to the same advanced diagnostic and other medical services that are enjoyed in urban communities.

Who Is Required to Contribute to the Universal Service Fund?

In the past, only long distance companies paid fees to support the Federal Universal Service Fund. In 1996, Congress passed a law that expanded the types of companies contributing to the Universal Service Fund.

Currently, all telecommunications companies that provide service between states, including long distance companies, local telephone companies, wireless telephone companies, paging companies, and payphone providers, are required to contribute to the Federal Universal Service Fund. Carriers providing international services also must contribute to the Fund.

How Is the Amount a Company Pays to the Universal Service Fund Determined?

Telecommunications companies must pay a specific percentage of their interstate and international revenues into the Universal Service Fund. This percentage is called the Contribution Factor. The current Contribution Factor is listed at www.fcc.gov/wcb/universal_service/quarter.html.

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The Contribution Factor changes each quarter of the year, depending on the needs of the Universal Service Fund and the consumers it is designed to help. Because the Contribution Factor will increase or decrease, depending upon the projected needs of the Universal Service Fund, the amount owed to the Fund by each affected telecommunications company will also increase or decrease accordingly. Different events, such as changes in demand for support or FCC regulatory action, may result in changes in the Contribution Factor. For example, increased demand for a particular Universal Service program may result in an increase to the Contribution Factor, but such increase might be offset by decreased demand for a different program or a decision to credit back to carriers any unused balances that remain in the Fund.

Does the FCC Require That Phone Companies Recover Their Universal Service Contributions From Their Customers?

The FCC does not require companies to recover their contributions directly from their customers. Each company makes a business decision about whether and how to assess customers to recover Universal Service costs.

Although it is not mandatory that companies charge a Universal Service fee to help recover their contributions to the fund, most do. Companies that choose to collect Universal Service fees from their customers cannot collect an amount that exceeds their contribution to the Universal Service Fund.

Be a smart consumer. Shop around and ask about each telecommunications company's Universal Service charge. Compare the charges and choose a carrier based on your needs.

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