



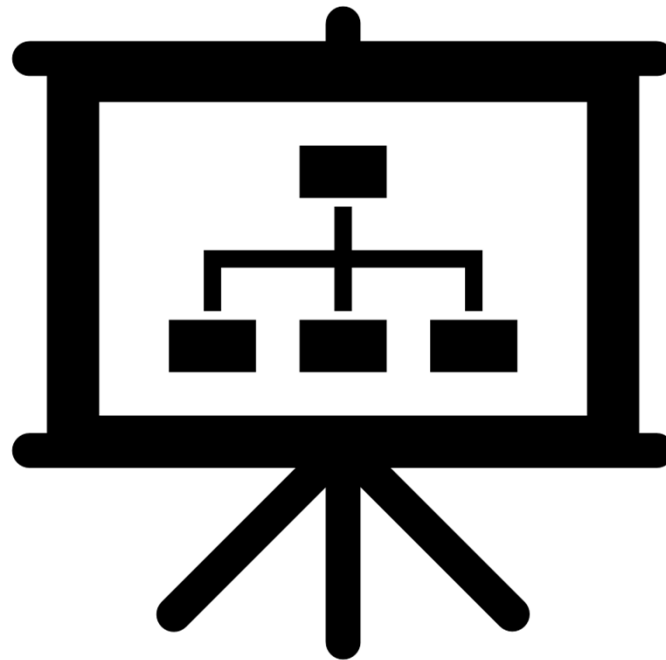
USF Support – Legacy Fund Overview

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Agenda

- 
- Overview
 - Reporting and certification
 - Support calculation
 - FCC and USAC filings
 - Support disbursement
 - Review and audit
 - Reminders and reference

Overview



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Overview – programs

- Legacy
 - Connect America Fund Broadband Loop Support
 - High-Cost Loop Support
 - Connect America Fund Intercarrier Compensation Support
- Model
 - Alternative Connect America Cost Model
 - Alaska Plan

Overview – CAF BLS

- Created by the 2016 Rate-of-Return Reform Order* to encourage broadband deployment
 - Allows recipients to recover a portion of the cost to provide broadband loops in addition to recovery on voice loops
- Projected support is calculated on a **test period** basis
- Final support (true-up) is calculated on a **calendar year** basis
- Subject to deployment obligations (through 2023) and support limits
- 47 CFR §§54.901 – 54.903

*FCC 16-33, released March 30, 2016

Overview – HCLS

- Created by the Telecom Act of 1996
- Helps nonmodel, non-price-cap affiliated companies recover loop costs in high-cost areas
- Historical support based on actual costs
- Payments are calculated using study area cost per loop, loop count and the frozen national average cost per loop on a **calendar year** basis
- Total HCL payments may not exceed a fund cap
 - Pro rata adjustment factor is applied to meet the cap
 - Other support limits also apply

Overview – HCLS

- Safety valve support
 - Additional support above HCLS fund cap for HCLS-eligible rural carriers that acquired exchanges if the following are true:
 - Made a substantial investment to infrastructure in the acquired exchanges and
 - Improved service in those exchanges
- 47 CFR §§54.1301 – 54.1310

Overview – CAF ICC

- The 2011 Transformation Order* required ILECs to reduce several switched access rates over a multiyear period
- Created to provide phased-down support to offset a portion of the lost revenue due to the reduction in switched access rates
 - Access recovery charge was a new end user charge to help recover additional lost switching revenue
- Projected and final (true-up) support are calculated on a **test period** basis
- 47 CFR §51.917

*FCC 11-161, released Nov. 18, 2011

Overview – model-based funds

- A-CAM – fixed payments based on forward looking costs
 - A-CAM I, Revised A-CAM I and A-CAM II – 10-year terms
 - Enhanced A-CAM – 15-year term
 - Subject to performance, deployment and cybersecurity plan obligations
 - 47 CFR §54.311 and 47 CFR §54.308(e)
- Alaska Plan
 - Support amounts frozen at adjusted 2011 levels for 10-year term
 - Subject to FCC-approved performance plans
 - 47 CFR §54.306

Reporting and certification



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Reporting and certification – CAF BLS

