

111TH CONGRESS  
2D SESSION

# H. R. 5828

To reform the universal service provisions of the Communications Act of 1934, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

JULY 22, 2010

Mr. BOUCHER (for himself and Mr. TERRY) introduced the following bill;  
which was referred to the Committee on Energy and Commerce

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## A BILL

To reform the universal service provisions of the  
Communications Act of 1934, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Universal Service Re-  
5 form Act of 2010”.

6 **SEC. 2. DEFINITIONS.**

7 (a) IN GENERAL.—Section 3(a) of the Communica-  
8 tions Act of 1934 (47 U.S.C. 153(a)) is amended—

9 (1) by adding the following new paragraphs:

1           “(53) COMMUNICATIONS SERVICE PROVIDER.—

2           The term ‘communications service provider’ means  
3           any entity that—

4                   “(A) contributes to or receives universal  
5                   service support for the most recent calendar  
6                   quarter ending before the date of enactment of  
7                   the Universal Service Reform Act of 2010;

8                   “(B) uses telephone numbers or Internet  
9                   protocol addresses, or their functional equiva-  
10                  lents or successors, to offer a service or a capa-  
11                  bility—

12                           “(i) that provides or enables real-time  
13                           2-way voice communications; and

14                           “(ii) in which the voice component is  
15                           the primary function; or

16                   “(C) offers directly to the public, or to  
17                   such classes of users as to be effectively avail-  
18                   able directly to the public, a physical trans-  
19                   mission facility, whether circuit-switched, pack-  
20                   et-switched, a leased line, or using radio fre-  
21                   quency transmissions (regardless of the form,  
22                   protocol, or statutory classification of the serv-  
23                   ice) that allows an end user to obtain access  
24                   from a particular end user location to a net-  
25                   work that permits the end user to engage in

1           electronic communications (including tele-  
2           communications) with the public.

3           “(54) HIGH-COST SUPPORT.—The term ‘high-  
4           cost support’ means high cost loop support, high  
5           cost model support, local switching support, inter-  
6           state access support, and interstate common line  
7           support, as such forms of support are described in  
8           part 54 of title 47, Code of Federal Regulations, re-  
9           spectively, as in effect on the date of enactment of  
10          the Universal Service Reform Act of 2010, or any  
11          other support or revenue recovery mechanism estab-  
12          lished by the Commission as part of the high cost  
13          fund of the universal service fund pursuant to sec-  
14          tion 254 or the Universal Service Reform Act of  
15          2010.

16          “(55) HIGH-SPEED BROADBAND SERVICE.—  
17                 “(A) DEFINITION.—The term ‘high-speed  
18                 broadband service’ means a 2-way network that  
19                 uses Internet protocol (and the associated capa-  
20                 bilities and functionalities, services, and appli-  
21                 cations provided over an Internet protocol plat-  
22                 form or for which an Internet protocol capa-  
23                 bility is an integral component) and services, fa-  
24                 cilities, equipment, or applications that enable  
25                 an end-user to receive communications in Inter-

1 net protocol format, regardless of whether the  
2 communications are voice, data, video, or any  
3 other form, at or exceeding the minimum data  
4 rate requirement established by the Commission  
5 under section 254(q).

6 “(B) INTERNET PROTOCOL.—In subpara-  
7 graph (A), the term ‘Internet protocol’ means  
8 the Transmission Control Protocol/Internet  
9 Protocol or any predecessor or successor proto-  
10 cols to such protocol.

11 “(56) MOBILE WIRELESS COMMUNICATIONS  
12 SERVICE.—The term ‘mobile wireless communica-  
13 tions service’ means a commercial mobile service (as  
14 defined in section 332(d)), except that such term  
15 shall only apply to such service as it relates to 2-way  
16 communications.

17 “(57) MOBILE WIRELESS COMMUNICATIONS  
18 SERVICE PROVIDER.—The term ‘mobile wireless  
19 communications service provider’ means a provider  
20 of a mobile wireless communications service.”; and

21 (2) by reordering paragraphs (1) through (52)  
22 of such section and the additional paragraphs added  
23 by paragraph (1) of this section in alphabetical  
24 order based on the headings of such paragraphs and  
25 renumbering such paragraphs as so reordered.

1 (b) RULE OF CONSTRUCTION.—Terms used in this  
2 Act shall have the meanings set forth in the Communica-  
3 tions Act of 1934 (47 U.S.C. 151 et seq.) unless otherwise  
4 specified.

## 5 **TITLE I—UNIVERSAL SERVICE** 6 **REFORM**

### 7 **SEC. 101. UNIVERSAL SERVICE REFORM PROCEDURES AND** 8 **PRINCIPLES.**

9 Subsections (a), (b), and (c) of section 254 of the  
10 Communications Act of 1934 (47 U.S.C. 254) are amend-  
11 ed to read as follows:

12 “(a) PROCEDURES TO REFORM UNIVERSAL SERV-  
13 ICE.—

14 “(1) FEDERAL-STATE JOINT BOARD ON UNI-  
15 VERSAL SERVICE.—

16 “(A) PROCEEDING REQUIRED.—Within 1  
17 month after the date of enactment of the Uni-  
18 versal Service Reform Act of 2010, the Com-  
19 mission shall institute and refer to the Federal-  
20 State Joint Board under section 410(c) a pro-  
21 ceeding to recommend changes to any of its  
22 regulations in order to implement section  
23 214(e) and this section (as amended by the  
24 Universal Service Reform Act of 2010), includ-  
25 ing the definition of the services that are sup-

1 ported by Federal universal service support  
2 mechanisms and a specific timetable for the  
3 completion of such recommendations.

4 “(B) ADDITIONAL MEMBER.—In addition  
5 to the members of the Joint Board required  
6 under section 410(c), 1 member of such Joint  
7 Board shall be a State-appointed utility con-  
8 sumer advocate nominated by a national organi-  
9 zation of State utility consumer advocates.

10 “(C) DEADLINE FOR JOINT BOARD.—The  
11 Joint Board shall, after notice and opportunity  
12 for public comment, make its recommendations  
13 to the Commission within 9 months after the  
14 date of enactment of the Universal Service Re-  
15 form Act of 2010.

16 “(2) COMMISSION ACTION.—

17 “(A) DEADLINE FOR COMMISSION.—The  
18 Commission shall initiate a proceeding to con-  
19 sider the recommendations from the Joint  
20 Board required by paragraph (1)(C) and shall  
21 complete such proceeding within 18 months  
22 after the date of enactment of the Universal  
23 Service Reform Act of 2010.

24 “(B) REQUIREMENT.—The rules estab-  
25 lished by such proceeding shall include a defini-

1           tion of the services that are supported by Fed-  
2           eral universal service support mechanisms and  
3           a specific timetable for implementation.

4           “(b) UNIVERSAL SERVICE PRINCIPLES.—The Joint  
5 Board and the Commission shall base policies for the pres-  
6 ervation and advancement of universal service on the fol-  
7 lowing principles:

8           “(1) QUALITY AND RATES.—Quality services  
9           should be available at just, reasonable, and afford-  
10          able rates.

11          “(2) ACCESS TO ADVANCED SERVICES.—Access  
12          to advanced telecommunications and information  
13          services should be provided in all regions of the Na-  
14          tion.

15          “(3) ACCESS IN RURAL, INSULAR, OR HIGH  
16          COST AREAS.—Consumers in all regions of the Na-  
17          tion, including low-income consumers and those in  
18          rural, insular, or high cost areas, should have access  
19          to the services the Commission determines to be uni-  
20          versal services in accordance with subsection (c), in-  
21          cluding interexchange services and advanced tele-  
22          communications and information services, that are  
23          reasonably comparable to those services provided in  
24          urban areas and that are available at rates that are

1 reasonably comparable to rates charged for similar  
2 services in urban areas.

