

## **UNIVERSAL SERVICE FUND WORKING GROUP**

### **Comments Of The Pennsylvania Public Utility Commission**

On August 1, 2025, United States Senator Deb Fischer announced that the Universal Service Fund (USF) Working Group (USF WG) request for comment portal had officially opened on her website.<sup>1</sup> The USF WG, which is bipartisan and bicameral, invited public input about the future of the federal universal service fund (FUSF or Fund), which was established by the Federal Communications Commission (FCC) pursuant to its statutory authority under the federal Communications Act, as amended by the Telecommunications Act of 1996. In sum, the USF WG asks stakeholders to explore the current state of the FUSF and to assess proposals for the Fund's modernization and reliable support of voice and broadband services in the future.

The Pennsylvania Public Utility Commission (Pa. PUC or Commission) respectfully submits these comments, specifically related to the Fund's federal High Cost Support Mechanism, which provides support to carriers operating in rural, high cost areas (High Cost) and the Low Income Support Mechanism, which helps low-income consumers pay their monthly telephone and broadband bills (Lifeline).<sup>2</sup> In sum, the Pa. PUC emphasizes the importance of the FUSF to the affordability, accessibility, and reliability of universal voice and broadband service to the residents of the

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<sup>1</sup> <https://www.fischer.senate.gov/public/index.cfm/usf>.

<sup>2</sup> <https://www.fcc.gov/general/universal-service-fund>.

Commonwealth of Pennsylvania; and supports reforms needed to ensure appropriate funding for FUSF programs going forward.

These comments should not be construed as binding on the Pa. PUC in any matter before the Commission. Moreover, the Pa. PUC's position in these comments could change in response to later events, including other filings, legal proceedings, or other regulatory developments at the state or federal level.

## **I. BACKGROUND**

The mission of the Pa. PUC is to balance the needs of consumers and utilities; ensure safe and reliable utility service at reasonable rates; protect the public interest; educate consumers to make independent and informed utility choices; further economic development; and foster new technologies and competitive markets in an environmentally sound manner.<sup>3</sup> Pennsylvania law directs the Pa. PUC to pursue policies that, *inter alia*, maintain universal telecommunications service at affordable rates while encouraging the accelerated provision of advanced services and deployment of a universally available, state-of-the-art, interactive broadband telecommunications network in rural, suburban and urban areas.<sup>4</sup>

To that end, the Commission has established a Pennsylvania universal service fund (Pa. USF) whereby certificated telecommunications carriers contribute a percentage of their intrastate, retail telecommunications revenue to support rural local exchange carrier

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<sup>3</sup> <https://www.puc.pa.gov/about-the-puc/>.

<sup>4</sup> 66 Pa.C.S. § 3011(2).

(RLEC) networks in Pennsylvania.<sup>5</sup> Established in 2001, the purpose of the Pa. USF is to maintain the affordability of local service rates for end-user customers while allowing rural telephone companies to reduce access charges and intraLATA toll rates, on a revenue-neutral basis, thereby encouraging greater competition.<sup>6</sup> Presently, the Pa. PUC is exploring the possibility of reform to the Pa. USF, and has noted the interplay between the FUSF and the Pa. USF:

[T]he FCC released a Further Notice of Proposed Rulemaking on April 30, 2012, seeking comment on proposals to reform the Federal Universal Service Fund (FUSF) contribution system. The FCC sought comment on issues similar to those we seek to explore in this rulemaking — who should contribute, how to assess contributions, administrative improvements, and modifications of contribution recovery. The FCC generally found that its current revenues-based system may not have kept pace with markets, that the contribution base had begun to shrink, and that the system may have produced competitive distortions because similar services may have different contribution obligations based on how carriers provide services.<sup>7</sup>

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[In Pennsylvania] there is a clear convergence of less total end-user intrastate revenues, fewer access lines, and a diminishing contribution base that undergirds potential Pa. USF reform. Due to these circumstances, the Pa. USF Administrator presented various proposals in its 2022 Annual Report, as well as in reports from several previous years, to address the issues concerning the Pa. USF, including a recommendation to examine the Pa. USF mechanism and the contribution base methodology.<sup>8</sup>

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<sup>5</sup> 52 Pa. Code, Chapter 63, Subchapter L (relating to universal service), §§ 63.161 – 63.171.

