

GAO Highlights

Highlights of [GAO-14-587](#), a report to congressional requesters

Why GAO Did This Study

The USF high-cost program targets financial support to rural areas where the cost to provide telecommunications service can be more than three-times greater than the cost in urban areas. High-cost program support offsets telecommunications carriers' costs and allows them to charge rural customers lower rates. In 2011, FCC issued the USF Transformation Order, whereby it adopted funding reforms so that the program could support both telephone and broadband service, and capped the program at \$4.5 billion annually.

GAO was asked to provide information on FCC's reform efforts for the high-cost program. This report examines (1) the extent to which FCC implemented the funding reforms adopted in the USF Transformation Order and stakeholders' views on FCC's efforts, (2) the extent to which FCC is collecting data to determine the effectiveness of these reforms, and (3) what changes, if any, states have made to their universal service funds since FCC adopted the reforms. GAO reviewed FCC orders, data collection forms, and other relevant documents; interviewed FCC officials and representatives of nine stakeholder associations; and surveyed utility commissions in all 50 states and the District of Columbia.

What GAO Recommends

FCC should demonstrate how high-cost funds were used to improve broadband availability, service quality, and capacity, such as by conducting analyses of carrier data and reporting the information in an accessible manner. In response, FCC concurred with GAO's recommendation and intends to take action to address it.

View [GAO-14-587](#). For more information, contact Mark Goldstein, (202) 512-2834, goldsteinm@gao.gov.

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TELECOMMUNICATIONS

FCC Should Improve the Accountability and Transparency of High-Cost Program Funding

What GAO Found

The Federal Communications Commission (FCC) has implemented four industry-wide reforms and the initial phases of two carrier-specific reforms for the Universal Service Fund's (USF) high-cost program. However, FCC has encountered delays implementing the subsequent phases and more complex carrier-specific funding reforms that require extensive cost modeling and stakeholder input. For example, although FCC planned to fully implement the reform specific to large carriers by January 2013, FCC officials said it will not be implemented until the end of 2014. FCC officials cited their efforts to gather stakeholder input as the primary cause of delays. Some stakeholders told GAO that the delays did not affect them while small, rural carriers said the resulting uncertainty had decreased their investment. Overall, the stakeholder groups GAO contacted generally supported FCC's reform efforts, but had concerns with aspects of the different reforms. For example, representatives of small, rural carriers stated that uncertainty about implementation of the reform affecting them has resulted in their decreased investment in broadband infrastructure.

While FCC collects and reports a range of data and information on high-cost program funding, GAO identified gaps in FCC's data analysis and reporting that limit FCC's ability to evaluate the program, demonstrate its effectiveness, and help ensure that the data collected will inform current and future reforms. These gaps include (1) a lack of transparency and accountability of high-cost spending and (2) poor accessibility and usability of data and information. Specifically, FCC has not traditionally demonstrated how high-cost funds were spent and the results of that funding because FCC had not collected data to do so. Representatives of competitive carriers and consumers told us FCC should increase all carriers' accountability for their use of high-cost funds by providing information on the results of the funding. Furthermore, FCC has not traditionally presented the high-cost program data and information it has collected in a manner that is easy and accessible for interested parties to use. Although FCC made improvements to its data collection and presentation that could help it address some of these gaps, FCC has not indicated what information it will make publicly available on a regular basis in the future. As a result, it is difficult for interested parties to use the information in meaningful ways, such as by making connections between the different sources of data, drawing conclusions about the program, and using the data to inform policy decision making. By improving the transparency and accountability of USF's high-cost spending, FCC and interested parties could better understand the effects of the reforms; determine those most successful in efficiently enhancing broadband availability, service quality, and capacity; and identify areas for improvement.

GAO's survey of state utility commissions in all 50 states and the District of Columbia showed that as of February 2014, few states reported making changes to their states' high-cost service programs because of FCC's 2011 reforms. Of the 24 states that reported having a state program, only 4 reported making changes to that program either wholly or in part because of FCC's reforms. Seven states reported that they were considering making changes as a result of the reforms; these changes ranged from reconsidering the amount of funds that their state program should provide to carriers to transitioning to a fund that supports advanced services, like broadband.