3 “(4) COMPARABLE TREATMENT OF COMMU-  
4 NICATIONS SERVICE PROVIDERS.—

5 “(A) EQUITABLE AND NONDISCRIM-  
6 INATORY CONTRIBUTIONS.—All communications  
7 service providers should make equitable and  
8 nondiscriminatory contributions to the preserva-  
9 tion and advancement of universal service.

10 “(B) COMPETITIVE NEUTRALITY.—Federal  
11 and State mechanisms to preserve and advance  
12 universal service should be competitively neutral  
13 such that those mechanisms neither unfairly ad-  
14 vantage nor disadvantage one communications  
15 service provider over another and neither un-  
16 fairly favor nor disfavor one technology over an-  
17 other.

18 “(5) EXPLICIT, SPECIFIC, AND PREDICTABLE  
19 SUPPORT MECHANISMS.—There should be explicit,  
20 specific, predictable, and sufficient Federal and  
21 State mechanisms to preserve and advance universal  
22 service.

23 “(6) ACCESS TO ADVANCED TELECOMMUNI-  
24 CATIONS SERVICES FOR SCHOOLS, HEALTH CARE,  
25 AND LIBRARIES.—Elementary and secondary schools

1 and classrooms, health care providers, and libraries  
2 should have access to advanced telecommunications  
3 services as described in subsection (h).

4 “(7) ADDITIONAL PRINCIPLES.—Such other  
5 principles as the Joint Board and the Commission  
6 determine are necessary and appropriate for the pro-  
7 tection of the public interest, convenience, and ne-  
8 cessity and are consistent with this Act.

9 “(c) DEFINITION.—

10 “(1) IN GENERAL.—Universal service includes  
11 the services defined on the day before the date of en-  
12 actment of the Universal Service Reform Act of  
13 2010 as universal services, as modified by the Com-  
14 mission as necessary to implement the provisions of  
15 such Act, high-speed broadband service, and an  
16 evolving level of telecommunications and information  
17 services that the Commission shall establish periodi-  
18 cally under this section, taking into account ad-  
19 vances in telecommunications and information tech-  
20 nologies and services.

21 “(2) ALTERATIONS AND MODIFICATIONS.—The  
22 Joint Board shall consider whether to recommend to  
23 the Commission modifications in the definition of  
24 the services that are supported by Federal universal

1 service support mechanisms not less than once every  
2 5 years.

3 “(3) CONSIDERATIONS.—The Joint Board in  
4 recommending, and the Commission in establishing,  
5 the definition of the services that are supported by  
6 Federal universal service support mechanisms shall  
7 consider the extent to which such services—

8 “(A) are essential to education, public  
9 health, or public safety;

10 “(B) have, through the operation of mar-  
11 ket choices by customers, been subscribed to by  
12 a substantial majority of residential customers;

13 “(C) are being deployed in public tele-  
14 communications networks by communications  
15 service providers; and

16 “(D) are consistent with the public inter-  
17 est, convenience, and necessity.

18 “(4) SPECIAL SERVICES.—In addition to the  
19 services included in the definition of universal serv-  
20 ice under paragraph (1), the Commission may des-  
21 ignate additional services for such support mecha-  
22 nisms for schools, libraries, and health care pro-  
23 viders for the purposes of subsection (h).

24 “(5) HIGH-SPEED BROADBAND SERVICE.—The  
25 definition of universal service shall not be construed

1 to exclude eligible communications service providers  
2 from using universal service funding for the provi-  
3 sion, maintenance, and upgrading of high-speed  
4 broadband service.”.

5 **SEC. 102. UNIVERSAL SERVICE SUPPORT CONTRIBUTIONS.**

6 (a) IN GENERAL.—Section 254(d) of the Commu-  
7 nications Act of 1934 (47 U.S.C. 254(d)) is amended to  
8 read as follows:

9 “(d) UNIVERSAL SERVICE SUPPORT CONTRIBU-  
10 TIONS.—

11 “(1) CALCULATING UNIVERSAL SERVICE SUP-  
12 PORT CONTRIBUTIONS.—

13 “(A) IN GENERAL.—

14 “(i) EQUITABLE.—To preserve and  
15 advance universal service in accordance  
16 with the principles in subsection (b), the  
17 Commission shall assess contributions to  
18 universal service support mechanisms from  
19 communications service providers in a  
20 manner that is equitable, competitively  
21 neutral, nondiscriminatory, and ensures  
22 that communications service providers are  
23 subject to similar obligations.

24 “(ii) METHODOLOGY.—The Commis-  
25 sion may employ any methodology to as-

1           sess such contributions, including a meth-  
2           odology based on—

3                   “(I) revenues derived from the  
4                   provision of intrastate, interstate, and  
5                   foreign telecommunications services  
6                   and information services by commu-  
7                   nications service providers;

8                   “(II) working telephone numbers  
9                   used by communications service pro-  
10                  viders; or

11                  “(III) any other current or suc-  
12                  cessor identifier protocols or connec-  
13                  tions to the network used by commu-  
14                  nications service providers.

15                  “(B) USE OF MORE THAN ONE METHOD-  
16                  ODOLOGY.—If no one methodology designated  
17                  under subparagraph (A)(ii) effectuates the prin-  
18                  ciples described in this Act, the Commission  
19                  may employ a combination of any such meth-  
20                  odologies.

21                  “(C) LOW VOLUME EXCEPTION.—The  
22                  Commission shall not materially increase the  
23                  contributions of communications service pro-  
24                  viders whose customers typically make a low  
25                  volume of calls on a monthly basis.

1           “(D) DE MINIMIS EXCEPTION.—The Com-  
2 mission may exempt a communications service  
3 provider from the requirements of this sub-  
4 section if the amount of telecommunications  
5 services and information services provided by  
6 such provider are limited to such an extent that  
7 the level of contributions of such provider to the  
8 preservation and advancement of universal serv-  
9 ice would be de minimis.

10           “(E) GROUP PLAN EXCEPTION.—If the  
11 Commission uses a methodology under subpara-  
12 graph (A)(ii) based in whole or in part on work-  
13 ing telephone numbers, it may provide a dis-  
14 count for additional numbers provided under a  
15 group or family pricing plan for residential cus-  
16 tomers provided in one bill.

17           “(F) DISCRETIONARY AUTHORITY.—If the  
18 Commission determines that it is in the public  
19 interest, any provider of a telecommunications  
20 service or an information service may be re-  
21 quired to contribute to the preservation and ad-  
22 vancement of universal service.

23           “(2) REPORTS.—

24           “(A) IN GENERAL.—The Commission shall  
25 establish annual reporting requirements for all

1 entities contributing to universal service support  
2 mechanisms or receiving universal service sup-  
3 port.

4 “(B) NEUTRAL.—The reporting require-  
5 ments shall not impose unnecessary burdens  
6 and shall be neutral with respect to technology  
7 and provider.

8 “(C) REVIEW.—The Commission shall pe-  
9 riodically review the reporting requirements to  
10 ensure that such requirements provide adequate  
11 information to ensure that universal service  
12 support is being used for the provision, mainte-  
13 nance, and upgrading of the facilities for which  
14 such support is intended.

15 “(3) UNIVERSAL SERVICE SUPPORT CONTRIBU-  
16 TION LIMITS.—In repurposing universal service sup-  
17 port to ensure that all people in the United States  
18 have access to voice service and high-speed  
19 broadband service, the Commission shall not unrea-  
20 sonably increase the contribution burden on con-  
21 sumers.”.

22 (b) STUDY OF CONTRIBUTION METHODOLOGIES.—

23 (1) IN GENERAL.—Not later than 270 days  
24 after the date of enactment of this Act, the Federal  
25 Communications Commission shall complete a study,

1 including a cost-benefit analysis, of using a system  
2 based on working telephone numbers or revenues for  
3 calculating contributions by communications service  
4 providers to universal service support mechanisms.