<sup>6</sup> 52 Pa. Code § 63.161(3).

<sup>7</sup> *Universal Service Contribution Methodology; A National Broadband Plan For Our Future*, Further Notice of Proposed Rulemaking, 27 FCC Rcd. 5357 (2012).

<sup>8</sup> *Rulemaking to Amend 52 Pa. Code §§ 63.161-63.171 (relating to Universal Service)*, Advance Notice of Proposed Rulemaking, L-2023-3040646 (Order entered September 20, 2023) (Pa. USF ANOPR).

The Pa. PUC continues to review stakeholder comments it received in response to the Pa. PUC Advanced Notice of Proposed Rulemaking and to discern potential reform of the Pa. USF. These comments range from immediately eliminating the Pa. USF in its entirety to continuing the fund in its current form indefinitely, and a myriad of options in between.

## **II. DISCUSSION**

The Pa. PUC assists the FCC with implementation of the FUSF by designating telecommunications providers as eligible telecommunications carriers (ETCs) that may receive federal High Cost and/or Lifeline support, by annually recertifying to the FCC and the Universal Service Administrative Company (USAC) ETCs' eligibility to receive federal High Cost support, by reviewing periodic reports filed by ETCs as required by FCC regulations, and by hearing complaints filed by Pennsylvania residents against ETCs.

### **A. A Healthy, Funded FUSF Is Critical To Pennsylvania**

First and foremost, the Pa. PUC stresses the continuing importance of the FUSF to Pennsylvania network and consumers. Pennsylvania RLECs rely on the receipt of federal High Cost funding, in part, for broadband expansion in rural areas across the Commonwealth. Pennsylvania residents depend on Lifeline to obtain affordable, reliable voice and broadband services.

## **1. The High Cost Program Benefits Pennsylvania Rural LEC Networks**

In 2024, the FUSF distributed \$51,866,933.31 to Pennsylvania RLECs, including Broadband Loop Support (BLS), the Connect America Fund (CAF) Phase II Auction (CAF II AUC), Enhanced Alternative Connect America Cost Model (EACAM), High Cost Loop (HCL) Support, Intercarrier Compensation (ICC) Recovery, and the Rural Digital Opportunity Fund (RDOF). Moreover, in Pennsylvania, rural broadband deployment continues to lag significantly behind urban deployment.<sup>9</sup> Together with the federal Broadband Equity and Access Deployment (BEAD) and Capital Projects Fund (CPF) programs, federal High Cost support is critical to Pennsylvania's efforts to ensure rural broadband deployment. Thus, the loss of any federal High Cost support would be incredibly detrimental to the rural residents and businesses of Pennsylvania and would widen, rather than close, the digital divide.

## **2. The Lifeline Program Supports Hundreds Of Thousands Of Pennsylvania Residents**

Pennsylvania residents depend on the federal Lifeline Program to obtain affordable, reliable voice and broadband services. In 2024, Pennsylvania consumers received \$40,308,142 in Lifeline support.<sup>10</sup> As of December 31, 2024, there were 413,652 Pennsylvania residents enrolled in the Lifeline Program, reflecting an increase of

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<sup>9</sup> See, Joint State Government Commission, Delivery of High-Speed Broadband Services In Unserved And Underserved Areas Of The Commonwealth, at 20-21, available online at [https://jsg.legis.state.pa.us/resources/documents/ftp/publications/2024-08-01%20\(SR47\)%202024%20Broadband%20Report%20web.pdf](https://jsg.legis.state.pa.us/resources/documents/ftp/publications/2024-08-01%20(SR47)%202024%20Broadband%20Report%20web.pdf) (accessed September 5, 2025).

<sup>10</sup> <https://opendata.usac.org/Lifeline/Lifeline-Disbursements-Tool/rink-mije> (accessed September 5, 2025).

64,631 residents from 2023. As of that same date, 56 Commission-approved ETCs were providing Lifeline to at least one customer.

