



ISSUE: 15-06
DATED: 10/21/2015

FCC REMINDS HIGH-COST SUPPORT RECIPIENTS THAT SUPPORT MUST BE USED FOR ITS INTENDED PURPOSES

The Federal Communications Commission (“FCC”) issued a Public Notice on October 19th to remind High-Cost Support Recipients that support funds are to be used only for its intended purposes of maintaining and extending communications service to rural, high-cost areas of the nation. The FCC warns that the expenditure of support for any other purpose is misuse and may subject the recipient to recovery of funding, suspension of funding, enforcement action by the Enforcement Bureau pursuant to the Communications Act of 1934 or our rules, and/or prosecution under the False Claims Act. The FCC’s notice can be viewed at the following address: <https://www.fcc.gov/document/fcc-reminds-etcs-high-cost-support-requirements>.

The FCC also encourages state commissions to review information provided by Eligible Telecommunications Carriers (“ETCs”) carefully in advance of their annual certifications, and to report any concerns to the FCC for further investigation and potential enforcement action. Two areas that the FCC particularly stressed were Corporate Operations Expense and expenses included in a carrier’s Revenue Requirement. For Corporate Operations Expense, the FCC noted that ETCs are eligible to receive support to recover a portion of their costs relating to corporate operations, but those expenses must fall within the scope of the statutory requirement that support be used for the provision, maintenance, and upgrading of facilities and services for which the support is intended. Similarly, for Revenue Requirements, the FCC noted that section 65.450 of its rules prohibits carriers from including expenses in their revenue requirements unless such expenses are “recognized by the Commission as necessary to the provision” of interstate telecommunications services.

The FCC provided the following *non-exhaustive* list of expenditures that are not necessary to the provision of supported services and therefore may not be recovered through universal service support: Personal travel, entertainment, alcohol, political contributions, charitable donations, scholarships, penalties or fines, membership fees and dues in clubs and organizations, sponsorships of conferences or community events, gifts to employees and personal expenses of employees, board members, family members of employees and board members, contractors, or any other individuals affiliated with the ETC, including but not limited to personal expenses for housing, such as rent or mortgages.

GVNW believes that the FCC is sending a clear message for carriers to take steps to ensure that their company is in compliance with the rules and is retaining the proper documentation for all expenses. GVNW can help companies review their expenses and records retention policies to help ensure your company is using support funds for its intended purposes and is in

compliance with the rules. For assistance, please contact your GVNW consultant or Steve Gatto at 830-895-7226 or sgatto@gvnw.com.