5 (2) REPORT.—Not later than 1 year after the  
6 date of enactment of this Act, the Federal Commu-  
7 nications Commission shall transmit to the Com-  
8 mittee on Energy and Commerce of the House of  
9 Representatives and the Committee on Commerce,  
10 Science, and Transportation of the Senate a report  
11 on the study conducted under paragraph (1).

12 **SEC. 103. UNIVERSAL SERVICE SUPPORT DISTRIBUTION.**

13 Section 254(e) of the Communications Act of 1934  
14 (47 U.S.C. 254(e)) is amended to read as follows:

15 “(e) DISTRIBUTION AND USE OF UNIVERSAL SERV-  
16 ICE SUPPORT.—

17 “(1) IN GENERAL.—

18 “(A) ELIGIBILITY.—Only a communica-  
19 tions service provider designated as an eligible  
20 communications service provider under section  
21 214(e) shall be eligible to receive specific Fed-  
22 eral universal service support.

23 “(B) USE RESTRICTION.—An eligible com-  
24 munications service provider that receives such  
25 support shall use that support only for the pro-

1 vision, maintenance, and upgrading of facilities  
2 and facilities-based services for which the sup-  
3 port is intended.

4 “(C) EXPLICIT AND SUFFICIENT.—Any  
5 such support shall be explicit and sufficient to  
6 achieve the purposes of this section.

7 “(2) USE OF HIGH-COST SUPPORT.—The use of  
8 high-cost support for all rural, insular, or high cost  
9 areas—

10 “(A) shall be expanded to include high-  
11 speed broadband service and any other service  
12 that is determined to be a universal service by  
13 the Commission under subsection (c); and

14 “(B) shall be available to eligible commu-  
15 nications service providers designated under  
16 section 214(e), but, until such time as the Com-  
17 mission implements the new cost model re-  
18 quired by paragraph (3), an eligible commu-  
19 nications service provider that is also an incum-  
20 bent local exchange carrier may elect to have  
21 the Commission calculate the amount of high-  
22 cost support payable to such provider pursuant  
23 to part 54 of title 47, Code of Federal Regula-  
24 tions, as in effect on the date of enactment of  
25 the Universal Service Reform Act of 2010.

1           “(3) CALCULATING HIGH-COST SUPPORT FOR  
2 ELIGIBLE COMMUNICATIONS SERVICE PROVIDERS  
3 PROVIDING SERVICE IN RURAL, INSULAR, OR HIGH  
4 COST AREAS.—

5           “(A) CALCULATING HIGH-COST SUP-  
6 PORT.—

7           “(i) DEVELOPMENT OF COST  
8 MODEL.—Within 2 years after the date of  
9 enactment of the Universal Service Reform  
10 Act of 2010, the Commission shall develop  
11 a new cost model for the provision of high-  
12 cost support to eligible communications  
13 service providers to provide universal serv-  
14 ice in rural, insular, and high cost areas,  
15 taking into account the cost to eligible  
16 communications service providers of pro-  
17 viding voice service and high-speed  
18 broadband service.

19           “(ii) INCLUSIVE.—The new cost  
20 model shall determine the cost of providing  
21 voice service and high-speed broadband  
22 service both on the basis of wire centers  
23 and study areas.

24           “(iii) DATA RATE REQUIREMENTS.—  
25 The Commission shall require eligible com-

1           communications service providers to meet the  
2           minimum data rate requirements estab-  
3           lished pursuant to subsection (q) no earlier  
4           than 3 years after support is initially dis-  
5           bursed pursuant to the new cost model.

6           “(iv) MAXIMIZATION OF ACCESS.—In  
7           developing the new cost model, the Com-  
8           mission shall ensure that the new cost  
9           model results in the maximum number of  
10          households that do not have access to high-  
11          speed broadband service as of the date of  
12          enactment of the Universal Service Reform  
13          Act of 2010 obtaining such access as  
14          quickly as possible.

15          “(v) RATE OF RETURN REGULA-  
16          TION.—In developing the new cost model,  
17          the Commission shall develop and imple-  
18          ment a mechanism that maintains rate-of-  
19          return regulation for the distribution of  
20          high-cost support to an eligible commu-  
21          nications service provider subject to rate-  
22          of-return regulation as of the date of en-  
23          actment of the Universal Service Reform  
24          Act of 2010.

1           “(B) CONSIDERATION.—In determining  
2           the appropriate level of high-cost support for el-  
3           igible communications service providers, the  
4           Commission may consider the net revenues de-  
5           rived by such providers from the provision of  
6           any services, including telecommunications serv-  
7           ice, high-speed broadband service, and multi-  
8           channel video programming service that are of-  
9           fered in a service area over infrastructures re-  
10          ceiving high-cost support.

11          “(C) MODEL FOR ELIGIBLE COMMUNICA-  
12          TIONS SERVICE PROVIDERS OTHER THAN  
13          RURAL LECS.—The Commission shall require  
14          all eligible communications service providers  
15          other than rural local exchange carriers to use  
16          the wire center results of the new cost model  
17          within 120 days after the Commission com-  
18          pletes the revisions required by subparagraph  
19          (A).

20          “(D) RURAL LECS.—

21                 “(i) IN GENERAL.—Except as pro-  
22                 vided in clause (ii), the Commission shall  
23                 require all rural local exchange carriers to  
24                 use the study area results of the new cost  
25                 model within 120 days after the Commis-

1                   sion completes the revisions required by  
2                   subparagraph (A).

3                   “(ii) EXCEPTION.—

4                   “(I) ELECTION.—Within 120  
5                   days after the Commission completes  
6                   the revisions required by subpara-  
7                   graph (A), any rural local exchange  
8                   carrier may make a one-time perma-  
9                   nent election to have the Commission  
10                  calculate the amount of high-cost sup-  
11                  port payable to such provider based  
12                  on the wire center results of the new  
13                  cost model instead of the study area  
14                  results of the new cost model.

15                  “(II) REVIEW.—The Commission  
16                  shall review and approve the transi-  
17                  tion to the wire center results of the  
18                  new cost model for any such provider  
19                  within 120 days after receiving notice  
20                  of such election.

21                  “(E) LIMITATION ON HIGH-COST SUP-  
22                  PORT.—High-cost support provided to an in-  
23                  cumbent local exchange carrier in accordance  
24                  with the new cost model shall be in lieu of any  
25                  Federal high-cost support mechanisms to which

1 the carrier was entitled on the day before the  
2 date on which the Commission implements the  
3 new cost model under subparagraph (A)(i).

4 “(F) PROCESS FOR REDUCTION OF SUP-  
5 PORT FOR ILECS.—

6 “(i) IN GENERAL.—

7 “(I) REQUIREMENT.—Within 1  
8 year after the Commission completes  
9 the new cost model required by sub-  
10 paragraph (A), the Commission shall  
11 develop and implement a recurring  
12 mechanism for reducing or elimi-  
13 nating the high-cost support provided  
14 to an incumbent local exchange car-  
15 rier in the competitive portions of the  
16 incumbent local exchange carrier’s  
17 service areas and shall reduce or  
18 eliminate high-cost support in such  
19 areas.

20 “(II) INVESTMENT COSTS.—

21 When an incumbent local exchange  
22 carrier has invested to fulfill the re-  
23 quirements of subparagraphs (A)  
24 through (E) of section 214(e)(1) in  
25 the portion of a service area that is

1 subsequently found to be competitive,  
2 the Commission may, in recalculating  
3 the amount of per-line high-cost sup-  
4 port provided to such carrier for the  
5 non-competitive portions of such serv-  
6 ice area, consider an appropriate am-  
7 ortization schedule for costs incurred  
8 to satisfy the buildout requirements in  
9 the areas that were previously deter-  
10 mined pursuant to subclause (III) not  
11 to be competitive.

