

# Alaska's Healthcare and Education at Risk: The Future of the Universal Service Fund

## What is happening?

- **Court Cases:** Several lawsuits have been filed by Consumer's Research (a non-profit organization) that argued against the funding structure of the Universal Service Fund (USF). Two have been dismissed, but the Fifth Circuit Court of Appeals found merit in the third case.
  - **Court Decision 1:** USF contributions are a tax, not a fee, and the Federal Communications Commission (FCC) is exercising governmental power without congressional authorization.
  - **Court Decision 2:** The Universal Service Administrative Company (USAC) is a private entity that was inappropriately given policy authority by the FCC.
- **What Now:** The FCC appealed the decision to the Supreme Court, and the case is expected to be heard by the court, likely in the summer of 2025.
- **Bottom Line:** If nothing changes, the future of the USF program is in jeopardy.

## What is the Universal Service Fund?

- The [USF program](#) was established in the Telecommunications Act of 1996 to provide access to basic telecommunication and Internet services to rural, high-cost, and low-income areas of the United States.
- The FCC was charged with defining the rules, collecting the funding, and administering the program.
- These services supported by the fund provide crucial support for residential phone, mobile, and internet, as well as Internet and transport services for rural healthcare facilities, schools, and libraries throughout the country.

## What is at stake in Alaska?

- An adverse decision by the Supreme Court would have several immediate impacts:
  - Alaska would lose approximately \$509 million annually (as of FY23/24) in USF funds, broadly jeopardizing rural Alaska's Internet, landline phone, mobile, and connectivity for citizens, schools, and healthcare facilities.
  - The connectivity gap between Alaskans and the rest of the U.S. would widen – putting Alaskans at a significant disadvantage solely because of where they live.
- Existing rural networks would likely shut down as the cost of maintaining and repairing facilities is too expensive to be supported at the current out-of-pocket rates being paid today.
- Grant-funded networks, which have not yet been constructed, would be in jeopardy due to a lack of sustainable funding.

## What's next?

- Following an FCC appeal, the Supreme Court is expected to hear this case. If the Supreme Court rules the USF is unconstitutional, changes to the program could go into effect quickly. There are multiple outcomes that could arise from a decision, but there are also possible legislative solutions to the issues.
- Without action from Congress, the program may cease to exist, jeopardizing funding for rural schools, health care facilities, mobile, and basic phone services. To prevent this, Congress must take action and explicitly define the FCC's role in the program or directly appropriate funds to ensure the program's success.
- Alaska's delegation, state leaders, and other stakeholders must work together to ensure the long-term success of USF. Without intervention, critical services for rural and tribal communities will be at risk.