- Report data to NECA via settlements, cost studies and forecasts*
- Review/certify forms 508 and 509**
- Review/certify Form 507 line count data***
- If data corrections are needed after Form 509 is filed and would result in an increase in CAF BLS support:
 - File waiver request with FCC
 - Follow NECA's Form 509 reporting guidelines in cost pool procedures*

* CL pool members

**CL pool members using NECA as an agent for CAF BLS filings with USAC

***Companies using NECA as an agent for line count filings with USAC

Reporting and certification – HCLS

- Report data to annual USF data collection (closes July 31)
- Optional: Report monthly adjustments
- Companies must:
 - Report financial information sufficient to support USF data submission
 - Certify submitted data

Note: Per FCC rules, companies receiving model-based support must continue to report USF data unless they have elected incentive regulation for BDS

Reporting and certification – CAF ICC

- Report projected data to NECA CAF ICC data collection (NECA TS and TS/SW participants)
 - True-up based on data reported via settlements
- In addition to data certification, the following certifications are filed with the annual access tariff filing:
 - Eligibility for CAF ICC recovery (compliance ER and ARC)
 - Not seeking duplicative recovery
 - Accuracy of the CAF ICC data reported

Reporting and certification – model-based funds

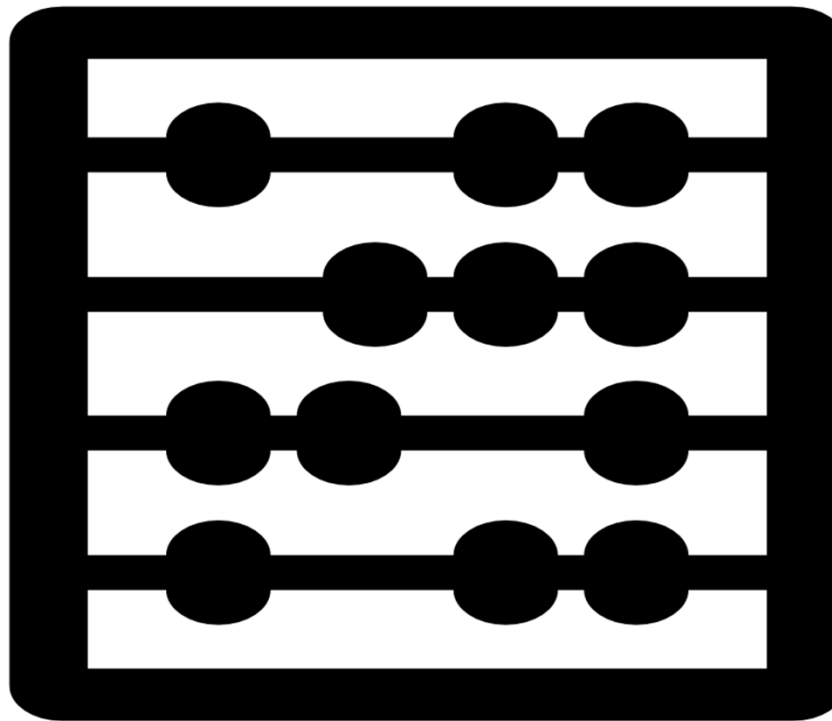
- USF data collection (July 31)
 - Mandatory for non-BDS electors
- Form 507 line count (July 1)
 - Mandatory for all model-based companies
 - Can elect to have NECA file on your behalf

Reporting and certification – all funds

- Required reporting/certifications filed directly with USAC for the following:
 - March 1: HUBB, 47 CFR §54.316*
 - July 1: Form 481, 47 CFR §54.313
 - Performance measurement testing*
 - Quarterly – two weeks after end of quarter
 - Annual – July 1
 - Oct. 1: state certification of support for ETCs, 47 CFR §54.314
 - Dec. 31: mixed merger companies

* Not required for CAF ICC

Support calculation



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Support calculation – CAF BLS (projected)

- NECA collects data needed for Form 508 filing
 - RRQ from cost forecasts
 - Annual forecast line count data collection
- NECA calculates **estimated projected** CAF BLS support for CL pool members
 - Form 508 review form
- USAC calculates **projected** CAF BLS support using
 - Form 508 data
 - Applicable BCM and cap amounts