12 “(III) DEFINITION.—For pur-  
13 poses of this subparagraph, in a serv-  
14 ice area (as defined in section 214) in  
15 which the Commission determines  
16 that at least 75 percent of the house-  
17 holds can purchase wireline voice serv-  
18 ice and wired high-speed broadband  
19 service from an unsupported, facili-  
20 ties-based, non-incumbent provider, a  
21 competitive portion of a service area  
22 shall be that portion of a service area  
23 where households can purchase  
24 wireline voice service and wired high-

1 speed broadband service from such  
2 provider.

3 “(ii) RECALCULATION.—

4 “(I) IN GENERAL.—Such mecha-  
5 nism shall also include a methodology  
6 for recalculating, in a service area in  
7 which the Commission has determined  
8 that there is a competitive portion,  
9 the amount of per-line high-cost sup-  
10 port provided to an eligible commu-  
11 nications service provider for the non-  
12 competitive portions of such service  
13 area to ensure comparable rates for  
14 supported services in both the com-  
15 petitive and non-competitive portions  
16 of the service area.

17 “(II) CONSIDERATIONS.—In de-  
18 veloping such methodology, the Com-  
19 mission may consider the net revenues  
20 derived by such providers from the  
21 provision of any services, including  
22 telecommunications service, high-  
23 speed broadband service, and multi-  
24 channel video programming service  
25 that are offered in a service area over

1           infrastructures receiving high-cost  
2           support, except that the total amount  
3           of high-cost support the incumbent  
4           local exchange carrier receives for the  
5           entire service area after applying such  
6           methodology shall be no greater than  
7           the total amount of high-cost support  
8           the incumbent local exchange carrier  
9           received with respect to the service  
10          area on the day before such method-  
11          ology was applied.

12           “(iii) REQUIREMENTS.—The Commis-  
13          sion shall also ensure that each unsup-  
14          ported, facilities-based non-incumbent pro-  
15          vider in the competitive portion of each  
16          service area that such non-incumbent pro-  
17          vider is authorized to serve and that is de-  
18          termined by the Commission to be competi-  
19          tive shall—

20                   “(I) provide basic voice service of  
21                   standard quality and high-speed  
22                   broadband service to any requesting  
23                   residential customer in such area and  
24                   be able to provide such service upon  
25                   request, except that such provider

1 may impose, subject to rules adopted  
2 by the Commission—

3 “(aa) reasonable require-  
4 ments for creditworthiness, such  
5 as requiring a security deposit;  
6 and

7 “(bb) a just and reasonable  
8 line extension charge to provide  
9 service to any such customer  
10 whose premises are located be-  
11 yond a standard distance from  
12 the provider’s infrastructure;

13 “(II) provide residential cus-  
14 tomers with the option to subscribe to  
15 basic voice service on a stand-alone  
16 basis without any term commitment  
17 nor any penalty for early termination  
18 of the subscription;

19 “(III) provide toll limitation (as  
20 defined in section 54.400(d) of title  
21 47, Code of Federal Regulations, as of  
22 the date of enactment of the Universal  
23 Service Reform Act of 2010) if the  
24 provider offers basic voice service that  
25 does not include unlimited local and

1 domestic interexchange calling for a  
2 flat monthly rate;

3 “(IV) offer access to tele-  
4 communications relay services in ac-  
5 cordance with Commission require-  
6 ments; and

7 “(V) comply with Commission re-  
8 quirements regarding—

9 “(aa) appropriate notice and  
10 approval before discontinuing  
11 service;

12 “(bb) emergency prepared-  
13 ness and network outages; and

14 “(cc) the provision of 911  
15 and E911 service.

16 “(iv) LIMITATION.—A State may not  
17 impose or enforce any carrier-of-last-resort  
18 requirements on any unsupported, facili-  
19 ties-based non-incumbent provider in a  
20 service area that the Commission has de-  
21 termined is competitive.

22 “(G) TRIBAL LANDS.—

23 “(i) IN GENERAL.—Notwithstanding  
24 any other provision of this paragraph, the  
25 Commission shall not reduce high-cost sup-

1 port for tribal lands under section  
2 54.400(e) of title 47, Code of Federal Reg-  
3 ulations, unless the Commission makes an  
4 affirmative finding that such reductions  
5 are in the public interest.

6 “(ii) REQUIREMENTS FOR FINDING.—

7 In making a finding under clause (i), the  
8 Commission shall consider whether resi-  
9 dents of such tribal lands have access to  
10 the services the Commission determines to  
11 be universal services in accordance with  
12 subsection (c), including interexchange  
13 services and advanced telecommunications  
14 and information services, that are reason-  
15 ably comparable to those services provided  
16 in urban areas and that are available at  
17 rates that are reasonably comparable to  
18 rates charged for similar services in urban  
19 areas, consistent with subsection (b)(3).

20 “(H) HOLD HARMLESS.—

21 “(i) IN GENERAL.—The Commission  
22 shall ensure that, for 1 year after the  
23 Commission implements the new cost  
24 model under subparagraph (A)(i), no in-  
25 cumbent local exchange carrier receives

1 less high-cost support in a service area  
2 than the incumbent local exchange carrier  
3 was receiving in high-cost support in such  
4 area on the day before the Commission im-  
5 plements such new cost model.

6 “(ii) DETERMINATION.—The Commis-  
7 sion shall determine the difference between  
8 the amount an incumbent local exchange  
9 carrier was receiving in high-cost support  
10 on the day before the Commission imple-  
11 ments such new cost model and the  
12 amount that such incumbent local ex-  
13 change carrier would receive after the  
14 Commission implements such new cost  
15 model and shall, beginning in the fifth  
16 quarter that begins after the Commission  
17 implements such new cost model, reduce  
18 the amount of such difference in equal in-  
19 crements over a 5-year period such that  
20 the amount of the difference has been re-  
21 duced to zero at the end of such period.”.

22 **SEC. 104. ELIGIBLE RECIPIENTS OF UNIVERSAL SERVICE**  
23 **SUPPORT.**

24 (a) AMENDMENT.—Section 214(e) of the Commu-  
25 nications Act of 1934 (47 U.S.C. 214(e)) is amended—

1 (1) in paragraph (1)—

2 (A) by striking “ELIGIBLE TELECOMMUNI-  
3 CATIONS CARRIERS.—A common carrier” and  
4 all that follows through “paragraph (2), (3), or  
5 (6)” and inserting the following: “ELIGIBLE  
6 COMMUNICATIONS SERVICE PROVIDER.—A com-  
7 munications service provider designated as an  
8 eligible communications service provider under  
9 paragraph (2), (3), (6), or (8)”;

10 (B) by striking “throughout the service  
11 area for which” and inserting “throughout the  
12 portions of a service area that the Commission  
13 has not determined are competitive, where the  
14 eligible communications service provider accepts  
15 support, and for which”;

16 (C) in subparagraph (A),

17 (i) by striking “services that are” and  
18 inserting “services, except for high-speed  
19 broadband service, that are”; and

20 (ii) by striking “; and” and inserting  
21 the following: “and adhere to the State  
22 carrier-of-last-resort requirements that are  
23 imposed on incumbent local exchange car-  
24 riers serving such service area;”;

1 (D) in subparagraph (B), by striking the  
2 period at the end and inserting the following:  
3 “throughout the service area and advertise the  
4 availability of life-line and link-up services in a  
5 manner reasonably designed to reach those like-  
6 ly to qualify for those services;” and

7 (E) by adding at the end the following:

8 “(C) demonstrate the ability to remain  
9 functional in emergency situations;

10 “(D) comply with applicable State and  
11 Federal consumer protection and service quality  
12 standards; and