**B. The Pa. PUC Supports Robust Funding Solutions For The FUSF**

Section 254(b) of the Communications Act, 47 U.S.C. § 254(b), states that the Federal-State Joint Board on Universal Service (Joint Board) and the FCC shall base policies for the preservation and advancement of universal service, among other things, on “specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service.” The Pa. PUC recognizes that FUSF funding has reached a tipping point because traditional landline voice revenues are decreasing sharply even as demand for FUSF monies is increasing resulting in ever higher assessment rates.<sup>11</sup> Nevertheless, states, including Pennsylvania, depend greatly on federal support to meaningfully rollout broadband and voice services to high-cost areas and low-income subscribers. The Pa. PUC supports any funding solution or combination of solutions that are consistent with Section 254, or the universal service principles set forth therein, and that will fully fund the FUSF now and going forward. The Pa. PUC posits that state commissions, including but not limited to those serving on the Joint Board, should be fully consulted and permitted to contribute their knowledge and experience to finding those solutions. Robust funding for FUSF will ensure that the Fund will continue to support Pennsylvania RLECs and Lifeline consumers.

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<sup>11</sup> See, *Federal Universal Service Support Mechanisms Quarterly Contribution Base for the Fourth Quarter 2025* (released Aug. 29, 2025); available online at: <https://www.usac.org/fcc-filings/2025/fourth-quarter/financials/USAC%204Q2025%20Universal%20Service%20Contribution%20Base%20Filing.pdf> (accessed September 5, 2025).

### III. USF WG QUESTIONS

The Commission hereby provides responses to questions 1, 2, 5, 6, and 9 posted to Senator Fischer's website.

1. How should Congress evaluate the effectiveness of each USF program in achieving their respective missions to uphold universal service?

The Pa. PUC recommends that Congress ensure that carriers receiving FUSF High Cost support accurately report their broadband deployment data. This will ensure that assistance is reaching high cost rural areas and that unserved and underserved areas are not missed. Moreover, Congress should evaluate obstacles that prohibit or deter carriers from applying for federal high-cost funds to better encourage participation. Finally, Congress should consult with state commissions and consider a state commission role in assisting the FCC in these endeavors.

2. How well has each USF program fulfilled Section 254 of the Communications Act of 1996?

In Pennsylvania, the FUSF High Cost and Lifeline programs have been generally successful. However, there is room for improvement.

In 2016, the FCC issued rules that changed the focus of the Lifeline program from voice service to broadband service.<sup>12</sup> Therein, the FCC adopted a gradual reduction of the Lifeline support amount for voice-only service and voice service bundled with broadband that does not meet minimum Lifeline standards (Standalone Voice), from \$9.25 to \$0 after December 1, 2021. Since the *2016 Lifeline Order*, the FCC has delayed

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<sup>12</sup> *In the Matter of Lifeline and Link Up Reform and Modernization*, Third Report and Order, WC Docket No. 11-42 (April 27, 2016)

elimination of voice support and maintained most of the existing minimum standards for the program. Thus, until at least December 1, 2025, the monthly support for qualifying voice service remains \$5.25, while support for qualifying broadband service is \$9.25.<sup>13</sup>

The minimum standards for Lifeline based on the qualifying service are: (1) mobile voice service must include 1000 minutes of use per month; and (2) mobile broadband service must include 4.5 GB of data per month. As more than 400,000 Pennsylvania customers depend on Lifeline, any loss of access to Lifeline assistance would significantly impact residents of the Commonwealth. Therefore, the Pa. PUC advocates for the continued support of standalone voice rather than the FCC's initial plan of phasing out support for voice service entirely.

In 2023, the National Association of Regulatory Utility Commissioners (NARUC) passed a resolution<sup>14</sup> urging the FCC to ensure that the specific federal support provided to successful bidders whose applications for Rural Digital Opportunity Fund (RDOF) support were awarded in a jurisdiction (e.g., Pennsylvania) be retained for future use in that jurisdiction when the application is ultimately rejected by final order of the FCC and the courts.<sup>15</sup> NARUC also encouraged the FCC to refer this topic, of RDOF monies defaulting to the awarded jurisdiction, to the Joint Board for a recommendation on the

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<sup>13</sup> *In the Matter of Lifeline and Link Up Reform and Modernization*, Order at ¶ 4, WC Docket No. 11-42 (July 1, 2025).

<sup>14</sup> *NARUC Resolution Encouraging the Federal Communications Commission To Act To Ensure That Federal Support Provided to Successful Bidders in the Rural Digital Opportunity Fund Auction 904 Is Retained For Support In Any Jurisdiction Where A Successful Bidder Is Disqualified by the Federal Communications Commission (NARUC Resolution)* (adopted February 15, 2023), see <https://www.naruc.org/core-sectors/telecommunications/> (accessed September 9, 2025).