Support calculation – CAF BLS (final)

- NECA collects data needed for Form 509 filing
 - RRQ from cost studies for cost companies and from settlements for average schedule companies
 - Actual line counts and revenues from NECA settlement system
- NECA calculates **estimated final** CAF BLS support for CL pool members
 - Form 509 review form
- USAC calculates **final** CAF BLS support

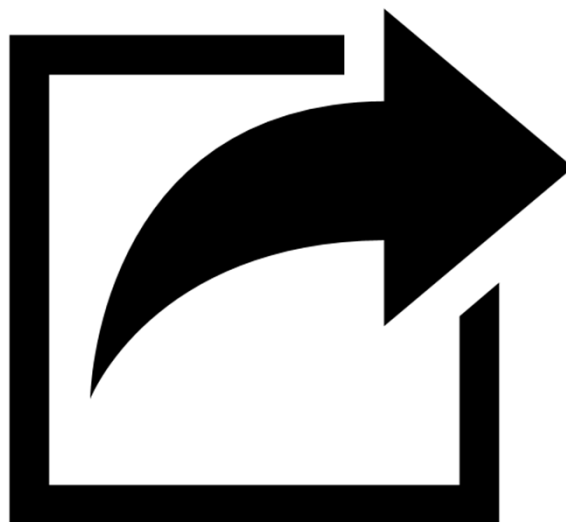
Support calculation – HCLS

- NECA does the following annually:
 - Develops study area national average cost per loop
 - Calculates expense adjustments
 - Calculates pro rata adjustment
 - Updates OpEx limitation worksheet
- NECA provides USAC with a file of HCLS payment amounts monthly
- USAC calculates BCM and cap adjustments

Support calculation – CAF ICC

- NECA calculates **estimated** CAF ICC support in the CAF ICC system
 - Projected support based on forecasted switched access revenue and demand
 - True-up adjustments for test period two years prior based on the difference between forecasted revenue and actual revenue
- USAC calculates **final** CAF ICC support based on filed data

FCC and USAC filings



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FCC and USAC filings – CAF BLS

- NECA, on behalf of common line pool members:
 - Collects and files company-certified data as agent
 - Form 508 projected data filed with USAC no later than March 31 for coming test period (July 1 to June 30)
 - Form 509 true-up data filed with USAC no later than Dec. 31 for prior calendar year
 - Form 507 line count data filed with USAC no later than March 31 reflecting data as of Dec. 31 of prior calendar year

FCC and USAC filings – HCL

- NECA does the following:
 - Submits annual filing to FCC and USAC (Oct. 1)
 - Provides USAC with a monthly file of HCLS payment amounts, including updated data based on optional monthly adjustments

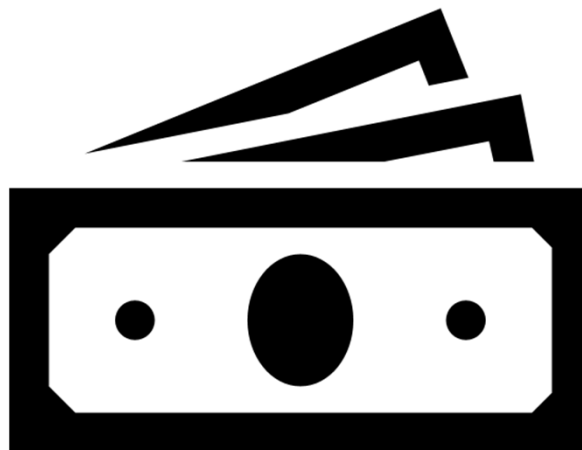
FCC and USAC filings – CAF ICC

- NECA files support data as agent
 - CAF ICC data included in annual tariff filing
 - CAF ICC data filed with USAC concurrent with annual tariff filing
 - Correction filings
- NECA calculates and files ARC rates
 - Annual tariff filing
 - Voluntary rate change and correction filings

FCC and USAC filings – model-based funds

- NECA does the following:
 - Files mandatory line count (Form 507) data upon company request
 - Files USF data submission for model-based carriers that have not elected incentive regulation for BDS

Support disbursement



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Support disbursement – pooled funds