13 “(E) notwithstanding subparagraph (A), in  
14 an area where an eligible communications serv-  
15 ice provider elects to receive high-cost support  
16 and high-speed broadband service is not other-  
17 wise available, meet the basic requirements for  
18 the deployment of high-speed broadband service  
19 and provide high-speed broadband service either  
20 itself or through resale of another provider’s  
21 services, including, for purposes of this sub-  
22 paragraph only, the resale of satellite  
23 broadband service, except that the Commission  
24 shall establish a process in which—

1           “(i) a determination can be made to  
2 waive the requirements of this subpara-  
3 graph for 3 years upon a communications  
4 service provider’s application covering all  
5 or part of such communications service  
6 provider’s service area demonstrating that  
7 the deployment and provision of high-speed  
8 broadband service is not technically fea-  
9 sible or would materially impair the com-  
10 munications service provider’s ability to  
11 continue to provide local exchange service  
12 throughout its service area, except that a  
13 waiver shall be deemed automatically  
14 granted under this clause for a commu-  
15 nications service provider demonstrating  
16 that the cost per line of deploying and pro-  
17 viding high-speed broadband service to  
18 unserved high cost portions of its service  
19 area is at least 3 times the national aver-  
20 age cost per line of providing high-speed  
21 broadband service or demonstrating that  
22 there is insufficient satellite capacity to  
23 meet the requirements to provide high-  
24 speed broadband service, subject to the re-  
25 newal provisions set forth in clause (ii);

1           “(ii) the communications service pro-  
2           vider may seek renewal of such waiver  
3           every 3 years for as long as the deploy-  
4           ment and provision of high-speed  
5           broadband service is not technically fea-  
6           sible or would materially impair the com-  
7           munications service provider’s ability to  
8           continue to provide local exchange service  
9           throughout its service area or the cost per  
10          line of deploying and providing high-speed  
11          broadband service to unserved high cost  
12          portions of its service area remains at least  
13          3 times the national average cost per line  
14          of providing high-speed broadband service  
15          or there continues to be insufficient sat-  
16          ellite capacity to meet the requirements to  
17          provide high-speed broadband service; and

18                   “(iii) any application of a communica-  
19          tions service provider for a waiver pursu-  
20          ant to clause (i) on which the Commission  
21          has not taken final action within 60 days  
22          after the date of submission to the Com-  
23          mission shall be deemed granted.”;

24                   (2) by amending paragraphs (2) through (4) to  
25          read as follows:

1           “(2) ELIGIBILITY CRITERIA.—

2                   “(A) IN GENERAL.—In addition to the cri-  
3           teria specified in paragraph (1), the Commis-  
4           sion shall establish such additional eligibility  
5           criteria for the receipt of universal service sup-  
6           port by eligible communications service pro-  
7           viders as it deems necessary and in the public  
8           interest. The criteria established in paragraph  
9           (1) and the criteria established by the Commis-  
10          sion pursuant to this paragraph shall be used  
11          by State commissions in determining which pro-  
12          viders shall be designated as eligible recipients  
13          of universal service support for the purpose of  
14          paragraph (3).

15                   “(B) ADDITIONAL DESIGNATION.—The  
16          Commission may establish a life-line service  
17          provider designation that is not subject to the  
18          eligibility requirements in paragraph (1) or the  
19          eligibility criteria established in subparagraph  
20          (A).

21                   “(3) DESIGNATION OF ELIGIBLE RECIPIENTS.—  
22          A State commission shall, upon its own motion or  
23          upon request, designate as an eligible recipient of  
24          universal service support only those providers meet-  
25          ing the requirements of paragraphs (1) and (2).

1 “(4) GRANDFATHER PROVISION.—

2 “(A) ELIGIBILITY REQUIREMENTS.—A  
3 communications service provider who was a re-  
4 cipient of high-cost support in any service area  
5 prior to the date of enactment of the Universal  
6 Service Reform Act of 2010 shall, for those  
7 areas where high-cost support provided by sec-  
8 tion 254(e)(3) is available and the communica-  
9 tions service provider elects to receive such sup-  
10 port, meet the eligibility requirements for an el-  
11 igible communications service provider—

12 “(i) as described in paragraphs (1)(A)  
13 through (D), within 1 year after the date  
14 of enactment of the Universal Service Re-  
15 form Act of 2010; and

16 “(ii) as described in paragraph  
17 (1)(E), within 5 years after such date of  
18 enactment.

19 “(B) FAILURE TO MEET REQUIRE-  
20 MENTS.—Failure of such recipient to maintain  
21 and meet the eligibility requirements within the  
22 period required by subparagraph (A) shall re-  
23 quire the automatic termination of specific Fed-  
24 eral universal service support to such recipient,  
25 and such recipient shall simultaneously be re-

1           lied of its obligation under this section, except  
2           as described in subparagraph (E).

3           “(C) PARTIAL COMPLIANCE.—

4                   “(i) IN GENERAL.—Such recipient is  
5                   permitted to maintain and meet the eligi-  
6                   bility requirements in part of its service  
7                   territory and is eligible to continue to re-  
8                   ceive specific Federal universal service sup-  
9                   port in those service areas within its serv-  
10                  ice territory in which it meets the eligibility  
11                  requirements.

12                  “(ii) DEFINITION.—For the purposes  
13                  of clause (i), the term ‘service territory’  
14                  means all of the service areas in which the  
15                  communications service provider is offer-  
16                  ing, or is designated by the Commission or  
17                  by a State commission to offer, services  
18                  that are supported by Federal universal  
19                  service support mechanisms.

20                  “(D) RULE OF CONSTRUCTION.—Nothing  
21                  in this paragraph shall be construed to prohibit  
22                  such recipient from obtaining a waiver under  
23                  paragraph (1)(E).

24                  “(E) LIFE-LINE AND LINK-UP EXCEP-  
25                  TION.—A recipient of universal service support

1 in any service area prior to the date of enact-  
2 ment of the Universal Service Reform Act of  
3 2010 that relinquishes its eligible telecommuni-  
4 cations carrier or eligible communications serv-  
5 ice provider designation shall continue to offer  
6 and receive support for providing life-line and  
7 link-up service to its subscribers throughout its  
8 service area unless another provider is des-  
9 ignated as an eligible communications service  
10 provider or a life-line service provider in all or  
11 part of that service area.”;

12 (3) in paragraph (6)—

13 (A) in the heading, by striking “COMMON  
14 CARRIERS” and inserting “COMMUNICATIONS  
15 SERVICE PROVIDERS”;

16 (B) by striking “common carrier” each  
17 place it appears and inserting “communications  
18 service provider”;

19 (C) by striking “eligible telecommuni-  
20 cations carrier” each place it appears and in-  
21 serting “eligible communications service pro-  
22 vider”; and

23 (D) by striking “carrier” and inserting  
24 “provider”; and

25 (4) by adding at the end the following:

1           “(7) AMOUNT OF SPECIFIC FEDERAL UNI-  
2           VERSAL SERVICE SUPPORT AVAILABLE TO MOBILE  
3           WIRELESS COMMUNICATIONS SERVICE PROVIDERS.—

4                   “(A) IN GENERAL.—The Commission shall  
5           establish the amount of high-cost support to be  
6           distributed to all mobile wireless communica-  
7           tions service providers designated as eligible  
8           communications service providers under this  
9           subsection through a competitive bidding proc-  
10          ess established by the Commission.

11                   “(B) LIMITATION.—The amount of such  
12          high-cost support available to be distributed an-  
13          nually to mobile wireless communications serv-  
14          ice providers shall not exceed the amount of  
15          high-cost support received by all mobile wireless  
16          communications service providers for rural, in-  
17          sular, or high cost areas in the last full cal-  
18          endar year immediately preceding the date of  
19          enactment of the Universal Service Reform Act  
20          of 2010.