<sup>15</sup> *NARUC Resolution at 4*.

procedures and requirements that should apply to RDOF support retained in those recipient jurisdictions.<sup>16</sup> The Pa. PUC supports the *NARUC Resolution* and has previously attempted to retain similar federal funding designated for the Commonwealth where the need for federal funding to support services to high-cost areas is great.<sup>17</sup>

5. What reforms would ensure that the USF contribution factor is sufficient to preserve universal service?

The Pa. PUC advocates for Congress to reform and expand the contribution base based, among other considerations, on input from state commissions, including through their participation in the Joint Board.

6. What reforms would reduce waste, fraud, and abuse in each of the four USF programs?

The Pa. PUC maintains that the FCC's 2017 decision to remove information from FCC Form 481 regarding (1) network outages, (2) unfulfilled service requests, (3) the number of complaints received by an ETC per 1,000 subscribers for voice and broadband services, and (4) pricing for voice and broadband service<sup>18</sup> makes it difficult for state commissions like the Pa. PUC to evaluate whether federal funding is being used for its intended purposes. This is information that the Pa. PUC used to compare against reporting from other FCC Forms (e.g., FCC Form 555) as well as informal complaints

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<sup>16</sup> *NARUC Resolution* at 4-5.

<sup>17</sup> See, *Joint Statement of Chairman Stephen M. DeFrank and Commissioner John F. Coleman, Jr.*, in *Petition of Starlink Services, LLC, to Relinquish Its Designation as an Eligible Telecommunications Carrier*, Docket No. P-2024-3050002 (January 23, 2025).

<sup>18</sup> *In the Matter of Connect America Fund ETC Annual Reports and Certifications*, WC Docket Nos. 10-90, 14-58 (FCC 17-87) (released July 7, 2017) (ETC Annual Reports and Certification Order) (“Based on the record before us, we find that we can eliminate all elements of the Commission's annual high-cost reporting rules on which we sought comment without compromising our ability to monitor whether ETCs are using high-cost universal service support for its intended purpose.”)

and inquiries received by the Pa. PUC's Bureau of Consumer Services. Without this information, both the FCC's and the Pa. PUC's ability to combat waste, fraud and abuse in the High Cost program is greatly diminished. The FCC should return to the more comprehensive data collection practices of recent past.

Additionally, the Pa. PUC supports the *NARUC Comments on USF Working Group's July 27, 2023 Request (2023 NARUC Comments)*, which NARUC submitted on August 25, 2023. Specifically related to waste, fraud and abuse, NARUC advocated that Congress should expand, not eliminate the State ETC designation procedure to prevent fraud and abuse in the Fund. *2023 NARUC Comments* at 2. NARUC stated that removing the State ETC designation role will likely increase the provision of substandard service and that service quality problems with Lifeline service and the FCC's High Cost program will continue along with disputes and fraudulent schemes. *2023 NARUC Comments* at 13-17. In these aspects, NARUC's concerns and recommendations remain as significant and praiseworthy today as they were in 2023.

9. Is USAC sufficiently accountable and transparent? Is USAC's role in need of reform?

USAC has multiple layers of oversight, including regular audits, financial reporting and strict oversight from the FCC. That said, state public utility commissions can, at times, receive limited information from USAC. The Pa. PUC submits that it would be helpful if USAC would notify and confer with state commissions when performing investigations of High Cost and Lifeline carriers to see if state commissions have registered complaints related to their investigations. Additionally, it would be

beneficial for USAC to alert state commissions when an ETC has violated some part of a FUSF program's rules and residents of that state are involved. General announcements of carrier eligibility may serve to make states aware of bad actors, but direct communication from the USAC is preferable.

### **CONCLUSION**

For the foregoing reasons, the Pa. PUC wholly supports the USF WG's efforts to catalog the current state of the FUSF and to modernize the Fund to ensure that it is appropriately funded to provide reliable voice and broadband services into the future. Pennsylvanians rely on high-cost funding and Lifeline service offerings and would be harmed greatly if solutions for ensuring FUSF support are not found or if this important funding would cease to exist or not be adequately funded.

Respectfully submitted,

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