- NECA receives and pools disbursed support as Form 498 agent on behalf of the following:
 - CAF BLS – common line pool members
 - CAF ICC – TS and TS/SW pool members
- Pooled support flows through settlements process and is reflected in total net balance on NECA's estimated and final statements
 - NECA ensures disbursed funds align with settlements process
 - CAF BLS – voice/CBOL split
 - CAF ICC – current/true-up/double recovery split

Support disbursement – nonpooled funds

- NECA receives and disburses support as Form 498 agent:
 - CAF ICC – nonpoolers
 - HCLS
 - Model-based funds
 - Other funds
- Nonpooled support funds appear as line items on NECA statements
 - Estimated
 - Final

Review and audit



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Review and audit

- USAC's audits and reviews include the following:
 - Beneficiary and Contributor Audit Program
 - Payment Quality Assurance
 - Limited review
 - Agreed upon procedures audit
 - CAF ICC TRP
 - HCLS calculation validation
 - CAF BLS trend analysis
 - CAF ICC trend analysis

Review and audit

- USAC's common audit findings include the following*:
 - Inadequate documentation/data retention
 - Improper regulated/nonregulated allocation
 - Improper account classification
 - Inaccurate reporting of depreciation/amortization expense
 - Improper cutoff periods
 - Inaccurate reporting of affiliated transactions

*source: usac.org

Review and audit

- NECA supports members by:
 - Providing data to members (BCAP, PQA, limited review)
 - Providing data to USAC (agreed upon procedures, HCLS validation)
 - Providing education/clarification to USAC audit staff and operations staff as needed

Reminders and reference



Source: Microsoft Office 365

Reminders and reference

- Reporting and certification tools at neca.org > [My Applications](#) for the following:
 - CAF BLS data certifications (forms 508 and 509)
 - CAF ICC Data Collection
 - Form 507, annual Line Count Data Collection
 - USF high-cost loop

Reminders and reference

■ USAC high-cost reference guide

- <https://www.usac.org/high-cost/resources/high-cost-reference-guide/>

The screenshot shows the USAC High Cost Reference Guide webpage. The header includes the USAC logo, navigation links (About, E-Rate, Rural Health Care, Lifeline, High Cost, Service Providers), and a search bar. The main content area is titled "High Cost Reference Guide" and includes a description of the guide's purpose. A sidebar on the left lists various resources, with "High Cost Reference Guide" highlighted. The main content area also includes sections for "System Resources" and "Performance Measurement Testing (PMM)".

The HUBB (High Cost Universal Broadband) Portal

- [HUBB Overview](#): provides an overview of the HUBB Filing and access to additional resources.
- [HUBB User Guide](#) provides information on system functionality.
- [HUBB FAQs](#) provides answers to frequently asked questions.
- [HUBB Data Formatting Instructions](#) provides data template specifications and error code explanations.

Disbursements Resources

- [HC Tools page](#): provides funding and certification tools and FCC Form 481 data.
- [Disbursement tool](#) provides support amounts by fund type and date.
- [Detailed Payment Search](#) provides support amount that include details about prior period adjustments, rate floor, budget control, and other impacts to the support amounts.

Customer Service Resources

When contacting the High Cost program, please use the appropriate contact information to reach the right team members. Use the following contacts to get the answers you need.

Please include these 3 pieces of information when you email USAC:

- Name
- Company Name
- SPIN

High Cost Customer Service Center

Topic	Contact
Disbursement issues	
Forms 481, 507, 508, 509	Email: HCquestions@usac.org
HUBB, PMM, and other HC systems and tools	Phone: (844) 357-0408
All other HC inquiries	Hours: Monday-Friday 8 a.m. to 8 p.m. ET

Specialized Requests

Topic	Contact
HC appeals	HCappeals@usac.org
HBB, PMM, Form 481, and 54.313 certifications	HCcerts@usac.org
Letters of Credit (LOC), Rural Broadband Experiments, and Form 460	HCinfo@usac.org
ETC designation orders/relinquishment, Study Area Code (SAC) requests	HCorders@usac.org
Service providers, E-File, and Form 498	CustomerSupport@usac.org
Obtain Form 499 data that is not available online	Form499@usac.org

Reminders and reference

- USAC high-cost funding tools

- <https://www.usac.org/high-cost/resources/tools/>

Funding Tools

[Funding Disbursement Search](#)



This tool displays information about total dollar amounts paid to carriers that receive High Cost funding to provide voice and broadband service in rural America. The tool contains payment information dating back to January 2003.