21                   “(8) COMPETITIVE BIDDING.—Within 1 year  
22          after the date of enactment of the Universal Service  
23          Reform Act of 2010, the Commission shall adopt a  
24          competitive bidding process for mobile wireless com-  
25          munications service providers to provide service to

1 rural, insular, or high cost areas that incorporates  
2 the following:

3 “(A) To participate in the competitive bid-  
4 ding process, a mobile wireless communications  
5 service provider shall—

6 “(i) be designated as an eligible com-  
7 munications service provider under this  
8 subsection or commit to immediately seek-  
9 ing such designation under this subsection  
10 if the Commission selects its bid; and

11 “(ii) establish that it is legally, tech-  
12 nically, financially, and otherwise qualified  
13 to serve a rural, insular, or high cost area.

14 “(B) The Commission shall determine  
15 whether a mobile wireless communications serv-  
16 ice provider is legally, technically, financially,  
17 and otherwise qualified to serve a rural, insular,  
18 or high cost area in approximately the same  
19 manner as the Commission uses to qualify par-  
20 ticipants for the Commission’s wireless spec-  
21 trum auctions.

22 “(C) The Commission shall seek competi-  
23 tive bids to provide mobile wireless communica-  
24 tions service in rural, insular, or high cost areas  
25 where there are at least 3 mobile wireless com-

1           communications service providers qualified to bid.  
2           In rural, insular, or high cost areas where there  
3           are not at least 3 mobile wireless communica-  
4           tions service providers qualified to bid, the  
5           Commission shall continue to provide support  
6           at the per-line level in effect as of the day be-  
7           fore the date of enactment of the Universal  
8           Service Reform Act of 2010, subject to adjust-  
9           ment over time pursuant to the interim cap on  
10          support to competitive eligible telecommuni-  
11          cations carriers adopted by the Commission  
12          prior to such date of enactment.

13                 “(D) Prior to soliciting competitive bids,  
14           the Commission shall issue a request for pro-  
15           posals identifying the area a winning bidder  
16           must serve and the minimum requirements for  
17           serving such area. In determining the appro-  
18           priate service area for competitive bidding, the  
19           Commission shall take into account existing  
20           service areas for providing mobile wireless com-  
21           munications service, including the areas where  
22           mobile wireless communications service pro-  
23           viders are licensed to provide service.

24                 “(E) No more than 2 mobile wireless com-  
25           munications service providers shall be selected

1 by the Commission to receive high-cost support  
2 in each service area based on the Commission’s  
3 evaluation of the competitive bids received for  
4 each service area. In evaluating competitive bids  
5 received for each service area, the amount of  
6 the bid and the minimum broadband speeds  
7 proposed by each mobile wireless communica-  
8 tions service provider shall be primary factors  
9 in selecting a winning bid, but the Commission  
10 may take into account other factors, including  
11 timing of service buildout.

12 “(F) When awarding bids to mobile wire-  
13 less communications service providers, the Com-  
14 mission shall prioritize funding as follows:

15 “(i) First, to service areas where no  
16 mobile wireless communications service  
17 provider offers voice service.

18 “(ii) Second, to service areas where no  
19 mobile wireless communications service  
20 provider offers high-speed broadband serv-  
21 ice.

22 “(iii) Third, to all other service areas.

23 “(G) If the Commission selects a bid from  
24 a mobile wireless communications service pro-  
25 vider that has not been designated as an eligible

1           communications service provider in that service  
2           area, the mobile wireless communications serv-  
3           ice provider shall apply for such designation  
4           within 1 month after the date the Commission  
5           selects its bid. The Commission or applicable  
6           State commission shall act on such application  
7           within 6 months after the date of its receipt.

8           “(H) Each mobile wireless communications  
9           service provider selected as a Federal universal  
10          service provider for a service area shall receive  
11          high-cost support based on each mobile wireless  
12          communications service provider’s respective bid  
13          for a multi-year period, up to 10 years, as de-  
14          termined by the Commission to be appropriate,  
15          after which time the area shall be rebid.

16          “(I) If high-cost support is made available  
17          to a second mobile wireless communications  
18          service provider in an area that is subject to  
19          competitive bidding, the amount of such sup-  
20          port shall be based on that mobile wireless com-  
21          munications service provider’s bid and shall be  
22          no more than the amount of high-cost support  
23          awarded by the Commission to the first mobile  
24          wireless communications service provider in  
25          such area.

1           “(J) Each mobile wireless communications  
2 service provider that is selected to serve each  
3 service area shall execute a service contract  
4 with the Commission.

5           “(K) The Commission shall provide for a  
6 transition to competitive bidding from the cur-  
7 rent system of high-cost support for wireless  
8 providers that shall last no longer than 3 years  
9 after the date of enactment of the Universal  
10 Service Reform Act of 2010. As of the date the  
11 Commission implements competitive bidding,  
12 provider-specific Federal universal service ad-  
13 justments to wireless support imposed by the  
14 Commission in effect as of the date of enact-  
15 ment of the Universal Service Reform Act of  
16 2010 shall also be superseded.”.

17       (b) DEFINITIONS.—Paragraph (5) of section 214(e)  
18 is amended to read as follows:

19           “(5) SERVICE AREA DEFINED.—As used in this  
20 subsection, the term ‘service area’ means a targeted  
21 geographic area determined by the Commission as  
22 requiring universal service support and used by the  
23 Commission for the purpose of determining universal  
24 service obligations and support mechanisms for eligi-  
25 ble communications service providers except that an

1 eligible communications service provider's service  
2 area shall not include geographic areas that the pro-  
3 vider is not authorized to serve. In the case of an  
4 area served by a rural local exchange carrier, such  
5 term means such carrier's 'study area' or the li-  
6 censed or authorized service area of any other com-  
7 munications service provider serving an area that  
8 overlaps with the service area of a rural local ex-  
9 change carrier.”.

10 (c) PAYPHONE SERVICE.—Nothing in this Act or in  
11 the amendments made by this Act shall limit the authority  
12 of the Joint Board established under section 254 of the  
13 Communications Act of 1934 (47 U.S.C. 254) to rec-  
14 ommend or of the Federal Communications Commission  
15 to define payphone service as a service supported by Fed-  
16 eral universal service support mechanisms under such sec-  
17 tion as such authority existed on the day before the date  
18 of enactment of this Act.

19 **SEC. 105. REMOVAL OF IMPEDIMENTS TO SUFFICIENT SUP-**  
20 **PORT MECHANISMS.**

21 Section 254 of the Communications Act of 1934 (47  
22 U.S.C. 254) is further amended by adding at the end the  
23 following new subsection:

24 “(m) REMOVAL OF LIMITATIONS ON UNIVERSAL  
25 SUPPORT MECHANISMS.—The limitations on universal

1 service support contained in section 54.305 of the Com-  
2 mission’s regulations (47 CFR 54.305) and the individual  
3 caps imposed upon carriers contained in section 36.631  
4 of the Commission’s regulations (47 CFR 36.631) shall  
5 cease to be effective on the date of enactment of the Uni-  
6 versal Service Reform Act of 2010.”.

7 **SEC. 106. SCOPE OF SUPPORT.**

8 Section 254 of the Communications Act of 1934 (47  
9 U.S.C. 254) is further amended by adding after subsection  
10 (m), as added by section 105 of this Act, the following  
11 new subsection:

12 “(n) SCOPE OF SUPPORT.—The Commission, in im-  
13 plementing the requirements of this section (as amended  
14 by the Universal Service Reform Act of 2010 with respect  
15 to the distribution and use of high-cost support), shall not  
16 limit the distribution and use of high-cost support to a  
17 single connection or primary line, and all residential and  
18 business lines served by an eligible communications service  
19 provider shall be eligible for high-cost support.”.

