

Impact of USAC’s 2017-2018 Budget Control Mechanisms

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Vantage Point Solutions has analyzed USAC’s newly released budget control mechanisms (BCMs) taking effect on July 1, 2017. There are a number of key takeaways evident from the data:

1. System wide impacts are modest

- The budget controls were only 3% higher than those announced six months ago.

	2016 (2 nd half)	2017 (1 st half)	2017-2018
Budget Control	.95	.91	.88
	5% “haircut” from forecast	9% “haircut” from forecast	12% “haircut” from forecast

2. Per line impacts are substantial

- Model companies exiting the pool took 35% of the access lines with them (but only a quarter of the demand). This increased the size of the “per line” budget controls for those remaining in the pool. That means companies with large number of lines will absorb a disproportionate support reduction.

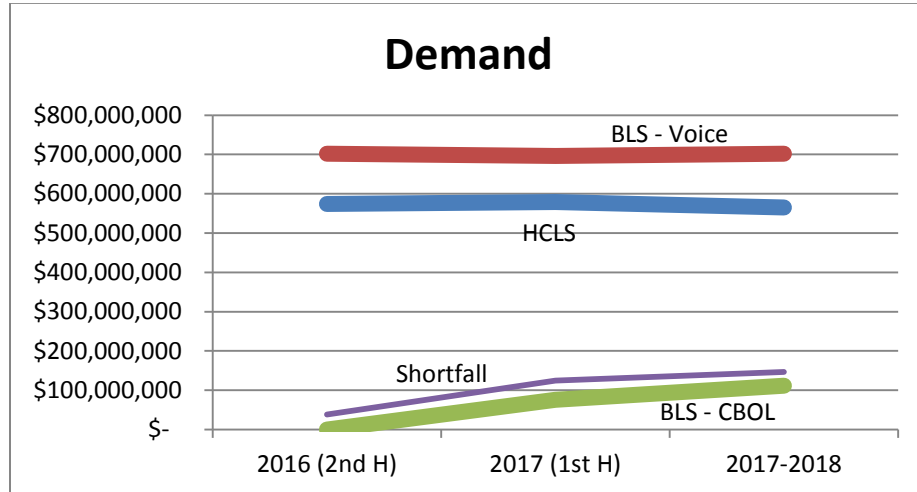
Per Line Budget Controls	2017 (1 st half)	2017-2018
BLS	\$12.54	\$21.62
HCLS	\$8.50	\$14.61

3. Demand for HCLS and BLS-Voice are flat

- Demand for BLS-Voice and HCLS support have been stable during the last three budget control periods. Although some pressure on HCLS has been relieved as lines shift to data-only (and therefore BLS-CBOL support), investment seems to be matching depreciation, keeping demand stable. In the next few years, there may be additional investment now that the rural industry has greater certainty regarding the future Universal Service. Some companies will also have to comply with deployment obligations. Those factors could increase demand (and thereby increase budget controls) in future periods.

4. Budget shortfall (and budget controls) are driven by CBOL conversion

- Demand for CBOL support has increased 50% in the last six months. During the last two budget control periods, the budget shortfall has closely tracked the demand for BLS-CBOL support. That suggests that future CBOL conversion could be a key drive of future budget controls.



For more information on the budget control mechanisms, or what they mean for your company, please contact:

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