[Detailed Payment Data Search](#)



This tool displays information about dollar amounts reflecting audits and other prior-period adjustments paid to carriers that receive High Cost funding to provide voice and broadband service in rural America. The tool contains payment information dating back to November 2011.

[Connect America Cost Model \(CACM\)](#)



This tool is used to calculate the amount of funding ETCs will receive to support deployment of voice and broadband service networks where a federal subsidy is necessary. Users of previous models must create new accounts.

[FCC Operating Expense Limitation Worksheet](#)



Template to determine OpEx limitations for Rate-of-Return carriers.

[Notes on FCC OpEx limits](#)



Reminders and reference

- Important to keep FCC Form 498 updated
 - 498 ID (SPIN) and contact information form filed with USAC
 - Declares disbursement election
 - Used by USAC for outreach
 - Update online
 - Verify information annually
 - General contact critical

Reminders and reference

- 2023 Administrative Order (FCC 23-87)
 - Intended to streamline processes, align timelines and refine rules to address specific support-related situations carriers have experienced and affects all high-cost support recipients
 - Adopted Oct. 19, 2023, and posted in Federal Register April 10, 2024
 - Certain changes effective May 10, 2024
 - Review of rate-of-return mergers
 - Acquisition of exchanges by CAF BLS recipients

Reminders and reference

- 2023 Administrative Order (cont.)
 - Certain changes were effective upon OMB approval
 - Elimination of optional quarterly line count updates for CAF BLS recipients
 - Elimination of optional quarterly updates for HCLS recipients
 - Annual reporting and certification requirements for high-cost support recipients including timing of penalties
 - Study area boundary waivers
 - Process to relinquish ETC designation

Reminders and reference

- NPRM released July 24, 2023 (FCC 23-60), sought comment on needed reforms to legacy support mechanisms including:
 - Budget control mechanism
 - HCLS changes
 - CAF ICC changes
 - Deployment obligations
 - Effect of funding awards from other federal and state agencies

Reminders and reference

- Notice of inquiry released July 24, 2023, sought comment on how the FCC should modify its USF high-cost support program considering:
 - Anticipated deployment in most high-cost areas of robust, scalable 100/20 Mbps broadband service
 - Expectation of future speed upgrades will be relatively low cost

Summary

- There are several USF support funds available for rate-of-return carriers
- Each fund has its own rules and processes for:
 - Reporting and certification
 - Calculation of support
 - FCC and USAC filings
 - Disbursements
- The funds are subject to review and audit
- NECA is here to help you through the USF support process

thank you!



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Acronyms

■ A-CAM	Alternative Connect America Model
■ ARC	Access Recovery Charge
■ BCM	Budget Control Mechanism
■ BDS	Business Data Services
■ CAF	Connect America Fund
■ CAF BLS	Connect America Fund Broadband Loop Support
■ CAF ICC	Connect America Fund Intercarrier Compensation
■ CBOL	Consumer Broadband Only Loop
■ CFR	Code of Federal Regulations
■ CL	Common Line
■ ER	Earned Revenue
■ ETC	Eligible Telecommunications Carrier
■ FCC	Federal Communications Commission
■ HCL	High Cost Loop
■ HCLS	High Cost Loop Support

Acronyms

■ HUBB	High Cost Universal Broadband
■ ILEC	Incumbent Local Exchange Carrier
■ NACPL	National Average Cost Per Loop
■ NECA	National Exchange Carrier Association
■ NOI	Notice of Inquiry
■ NPRM	Notice of Proposed Rulemaking
■ OpEx	Operating Expenses
■ RoR	Rate of Return
■ SACPL	Study Area Cost Per Loop
■ SPIN	Service Provider Identification Number
■ SVS	Safety Valve Support
■ SW	Switched
■ TS	Traffic Sensitive
■ USAC	Universal Service Administrative Company
■ USF	Universal Service Fund