STATEMENT OF
COMMISSIONER BRENDAN CARR

Re: *Report on the Future of the Universal Service Fund*, Report, WC Docket No. 21-476.

While there has been a lot of focus recently on the one-time dollars that Congress has appropriated for broadband over the past two years—and rightly so—the FCC's $9 billion a year Universal Service Fund (USF) provides the sole source of funding for so many of the FCC's programs that are aimed at ending the digital divide. The FCC's USF supports Internet infrastructure builds in rural communities. It ensures that low-income Americans can obtain an affordable connection. It aids schools and libraries in their purchase of communications services. And it connects patients with health care providers that offer life-saving care.

Yet the FCC's funding mechanism for 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 in your name. 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.

When it comes to USF contributions reform, kicking the can down the road is no longer an option. Indeed, if left on autopilot, the percentage charge that consumers pay could hit 75% in just four years, according to a study cited by the Commission today. That would have wildly distorting and unsustainable effects that would undermine all of the FCC's USF programs. That is not an acceptable outcome to me. And that is why I offered up my own thoughts on a sustainable path forward last year in an op-ed—it's a plan that would require large technology companies to start contributing a fair share to the USF.

So I was very pleased that Congress charged the Commission with preparing a report on the future of the Universal Service Fund. After all, the billions of dollars Congress recently appropriated outside of the Universal Service Fund do nothing to address the USF program's long-term challenges. So today's report could not come at a better time. I want to express my thanks to Chairwoman Rosenworcel for bringing this report forward for a vote as well as all of my colleagues for finding common ground on important issues. And I want to emphasize three points from the Commission's report.

First, both the record and the Commission's report throw cold water on the idea that the FCC should just start assessing broadband Internet access service or BIAS. And rightly so. As the Commission's report notes, expanding the contribution base to include BIAS would necessarily raise the cost of broadband for consumers. Indeed, the Commission's report cites to a study finding that assessing BIAS could increase consumers' monthly broadband bills by as much as $17.96 a month—or almost $200 annually. The Commission's report also points to record evidence that this price hike could result in nearly ten million broadband customers forgoing Internet service altogether at a time when the Commission is working hard to increase broadband adoption. But don't forget about the winners. Large corporations would certainly benefit by funding USF entirely through a broadband assessment. In fact, the Commission's report emphasizes research showing that assessing broadband would result in a "massive $4 billion annual wealth transfer from consumers to giant companies" with a "disproportionate harm on low-income households" too. The Commission's report also rightly concludes that these outcomes would run directly contrary to the agency's universal service goals.

Put simply, the squeeze is not worth the juice when it comes to replacing the existing telecommunications assessment with one on broadband, as the Commission's report makes clear. Indeed, imposing all of these costs on broadband consumers in contravention of the federal government's work to promote affordability would not even offer the upside of providing a long-term, sustainable funding model for the Universal Service Fund. Even the backers of assessing broadband concede that it is a short-term play. Moreover, this is exactly the wrong time to entertain calls for artificially hiking the price of consumers' broadband bills through a USF assessment given the sky-high inflation numbers that Americans are already feeling. Indeed, the Commission's report concludes its discussion in this section by recommending that, in considering changes to the contribution base in the future, the Commission "take efforts to avoid raising the cost of broadband service and shifting the financial burden from corporations to consumers"—an effort that would require the Commission to refrain from assessing broadband. So it is time for those groups that have focused solely on pressing the FCC to assess broadband to head back to the drawing board and return with ideas that do not increase consumers' monthly bills for broadband as their current proposal would.

Second, I am very pleased that both the record and the Commission's report provide such broad-based support for requiring large technology companies to start contributing into the USF. Indeed, I think it is important to note that this report represents the first time that the full Commission has recognized the support that has been building for this idea. As the Commission's report determines, a diverse and wide-ranging group of commenters—including large and small industry stakeholders, consumer groups, public officials, state associations, and economists—have all determined that assessing the services offered by large technology companies would allow the FCC to broaden the contributions base in a fair and equitable manner, without harming consumers. It also tracks the proposal I laid out in my op-ed last year to boot.

The record and the Commission's report show that assessing edge provider services would drastically reduce costs for consumers. For one, the Commission's report points to a study showing that it would eliminate entirely the roughly 30% charge that consumers pay on their telecommunications bills today simply by assessing a far lower, 7% charge on Google's and Facebook's digital advertising revenues. Further, the Commission's report points to evidence in the record that it would be difficult for the assessment on these services to be passed through to consumers since prices for digital advertisements are set via auction—this is unlike the current assessment on telecommunications, which is passed through easily onto consumers' bills. Indeed, the Commission's report concludes that "not only would the contribution factor be significantly lower as described above, but the amount that consumers would pay would also be significantly lower than today—and potentially eliminated entirely if the Commission were to look solely to those revenues for contributions."

This approach would also better align with the historic construct that entities that benefit from the USF program should contribute. On this score, the Commission's report points to evidence in the record that the five largest streaming companies account for 75% of total network traffic in rural areas. Commenters argued that these companies that benefit significantly from our country's USF-supported Internet infrastructure should be required to contribute to the network.

The Commission's report rightly notes the long-term sustainability of assessing large technology companies as another important benefit of this approach. It points to a study showing that the revenue growth of digital advertising is significantly higher than that of BIAS, indicating that the contribution factor would only continue to decrease over time.

The record here is consistent with what we are hearing from policymakers on both sides of the aisle, as there is bipartisan support in Congress for assessing tech companies. For example, Senator Lujan called on Congress and the FCC to explore this concept further last year, noting that big tech companies, not consumers, should be footing the bill since big tech companies are the entities that benefit the most when more Americans are connected. Legislation has been introduced in both the House and Senate to require the FCC to study the demands on networks associated with the services offered by edge providers, with Senator Wicker stating that the FCC should consider the feasibility of assessing big tech as online platforms continue to dominate the internet landscape. And there is growing global recognition—across Europe, Asia, and South America—that big tech companies should be required to contribute a fair share to support the networks and digital divide efforts that allow them to realize unprecedented revenues.

Third and finally, to ensure we can assess a full range of services offered by large technology companies and do so on a truly fair and equitable basis, we will likely need Congress to grant the FCC additional authority. To that end, I am pleased the Commission's report includes a recommendation that Congress provide the FCC with the legislative tools needed to make changes to the contributions methodology and base in order to reduce the financial burden on consumers, to provide additional certainty for entities that will be required to make contributions, and to sustain the universal service fund and its programs over the long term. This type of additional authority would allow the Commission to start assessing the revenues of large technology companies, and I want to add my own two cents in urging Congress to pass a law that does just that. I also want to encourage all stakeholders that are interested in the long-term sustainability of the USF and its invaluable programs to echo this call for Congress to grant the Commission additional authority.

In the end, I am very pleased with the momentum that has built around the idea of requiring large technology companies to start contributing a fair share. As the Commission's report recognizes, there are a number of different ways the FCC can implement this idea in an equitable manner. And I would welcome the chance to do so.

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