

BROADBAND DEPLOYMENT IN HIGH COST AREAS OF ARKANSAS

Arkansas High Cost Areas

Because Arkansas is a rural state, there are many rural and remote areas that do not have a sufficient population base to support broadband services, they are considered 'high-cost' areas. 'High-cost support' fees, also once known as universal service fees were created to ensure all customers, regardless of location, are offered 'comparable services at comparable rates' as their more urban counterparts. Both federal and state governments have adopted the concept of high cost support. It is understood that broadband networks are very expensive to build and to maintain. It is important to bear in mind that once those networks are built it is imperative that they be properly maintained.

Federal and state universal service fees provide support to assist telecommunications companies with multi-million-dollar investments in infrastructure. Universal service fees, like the service fees in many other industries, have always been broad-based, as low as possible, and used to help keep the cost of service in rural areas comparable to urban areas. Both federal and state funds have caps to increase manageability.

State high cost fund support in Arkansas is structured so that support is only available to companies following infrastructure investment. Companies receive support calculated on investments made two years previously. Because of a statutory cap, there is already a shortfall in the amount of support the formula would otherwise provide based on the extensive infrastructure investment the companies have already made.

Transition from Universal Service Fund to Arkansas High Cost Fund

The Arkansas High Cost Fund (AHCF) has evolved over the past twenty (20) years, as a fund that supports rural investments of telecommunications services in high cost areas. Historically, the fund provided support for telephone services and today supports broadband deployment in these same rural areas of the state. The focus of today's discussion will be on the current state and uses of the fund.

Development of the Arkansas High Cost Fund

Reason – There was a trend across states to base support on actual current, rather than historic, company costs with added transparency (public federal filing of FCC-prescribed allowable costs).

Solution – In 2007, the new AHCF was patterned after the federal High Cost Fund (HCF). The HCF used a more specific method of recovery of investment on actual investment in high cost areas. This method was based on individual company's publicly available investments. Each company certified the accuracy of their data to National Exchange Carrier Association (NECA) and Universal Service Administration

Company (USAC) and the certified data is subject to Federal Communication Commission (FCC) audits.

The National Broadband Plan – released by the FCC in 2010

The FCC's Broadband Plan was a real game changer. The plan set out a roadmap for initiatives to stimulate economic growth, spur job creation and boost America's capabilities in education, health care homeland security and more.

The National Broadband Plan encourages states to accept a role in supporting the investment in broadband deployment. The Plan includes a recognition that full broadband deployment cannot occur without active participation of the states through their own state high cost fund.

The Plan created increased demands on the Arkansas High Cost Fund due to increased demand for broadband deployment and more stringent FCC deployment requirements.

Today all Eligible Telecommunications Carriers (ETCs), with one exception, provide individual company cost data which is used to determine federal support. These costs are certified by the companies and are subject to federal audit and oversight. One eligible telecommunications carrier, AT&T, provides access line counts for their rural exchanges and those counts are multiplied by an average per line cost, developed through an FCC synthesis model.

FCC Broadband Deployment Requirements

Today telecommunications companies (rate of return companies) who accept federal high cost support are required to deploy 25/3 to a specific number of households in a specific timeframe. The FCC dictates what investment costs can be included for recovery. Those FCC-dictated costs minus federal support (and local revenue) are the basis of the Arkansas High Cost Fund's calculations for state support. So, the Arkansas High Cost Fund that once was support for telephone services, is now very effectively using state dollars to support broadband deployment.

RURAL COMPANIES USING HIGH COST FUNDS TO DEPLOY FIBER ACROSS ARKANSAS