20 **SEC. 107. APPLICATION OF ANTIDEFICIENCY ACT; INVEST-**  
21 **MENT OF CONTRIBUTIONS.**

22 Section 254 of the Communications Act of 1934 (47  
23 U.S.C. 254) is further amended by adding after subsection  
24 (n), as added by section 106 of this Act, the following new  
25 subsections:

1       “(o) PROPER ACCOUNTING OF UNIVERSAL SERVICE  
2 CONTRIBUTIONS.—

3           “(1) FROM ALL BUDGETS.—Notwithstanding  
4 any other provision of law, the receipts and disburse-  
5 ments of universal service contributions under this  
6 section shall not be counted as new budget author-  
7 ity, outlays, receipts, deficit, or surplus for purposes  
8 of—

9           “(A) the budget of the United States Gov-  
10 ernment as submitted by the President;

11           “(B) the Congressional budget;

12           “(C) the Balanced Budget and Emergency  
13 Deficit Control Act of 1985; or

14           “(D) any other law requiring budget se-  
15 questers.

16           “(2) ADDITIONAL EXEMPTIONS.—Section 1341,  
17 subchapter II of chapter 15, and sections 3302,  
18 3321, 3322, and 3325 of title 31, United States  
19 Code, shall not apply to—

20           “(A) the collection and receipt of universal  
21 service contributions, including the interest  
22 earned on such contributions; or

23           “(B) disbursements or other obligations  
24 authorized by the Commission under this sec-  
25 tion.

1       “(p) INVESTMENT OF UNIVERSAL SERVICE SUPPORT  
2 CONTRIBUTIONS.—Notwithstanding any other provision  
3 of law, including sections 3302, 3321, 3322, and 3325 of  
4 title 31, United States Code, the cash balance of receipts  
5 of universal service support contributions collected pursu-  
6 ant to this section shall be invested by the Commission  
7 or its designee in conservative, liquid, interest-bearing in-  
8 vestment vehicles of Government backed securities until  
9 such time as such receipts are disbursed pursuant to this  
10 section.”.

11 **SEC. 108. STATE AUTHORITY.**

12       Section 254(f) of the Communications Act of 1934  
13 (47 U.S.C. 254(f)) is amended to read as follows:

14       “(f) STATE AUTHORITY.—

15               “(1) IN GENERAL.—A State may adopt regula-  
16 tions not inconsistent with the Commission’s rules to  
17 preserve and advance universal service. In adopting  
18 those rules, a State may require communications  
19 service providers to contribute to universal service on  
20 the basis of a billing address or service address as-  
21 signed to that State for—

22                       “(A) revenues derived from the provision  
23 of intrastate telecommunications services by  
24 communications service providers;

1           “(B) working telephone numbers used by  
2           communications service providers; or

3           “(C) any other current or successor identi-  
4           fier protocols or connections to the network  
5           used by communications service providers.

6           “(2) DISREGARD OF INTERSTATE COMPO-  
7           NENT.—With respect to a combination of services  
8           that includes interstate services, the Commission  
9           shall determine how States may calculate the pro-  
10          portion of intrastate services for which they are per-  
11          mitted to make an assessment.

12          “(3) GUIDELINES.—Regulations adopted by a  
13          State under this subsection shall result in a specific,  
14          predictable, and sufficient mechanism to support  
15          universal service and shall be competitively and tech-  
16          nologically neutral, equitable, and nondiscrim-  
17          inatory.”.

18 **SEC. 109. MINIMUM DATA RATE REQUIREMENTS.**

19          Section 254 of the Communications Act of 1934 (47  
20          U.S.C. 254) is further amended by adding after subsection  
21          (p), as added by section 107 of this Act, the following new  
22          subsection:

23          “(q) MINIMUM DATA RATE REQUIREMENTS.—

24                  “(1) IN GENERAL.—Within 90 days after the  
25          date of enactment of the Universal Service Reform

1 Act of 2010, the Commission shall adopt a minimum  
2 data rate requirement for high-speed broadband  
3 service.

4 “(2) COMMISSION SPEED ADJUSTMENT RE-  
5 QUIREMENTS.—Beginning in the sixth year after the  
6 date of enactment of the Universal Service Reform  
7 Act of 2010 and periodically thereafter, the Commis-  
8 sion shall review the minimum data rate requirement  
9 in paragraph (1) and shall make adjustments, if nec-  
10 essary, as the advancement and deployment of tech-  
11 nology allows eligible communications service pro-  
12 viders to provide broadband service at increased  
13 minimum data rates to end users in an economically  
14 rational manner.”.

## 15 **TITLE II—ACCOUNTABILITY**

### 16 **SEC. 201. PERFORMANCE MEASURES.**

17 Within 1 year after the date of enactment of this Act,  
18 the Federal Communications Commission shall establish  
19 and implement outcome-oriented performance goals and  
20 measures for each universal service support program.

### 21 **SEC. 202. AUDITS.**

22 The Federal Communications Commission shall,  
23 within 270 days after the date of enactment of this Act,  
24 establish rules to—

1           (1) determine the appropriate audit method-  
2           ology for audits of recipients of Federal universal  
3           service support;

4           (2) ensure that universal service support audi-  
5           tors are trained in universal service support program  
6           compliance and audit only in connection with such  
7           compliance;

8           (3) provide that auditors may not penalize re-  
9           cipients of universal service support by requesting  
10          and auditing for program compliance records, in-  
11          cluding copies of invoices for equipment purchased  
12          or maintained with program disbursements, that are  
13          older than records that recipients of universal service  
14          support are required to retain pursuant to the Fed-  
15          eral Communications Commission's rules; and

16          (4) provide that any appeal of a finding by the  
17          Universal Service Administrative Company or any  
18          successor organization in connection with a program  
19          audit is resolved by the Federal Communications  
20          Commission within 180 days after the date of filing  
21          of such appeal.

22 **SEC. 203. REPORT TO CONGRESS.**

23          The Federal Communications Commission shall, not  
24          later than 3 years after the date of enactment of this Act  
25          and triennially thereafter, report to Congress regarding

1 the availability of the services designated by the Commis-  
2 sion as universal services, including the availability of such  
3 services to schools, libraries, rural health care providers,  
4 and low income consumers. Such report shall include the  
5 outcome-oriented performance goals and measures for  
6 each universal service support program, an analysis of the  
7 implementation of such goals and measures, and an anal-  
8 ysis of the progress towards meeting such goals and meas-  
9 ures.

## 10 **TITLE III—INTERCARRIER** 11 **COMPENSATION REFORM**

### 12 **SEC. 301. INTERCARRIER COMPENSATION REFORM.**

13 (a) **AUTHORITY.**—

14 (1) **IN GENERAL.**—Notwithstanding any other  
15 provision of law, the Federal Communications Com-  
16 mission shall have authority to reform intercarrier  
17 compensation systems for both interstate and intra-  
18 state traffic.

19 (2) **DEADLINE.**—The Federal Communications  
20 Commission shall complete an initial intercarrier  
21 compensation reform proceeding within 1 year after  
22 the date of enactment of this Act.

23 (3) **PRIVATE ARRANGEMENTS.**—Entities that  
24 are required to participate in intercarrier compensa-  
25 tion shall be permitted to enter into arrangements

1 by mutual agreement for the exchange of traffic  
2 without regard to the rules established by the Fed-  
3 eral Communications Commission pursuant to this  
4 subsection.

5 (b) INTERCARRIER COMPENSATION RECOVERY  
6 MECHANISM.—If, at any time after the date of enactment  
7 of this Act, the Federal Communications Commission  
8 mandates that intercarrier compensation revenues be re-  
9 covered through an alternate revenue recovery mechanism,  
10 the Federal Communications Commission may establish  
11 such mechanism to be included as high-cost support.

12 **SEC. 302. NETWORK TRAFFIC IDENTIFICATION ACCOUNT-**  
13 **ABILITY STANDARDS.**

14 Part II of title II of the Communications Act of 1934  
15 is amended by adding at the end the following:

16 **“SEC. 262. NETWORK TRAFFIC IDENTIFICATION ACCOUNT-**  
17 **ABILITY STANDARDS.**

18 “(a) NETWORK TRAFFIC IDENTIFICATION STAND-  
19 ARDS.—A communications service provider shall ensure,  
20 to the degree technically possible and in accordance with  
21 industry standards, that all traffic that originates on its  
22 network contains or, in the case of non-originated traffic,  
23 preserves sufficient information in call signaling to allow  
24 for traffic identification by other communications service  
25 providers that transport or terminate such traffic, includ-

1 ing the telephone number of the calling and called parties  
2 and such other information as the Commission deems ap-  
3 propriate. Except as otherwise permitted by the Commis-  
4 sion, to the degree technically possible, a communications  
5 service provider that transports traffic between commu-  
6 nications service providers shall transmit without altering  
7 the call signaling information it receives from another  
8 communications service provider.

9       “(b) NETWORK TRAFFIC IDENTIFICATION RULE-  
10 MAKING.—The Commission shall establish rules for traffic  
11 identification consistent with this section within 180 days  
12 after the date of enactment of the Universal Service Re-  
13 form Act of 2010.

14       “(c) NETWORK TRAFFIC IDENTIFICATION ENFORCE-  
15 MENT.—The Commission shall adopt and enforce pen-  
16 alties, fines, and sanctions under this section.”.

17 **SEC. 303. TRAFFIC PUMPING.**

18       (a) TRAFFIC STIMULATION CHARGE.—The term  
19 “traffic stimulation charge” means any switched access or  
20 reciprocal compensation charge assessed by a local ex-  
21 change carrier upon a connecting carrier for delivery of  
22 telecommunications during which a free or below cost serv-  
23 ice or product is provided by an entity with which the local  
24 exchange carrier has a business, financial, or contractual  
25 arrangement relating directly or indirectly to switched ac-

1 cess or reciprocal compensation revenues from the offering  
2 of such service or product.

3 (b) PROHIBITION.—The assessment of a traffic stim-  
4 ulation charge constitutes an unreasonable practice under  
5 section 201(b) of the Communications Act of 1934 (47  
6 U.S.C. 201(b)), and local exchange carriers are prohibited  
7 from assessing traffic stimulation charges.

8 (c) NO PRESUMPTION OF VALIDITY.—Nothing in  
9 this Act shall be construed as indicating that traffic stimu-  
10 lation charges assessed prior to the effective date of this  
11 Act were just, reasonable, or in accordance with the Com-  
12 munications Act of 1934 or any other statute, regulation,  
13 tariff, or policy.

## 14 **TITLE IV—RURAL HEALTH CARE** 15 **SUPPORT MECHANISMS**

### 16 **SEC. 401. RURAL HEALTH CARE SUPPORT MECHANISMS.**

17 (a) AMENDMENT.—Subparagraph (A) of section  
18 254(h)(1) of the Communications Act of 1934 (47 U.S.C.  
19 254(h)(1)(A)) is amended to read as follows:

20 “(A) HEALTH CARE SERVICES FOR RURAL  
21 AREAS.—Within 180 days after the date of en-  
22 actment of the Universal Service Reform Act of  
23 2010, the Commission shall prescribe regula-  
24 tions that provide that a communications serv-  
25 ice provider shall, upon receiving a bona fide re-

1           quest, provide covered services which are nec-  
2           essary for the provision of health care services  
3           in a State, including instruction relating to  
4           such services, to any public or not-for-profit  
5           health care provider that serves persons who re-  
6           side in rural areas in that State at rates that  
7           are reasonably comparable to rates charged for  
8           similar services in urban areas in that State. A  
9           communications service provider providing serv-  
10          ice under this subparagraph shall be entitled to  
11          have an amount equal to the difference, if any,  
12          between the rates for services provided to health  
13          care providers for rural areas in a State and  
14          the rates for similar services in urban areas in  
15          that State treated as a service obligation as a  
16          part of its obligation to participate in the mech-  
17          anisms to preserve and advance universal serv-  
18          ice.”.

19          (b) DEFINITION OF HEALTH CARE PROVIDER.—  
20          Subparagraph (B) of section 254(h)(7) of such Act (47  
21          U.S.C. 254(h)(7)(B)) is amended to read as follows:

22                                 “(B) HEALTH CARE PROVIDER.—The term  
23          ‘health care provider’ means—

- 1           “(i) post-secondary educational insti-  
2           tutions offering health care instruction,  
3           teaching hospitals, and medical schools;
- 4           “(ii) community health centers or  
5           health centers providing health care to mi-  
6           grants;
- 7           “(iii) local health departments or  
8           agencies;
- 9           “(iv) community mental health cen-  
10          ters;
- 11          “(v) not-for-profit hospitals;
- 12          “(vi) critical access hospitals;
- 13          “(vii) rural hospitals with emergency  
14          rooms;
- 15          “(viii) rural health clinics;
- 16          “(ix) not-for-profit nursing facilities  
17          or not-for-profit skilled nursing facilities;
- 18          “(x) hospice providers;
- 19          “(xi) emergency medical services fa-  
20          cilities;
- 21          “(xii) rural dialysis facilities;
- 22          “(xiii) elementary, secondary, and  
23          post-secondary school health clinics; and

1                   “(xiv) consortia of health care pro-  
2                   viders consisting of one or more entities  
3                   described in clauses (i) through (xiii).”.

4           (c) DEFINITION OF RURAL FOR HEALTH CARE SUP-  
5 PORT.—Section 254(h)(7) of such Act (47 U.S.C.  
6 254(h)(7)) is further amended by adding at the end the  
7 following new subparagraph:

8                   “(J) RURAL AREA.—Within 180 days after  
9                   the date of enactment of the Universal Service  
10                  Reform Act of 2010, the Commission shall pre-  
11                  scribe regulations that provide that, for pur-  
12                  poses of the rural health care universal service  
13                  support mechanisms established pursuant to  
14                  this subsection, a ‘rural area’ is—

15                   “(i) any incorporated or unincor-  
16                   porated place in the United States, its ter-  
17                   ritories and insular possessions (including  
18                   any area within the Federated States of  
19                   Micronesia, the Republic of the Marshall  
20                   Islands and the Republic of Palau) that  
21                   has no more than 20,000 inhabitants  
22                   based on the most recent available popu-  
23                   lation statistics from the Census Bureau;

24                   “(ii) any area located outside of the  
25                   boundaries of any incorporated or unincor-

1           porated city, village, or borough having a  
2           population exceeding 20,000;

3           “(iii) any area with a population den-  
4           sity of fewer than 250 persons per square  
5           mile; or

6           “(iv) any place that qualified as a  
7           ‘rural area’ and received support from the  
8           rural health care support mechanism pur-  
9           suant to the Commission’s rules in effect  
10          prior to December 1, 2004, and that con-  
11          tinues to qualify as a ‘rural area’ pursuant  
12          to such rules.”.

13          (d) SCHOOLS, LIBRARIES, RURAL HEALTH CARE,  
14          LIFE-LINE, LINK-UP, AND TOLL LIMITATION HOLD  
15          HARMLESS.—Except as provided in subsections (h)(1)(A),  
16          (h)(7)(B), and (h)(7)(J) of section 254 of the Communica-  
17          tions Act of 1934 (47 U.S.C. 254), as amended by this  
18          section—

19                 (1) nothing in this Act (and the amendments  
20                 made by this Act) shall be construed as limiting,  
21                 changing, modifying, or altering the amount or  
22                 means of distribution of or, with respect to schools  
23                 and libraries, eligibility to receive universal service  
24                 support for the schools, libraries, rural health care,  
25                 life-line, link-up, and toll limitation programs; and

1           (2) the Federal Communications Commission  
2 shall ensure that such amendments do not result in  
3 a decrease of such support to a level below the level  
4 for the fiscal year preceding the fiscal year in which  
5 this Act is enacted.

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